

Demonetisation still haunting Our Lives

It is three years since Narendra Modi struck the nation with demonetization, that is, withdrawing notes of denominations of Rs.1000 and Rs.500 from circulation and introducing new Rs.2000 and Rs.500 notes. The explicitly stated purpose was the cleaning of economy of black money. The people of India believed Modi and faced many hardships without complaining with the hope of sunny days ahead as promised. But Narendra Modi belied their hopes and demonetization not only failed miserably in unearthing black money but also still haunting the people.

No doubt black money cripples our economy. Many official reports found that black money is not stashed in cash, but sooner or later convert into other valuable assets like real estate, gold etc. Yet a canard was spread that black money means cash and demonetization would make Rs, 3 lakh crore of cash cancelled. The RBI reported that 99.2 per cent of cash had come back to it. This fact showed that demonetization had not impacted the generation and circulation of black money.

The government claimed that tax compliance could get an impetus and as a result tax collections could increase substantially. Narendra Modi himself claimed that the number of income tax payers had increased. Yes more people are filing their tax returns but the number of them declaring significant incomes has not risen. Thus over these three years the ratio of tax to the GDP had changed very little. The supporters of demonetization argued that it would formalize the unorganized sector. But the attempt to formalize it through GST had further damaged it. Even if formalized, most of their incomes are below taxable level.

Though the demonetization failed to achieve its stated objectives, it had adversely impacted the lives of 130 crore people. The immediate effect was the shortage of cash. 86 per cent of the currency was of the denominations of Rs.1000 and 500 and it was withdrawn from circulation resulted in unprecedented cash crunch. Many small and micro businesses shut down and people have lost jobs. Traders have no cash to buy agricultural produce and farmer-s incomes fell sharply. Though banks were flushed with cancelled notes, banking operations came to a standstill. The unorganized sector constitutes 93 per cent of work force and produces 45 per cent of GDP was almost closed.

The situation had not improved after the note shortage ended. A year after demonetization about 22 per cent more cash had been in circulation, Yet there was no improvement in employment that fell sharply and the manufacturing sector continued to limp and the investment further declined. The situation in these fronts deteriorated further with the implementation of Goods and Service Tax in 2017. The medium, small and micro units could not recover because they had to spend their working capital for survival and meeting the GST rules. According to one estimate the present working capital needs of these millions of units is about Rs.10 lakh crore. With mounting NPAs and NBFC crisis in 2018 credit avenues had dried up.

The growth in agricultural sector has fallen below 2 per cent and has never recovered. Both net sown area and yields had fallen. Further those who lost their jobs in unorganized sector had returned to villages. The government sensing the unrest allocated another Rs.9000 crore to MNREGA. Yet according to RBI it could create only 45 days of work instead of 100 days they are entitled for.

The crisis of Indian economy that is being continued since the last seven decades started getting exacerbated in the form of recession, though they call it as slow down, since the demonetization and GST. This by the beginning of the 2019 impacted the lives of people who are going through the harrowing experience of unemployment, misery and hunger.

List of willful Defaulters to Banks->

List of Willful Defaulters to Banks

| <i>Borrower</i> | <i>Sum Rs.crore</i> | | |
|-----------------------------------------|---------------------|------------------------------|-------|
| Gitanjali Gems | 5,044 | Siddhi Vinayak Logistic | 1,349 |
| Rei Agro | 4,197 | VMC systems | 1,314 |
| Winsome Diamonds and Jewellery | 3,386 | Gupta Coal India | 1,235 |
| Ruchi Soya Industries | 3,225 | Nakshatra Brands | 1,148 |
| Rotomac Global | 2,844 | Indian Technomac Co | 1,091 |
| Kingfisher Airlines | 2,488 | Shree Ganesh Jewellery House | 1,085 |
| Kudos Chemie | 2,326 | Jain Infraprojects | 1,076 |
| Zoom Developers | 2,024 | Surya Pharmaceuticals | 1,065 |
| Deccan Chronicle Holdings | 1,951 | Nakoda | 1,028 |
| ABG Shipyard | 1,875 | KS Oils | 1,026 |
| Forever Precious Jewellery and Diamonds | 1,718 | Coastal Projects | 984 |
| Surya Vinayak Industries | 1,628 | Hanung Toys and Textiles | 949 |
| SKumars Nationwide | 1,581 | First Leasing Co of India | 929 |
| Gili India | 1,447 | Concast Steel and power | 888 |
| | | Action Ispat and Power | 888 |
| | | Diamond Power Infrastructure | 869 ❖ |