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Demonetization: The Indian Experience

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Abstract: Sudden demonetization of 500 and 1000 rupee notes forming a major portion of circulating currency by the Indian Government in November, 2016 is a daring step in the national interest. It created an instant chaos in the country. Besides inflicting a major blow to holders of unaccounted money and counterfeit currency, it also caused suffering for the common man. It was opposed by some on this ground. Many felt that if a short-term suffering was the price for a substantial long-term gain, it would be justified. The present study is based on secondary data from an extensive consultation of sources of information on this topic. It attempts to analyze the pros & cons and the rationale for demonetization. Amidst conflicting ideologies, politics, and self-interests dividing intellectuals, leaders and economists on this move, an unbiased approach to study the available literature on demonetization and to arrive at conclusions has been made. After short-term set-back the long term benefits are showing up. A comprehensive survey of the long-term outcomes is beyond the scope and time-frame of this study, but is a fertile ground for future research. The learning from the study would offer guidance for reforms through demonetization and the needed course-corrections. Other developing, emerging and developed economies would gain useful insights from this study when contemplating such measures.

Keywords: Circulating Currency, Counterfeit Currency, Demonetization, Long-term Gain, Short-term Suffering, Unaccounted Money.
JEL CLSSIFICATION: H26; O17; & G18

INTRODUCTION

"Management is doing things right. Leadership is doing the right things." - Peter F. Drucker

The decision on withdrawing from circulation of 500 & 1000 currency notes with immediate effect was announced on 8 November, 2016. This daring, sudden step surprised all. The issues of corruption, hoarding of unaccounted (or black) money, narrow tax base, widespread tax evasion, huge informal economy, lack of transparency and inefficiency of conventional measures in tackling scamsters and swindlers were vexing the nation for a long time. Demonetization is an unconventional & unprecedented manoeuvre aimed at achieving long-term goals of tackling black money, counterfeit currency & corruption, formalizing informal economy, depriving funds for radical & antinational elements, increasing tax compliance, generating more funds for infrastructure development & social welfare, and ultimately building a new India with a vibrant economy. It appeared to be an earnest attempt to fulfill the poll promises to the people. This unique attempt to study the course of events following demonetization on such a mammoth scale would be of help to other countries and planners when considering similar measures.

MATERIALS & METHODS

The present study involved a review of relevant literature & secondary data on demonetization. The opinions/views of economists, bureaucrats, leaders, bankers, industrialists & entrepreneurs were considered for understanding the rationale, design, planning, execution, short & long term implications, and the way forward. Though the scope of present study is limited to the short-term impact, the long-term consequences were estimated based on informed projections.

LITERATURE REVIEW

History of Demonetization [1]

Demonetization is the act of stripping a currency unit of its legal status. Current forms of money are pulled from circulation to be replaced with new forms (notes/coins). A country may totally replace the old currency with new. Reasons may be to combat inflation, combat crimes (corruption, tax evasion, counterfeiting, smuggling & terrorism), to discourage cash-dependence & facilitate trade. Earlier examples of demonetization are: 1. U.S.A. demonetized silver for gold by the Coinage Act, 1873. 2. National currencies of several European nations were demonetized in 2002 in favor of Euro as common currency for trade facilitation. 3. Zimbabwe demonetized its dollar and declared U.S. dollar, Botswana pula & South African rand as legal tender in 2015 to combat hyperinflation & stabilize economy. 4. High value notes were demonetized in India in 1946 (500, 1000 & 10000 notes) & 1978 (1000, 5000 & 10000 notes) to control black money.

The Aftermath of Demonetization [1, 2]

500 & 1000 notes, of the biggest value & accounting for 86% of circulating cash (Fig-1), were suddenly withdrawn and the deadline was till end of 2016 to deposit or exchange them for newly introduced 500 & 2000 notes at banks. Persons & shell companies with huge unaccounted cash would be forced to take high value notes to banks, which would collect tax information and, in absence of proof of tax payment, a penalty of 200% of owed amount would be imposed.

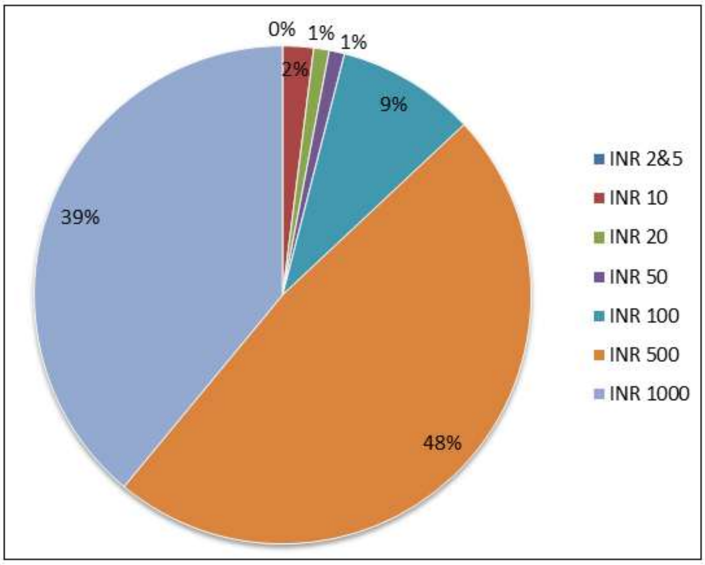

Fig-1: Percentage Share of Denominations in Circulation by Value in FY 2015-2016
Source: The Reserve Bank of India

Reasons for initial chaos

- High cash dependence (78% of all transactions).
- Long lines outside banks & ATM's resulting in day shutdowns.
- 60% the of country's 200000 ATM's only recalibrated for new bill specifications
- Shortage of lower denominations in functional ATM's.
- Limits on daily withdrawal.
- Small businesses & households struggling for cash (Fig-2).

Fig-2: Queue outside a Private Bank Following Demonetization
Source: Moneycontrol.com

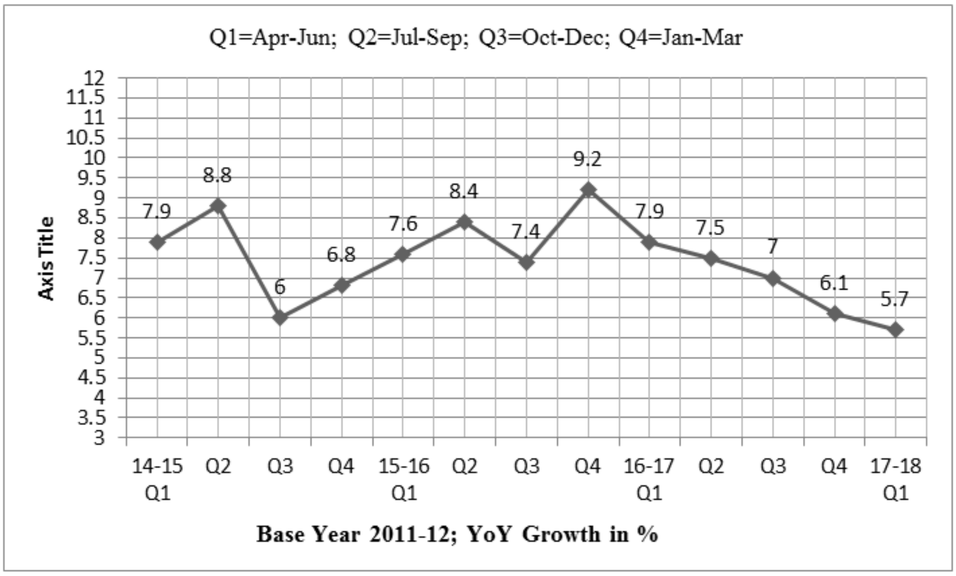

Fig-3: Quarterly GDP Growth Rate of India

Source: Tradingeconomics.com, Ministry of Statistics & Program Implementation, Govt. of India

Immediate Consequences

- Overworked Banks: from rapid printing of new notes, frequent cash supplies to banks & ATM's and huge transaction loads in deposit & exchange of old notes.
- Stock Market Decline: Demonetization and the US presidential election drove stock market indices to a six-month low in the following week.
- Suffering for People: from long waits in queue, bureaucratic delays, inability to buy food, medicines & bus/train tickets, loss for daily wagers & sporadic death reports from exhaustion.
- Effect on GDP growth (Fig.3): Forecast for 2016-17 was cut by 0.5 to 3% by global analysts. It dropped from 6.1% (Jan-Mar '17) to 5.7% (April-June '17; the lowest since 2014).
- Transport Disruption: 800,000 truck drivers were affected by cash scarcity, with around 400,000 trucks stranded at major highways. Many toll plaza operators refused old notes.
- Agriculture Sector: Farmers were unable to buy seeds, fertilizers & pesticides or to transport their produce to markets. Crash in commodity prices forced dumping of produce.
- Businesses: Small & medium ones suffered more. Cigarette sales had a fall of 30–40%, while e-commerce companies had a 30% decline in cash on delivery orders.
- Job Losses: particularly in the unorganized & informal sectors and in small enterprises (including labor union jobs).
- Drop in Industrial Output: Industries were hit. The Purchasing Managers' Index (PMI) fell to 46.7 (Nov., 2016) from 54.5 (Oct., 2016), the sharpest fall in 3 years. Growth in the eight core sectors was only 4.9% in Nov., 2016, compared to 6.6% in Oct., 2016. Cash intensive sectors were badly hit.
- Rise in Digital Transactions: The demand for point of sales (POS) & card swipe machines rose. E-payment options like PayTM, MobiKwik, Instamojo Payment Gateway, and PayUMoney saw a hike. Prepaid cash cards (like Itzcash), mobile payment linked to e-commerce, like Ola Money, FreeCharge, and Flipkart Wallet flourished. Demand for virtual currency, like Bitcoin, has spiked. After a peak in December, 2016 digital transactions declined since January, 2017.
- Fall in RBI Dividend to Government: It was Rs. 30.7 trillion in 2016-17, less than half of Rs 65.9 trillion of 2015-16. This could cause a rise in fiscal deficit for 2016-17.
- Effect on Radical Groups: Funding for Naxalites and Kashmiri Separatists got derailed, at least for a short term, as counterfeit currency became worthless.
- Effect on Hawala Transactions: They were affected after demonetization, especially in Mumbai, Kerala, and Jammu-Kashmir.
- Fall in Human Trafficking: Note ban has led to a huge fall (especially in women & children), but rebounded by next month, with the new 2000 notes & absence of other control measures.
- Increase in Tax Base: I-T returns filed for 2016-17 grew by 25% to Rs. 28.2 million. The advance tax collections rose to 41.8%, over the corresponding period of 2015-16. Personal income tax under self-assessment tax grew at 34.25% over 2016-17. Large amounts of outstanding and advance municipal & local body tax payments were made. The tax collection by local bodies surged over 260%. Total indirect tax collections rose to 14.2% in Dec., 2016.

- Evasion Attempts: by gold purchases, donations to temples & gurudwaras, multiple bank transactions, railway-booking loopholes, backdated accounting, and other violations. The alerted government conducted raids on them.

The liquidity squeeze feared to affect the fast-growing Indian economy would only be short-lived, till systems get adjusted to the new normal, and if interest rates were lowered. India Ratings & Research maintained India's GDP growth forecast at 7.8% for 2017.

Return of Banned Notes [3]

Up to 20% of demonetized currency (over Rs. 3 trillion) was expected not to return. But almost 99% of 500 & 1000 notes withdrawn have returned to banks (RBI announcement on 30 August, 2017). The expectations on non-return of demonetized notes & purging of black money were belied. Unaccounted cash was either a small fraction (6% or less) of black money, or was successfully returned using the loopholes. It strengthened the critics' view on the weak economic rationale & negligible gains from disrupting the informal sector.

The stupendous task of identifying the fake ones among returned notes has started and is still continuing. The value of the fake notes in 2016-17 at Rs. 410 million (just 20.4% higher than in 2015-16) was bound to attract criticism.

The RBI spent nearly half of the Rs 160 billion worth of unreturned notes, i.e. Rs 79.65 billion, during July, 2016 - June, 2017 on printing new notes for replacement. But despite RBI's earnest efforts the pace of remonetization remained slow. The expected high dividend from the RBI did not materialize. Decline in circulating currency caused a large increase in surplus liquidity in the banks, a cut in the cash reserve ratio by 9% & a formidable challenge to liquidity management.

Economic & Political Risks of India's Demonetization [4, 5]

Fears were expressed from certain quarters.

- A deep shock therapy in a predominantly cash-based major economy without impending economic collapse or hyperinflation was unprecedented with unpredictable & undesirable long-term consequences, like burning down a house (economy) to get rid of a few rats (the corrupt)!
- Attack on Indian way of doing business: Indian economy is unique with a.) Cash to GDP ratio is at 12-14%, against 5% in comparable economies, b.) Less than ⅓ of people have access to financial institutions, most of the banks being urban & a majority of the population rural, c.) Only 5% of the Indian workers pay income tax, d.) Just 15% of the economy is in the tax net, and e.) Tax to GDP ratio (17%) is 5 points lower than comparable countries. High property taxes drive buyers & sellers to understate sale values. Informal economy, accounting for 45% of GDP, 80% of the workforce and serving as an escape from the crushing burden of state taxes, regulations & red tape, was likely to suffer damage.
- Suffering for common man & little impact on illicit wealth: The initial chaos & long queues for exchange of banned notes at ATM's & banks caused suffering for middle & lower classes, farmers, and rural & urban daily wagers, and a significant job loss in the badly hit construction & fishing industry. The rich with illicit wealth in Indian & overseas real estate, shell companies, 'benami' (nameless/opaque) investments, shares, gold & jewelry, and overseas bank accounts with only a small proportion in cash, appear the least affected. Even that got easily exchanged through 'mules'. Shock without institutional transformation only enlarges government's role without governance. Overall, ‘the accomplishment appears less compared to the collateral damage to economy’.
- Political image of the ruling party: It was perceived as strong & decisive. The political rivals were deprived of substantial cash assets for fighting forthcoming elections. But the ruling party’s main base of wholesale & retail traders suffered from cash curbs and many marginal & small businesses, from fall in sales & income. Foreign tourists & large Indian diaspora visiting India were caught unawares & inconvenienced. This might cause loss of goodwill & political support.

Findings of Economic Survey 2016-'17 on Demonetization [6]

The Economic Survey of 2016-17 provided a philosophical basis by describing demonetization as a necessary, radical & historic decision with a profound impact on economy. It stayed clear of hazardous forecasting. The short & long-term effects were already acknowledged by the global bodies, like the World Bank & the International Monetary Fund. Goods & Services Tax (GST) and other follow-up structural reforms should take the trend rate of growth of economy over medium term to 8-10%. GDP growth for the 2nd half of FY 2016-17 understated the impact from non-inclusion of the most affected informal & cash-based sectors. But the survey cautions on risk of failure, if cash substitution fails or resisted by the people.

Version of the Previous R.B.I. Governor [7]

Dr. Raghuram Rajan, who ended his three-year term as RBI Governor on 4 September, 2016, reportedly had no clue on the date of demonetization, though it started during his tenure. He was not in its favor, as short-term cost of note ban would outweigh long-term gains.

A Case Study of Demonetization Drive [8]

As corruption was mainly thought cash-based, noncash activities were not targeted. This might affect future strategies: strong legislation for checks & balances, capacity-building of regulatory & anti-corruption watchdogs, and private sector incentives for integrity & transparency.

Behavioral Change from Demonetization [9]

Demonetization is a short term pain for a long term gain, implemented daring the political costs. People should adapt to an economy with scarce cash. The digital shift will have a positive long-term impact and enable small businessmen to handle finances better.

Tax Base up-Less Cash-Less Black Money [10]

As announced by the Union Finance Minister on August 31, 2017 the principal objective of demonetization was to gradually bring down the quantum of cash operating in the system and integration of informal with formal economy ('formalization'), but not just confiscation of cash. 99% of banned cash returning to banks was not a setback. The benefits are expansion of direct & indirect tax base, more digital transactions and sustained clean-up of black money. The direct tax base started expanding with personal income tax returns rising by over 25%. Cash dealings, now routed through banks, ended anonymity & ensured identification. Initial GST deposits indicated more transactions with expansion of indirect tax base.

Banking & digitization measures, like bank account for every Indian, subsidy transfers into bank accounts instead of as cash doles, strict action against foreign black money, end of round tripping through treaty misuse, curbing shell companies & 'benami' properties and finally ensuring only tax paid money enters election system, reduced volume of cash currency by 17%.

A carrot-and-stick policy for compliance post-GST included reasonable tax rates, reducing compliance burden & more technology with minimal physical contact between assessee & assessment authority (carrots), and tax authorities going after the detected tax evaders (stick).

New taxpayers filing income tax returns in 2017 have “more than doubled” (5.6 million, as against 2.2 million in 2016). More funds from householders entered organized financial markets, instead of unproductive physical assets. Equity mutual funds & life insurance premium savings increased. The total assets under management of mutual funds rose by 54% from March 2016 to end of June 2017. Zero balance accounts at 295.2 million, 60% of them rural, in Pradhan Mantri Jan Dhan Yojana (a financial inclusion program of Government of India) declined from 76.81% in September, 2014 to 21.41% in August, 2017.

Impact Analysis [11]

The pros included

- Black cash money couldn’t be exchanged much for fear of getting penalized & prosecuted and anti-national role of counterfeit currency stopped for some time.
- Banking system slowly headed to a cashless mode with better credit access & financial inclusion after success of digitization on easing cash-withdrawal limits.
- It would reduce the risk & cost of cash handling and also government liability. It would also reduce tax avoidance, with limits for reporting prescribed on bank accounts with excess cash deposits in the 50-day window period (Rs 250 thousand for individuals and Rs 1.25 million for firms).
- In the long run tax & interest rates on loans would fall with higher income tax collections from better compliance, raise disposable income & increase consumption demand.

The cons

- Negative effect of liquidity squeeze on sectors with high levels of cash transaction
- Replacement cost of currency, increased cost of operating ATMs & huge burden on banks.
- Creating cashless society difficult with over 50% people not well-versed in card transactions.
- Difficulty in making cash transactions of higher amounts in the initial months.

But the government has been taking steps to improve liquidity & reduce inconvenience. The hefty penal provisions would discourage corrupt practices from taking roots again. Despite short term troubles, demonetization would boost Indian economy in the long run.

A Failed Attempt to Formalize Economy [12]

A South India survey has indicated that huge amounts of black money returning to banks in small nontaxable quantities using informal networks of intermediaries, and the scarcity of money reinforcing the informal channels have defeated two main goals, like curbing black money & formalizing economy. It implies that technological formalization through universal banking & digitization alone would not solve poverty & protect the marginalized sections.

Resurgence of Cash and Fading Success of Digitization [13]

As per the RBI data, the amount of cash in circulation as a share of GDP (8.8% in 2016-2017 and 10.9% in 2017-2018) will soon return to the pre-demonetization level (12%) and may even rise above it as per current trends. The persistence of cash despite efforts to discourage isn't unusual. No single country is responsible for the trend. Persistent popularity of cash globally seems to be due to low interest rates and the wariness of the formal financial system. To really encourage use of less cash making the system more trustworthy and boosting returns on savings would work better, than forcing people to part with paper money.

Learning at First Anniversary after Demonetization [14]

Lessons for planners of economic interventions round the world from the Indian experience:

- Ill effects were foreseeable, if experts on economics, business & technology were consulted.
- Basic data likely to veto such policy intervention, like economic chaos from invalidating 86% of cash in circulation, predominant role of cash in the informal sector, and futile targeting of a minor component (cash) of unaccounted wealth, were ignored.
- Strategy of leaving holders of illegal cash stranded with useless banknotes failed.
- Digital technology delivering transformational change would not occur in absence of user trust in the infrastructure reliability.

NDA's Track Record in Managing Economy against UPA's [15]

Demonetization has surely caused major disruptions. Comparison of performances of United Progressive Alliance (UPA) with National Democratic Alliance (NDA) governments setting the transition year 2004 as starting point would help:

UPA had inherited an industrial growth of 5.4% and GDP growth of 8.2%, which fell to 4.2% & 6.9%, when it left office. Year-on-year GDP growth was increasing, when UPA assumed office in 2004, but falling, when NDA took over in 2014.

Investment in NDA regime was affected by the non-performing asset mess from bad loans by UPA. To hold NDA responsible for the actions & inactions of UPA is unreasonable.

The NDA government acted proactively by making suitable amendments to Banking Regulation Act, 1949 & Securitization & Reconstruction of Financial Assets and Enforcement of Security Interest (SARFARESI) Act, 2002 and by introducing an Insolvency & Bankruptcy Code.

The bleak record of NDA in direct job creation was from the global economic scenario, besides demonetization. Impact of the promotion schemes, like Skill India & Micro Units Development and Refinance Agency (MUDRA), are yet to be realized.

NDA's expenditure on social schemes, despite implementing the 14th Finance Commission recommendations requiring the Centre to increase the share of state governments in the annual budget, has been better than its predecessor's.

The UPA legacy of rising inflation, declining growth, policy paralysis, tainted image & a tight fiscal situation have left NDA with little room to increase public expenditure. Despite a fall in growth in July-September, 2017 consumption hasn't fallen. With demand intact the industry had 2 options left: indigenous production, or imports. Efforts of vested interest groups in creating a doomsday atmosphere by blind criticism backed by baseless arguments would only strengthen faith in the NDA's governance!

Lingering Impact [16]

The impact of demonetization, GST implementation, weak domestic & external demand, and high input prices were much deeper than anticipated.

On supply side, despite a record food-grain production in 2016-17, agricultural growth declined to 2.3% in January-March, 2017 and 2.5% in April-June, 2017 from 5.2% earlier, probably from underperforming of dairy & fisheries, and depressed prices of agro-commodities. Manufacturing growth was affected by destocking prior to GST. But a positive trade sector growth at 11.1%, the highest of the last 5 quarters, partly compensated for it. A 4-quarter declining trajectory reversal & growth of 5.5% in April-June, 2017 from 3.8% in January-March, 2017 is the only bright spot.

On demand side, all components of final demand (private & government consumptions, investment and net exports) were on a declining trajectory. But investment growth, albeit at a mere 1.6% in April-June, 2017 & much lower than same period the previous year, was a silver lining to the cloud and has reversed the declining trend since April-June, 2016.

Thus all the available data point to a lingering impact. Currently, the macro environment is stable and conducive for growth, but a number of stress points remain, like over-leveraged corporate entities, stressed bank balance sheets, excess capacity in manufacturing sector & poorer export demand. There is limited scope for fiscal & monetary policy stimulus. Quick resolution of cases referred to National Company Law Tribunal (NCLT) & bank recapitalization would build confidence in the economy. A sharp recovery in later half of 2017-18 could push the growth up, depending on situation management.

Defending Demonetization [17]

The Prime Minister, in his address to the Company Secretaries on 4 October, 2017, defended demonetization with facts & figures. Government efforts have enabled economy function with less cash & cash-GDP ratio came down to 9% from 12% earlier. GDP fall in April-June, 2017 to 5.7% was not unique. Several times earlier it has fallen below 5.7% accompanied by higher inflation, current account deficit & fiscal deficit, unlike in the present case. Once considered one of the 'Fragile Five' economies dragging back global recovery, India would soon be in a new league of development. There was no need for pessimism, as advocated by some. The Government would reverse the trend through several reforms, while maintaining the country's financial stability and safeguarding interests of the honest. A massive increase in investment, rise in outlays in some key sectors & 87 reforms in 21 sectors happened in the last 3 years. Accrual of savings to the poor & middle classes to change their lives for the better would be ensured in the policy & planning.

Long-Term Gain [18]

Complaints against suspicious transactions registered were 361 thousand in 2016-17, against 61 thousand in 2015-16. Fraudulent transactions worth over Rs. 1.7 trillion were under scrutiny, over 300 thousand shell companies were unearthed, and 210 thousand were deregistered due to irregularities. 1,150 companies were caught for money laundering and Rs.133 billion was recovered. A thriving black economy was in ruins.

Boosting transactions through banks & digitization: Digital transactions rose from 713 million in October, 2016 to 1115 million in May, 2017, and were expected to touch $500 billion by 2020.

Funding for terrorism in Kashmir and Naxalism-affected areas was curtailed. Non-formal economy was being converted into formal by change in saving habits, formalizing assets market, and ensuring more funds in organized financial markets. Total assets under management of mutual funds rose by 54% from March, 2016 to the end of June, 2017.

Tax authorities have seized undisclosed income worth over Rs 154.97 billion, a remarkable jump of 38%. A significant portion of specified bank notes deposited could possibly represent black money. "Operation Clean Money" launched on January 31, 2017 for scrutiny of about 1.8 million suspicious accounts was the first in India's history to cleanse the system. More funds are now available for social & development projects from the expanded tax base.

RBI's release of Rs 10.5 trillion in August, 2017, compared to Rs 5.2 trillion the previous year, into banking system reduced interest rates & the lower equated monthly installments benefited loanees.

The impressive revenue collection under GST (total revenue by 29 August, 2017 of Rs 922.83 billion with only 64.42% assessees completing payments) was partially attributable to demonetization. Almost 1.9 million new taxpayers have registered with the GST Network. After a short disruption long-term gains would positively impact economy & prove the critics wrong.

Overall Impact on Indian Economy [19]

Branding demonetization a failed move on the basis of percentage recovery of banned high denomination notes is partial. The other benefits are equally important. Demonetization acted as a safeguard against excessive flow of cash creating asset bubbles, and this has been overlooked in the debates on effectiveness of the move. Despite initial jolts the negative impact has become neutral in a year. The positive effects far outweigh the negative outcomes. It would strengthen India's institutional framework by reducing tax avoidance & corruption, would result in efficiency gains through greater formalization of economic & financial activity, broadening the tax base & expanding usage of the financial system and would be positive for large players in retail & banking sectors. A comprehensive analysis needs some more time. Still it is a landmark initiative against rampant corruption and black money in the economy.

Post-demonetization Policy Agenda [20]

The objective of demonetization was not just to raise revenues, but to reap wider economic benefits. It outclassed conventional approaches in raising structural issues and in encouraging digitization, sharing information between tax departments & disclosing political donations. A suitable follow-up for success suggested were:

- Increasing the formal sector: accompanied by expanded tax base, increased tax compliance, digitizing transactions, lowered cost of doing business, eliminating policy distortions & facilitating financial inclusion of small enterprises.
- Shrinking the huge informal sector: measures, like reducing high cost of doing business, tackling high labor costs & tax incidence, reducing regulatory burden on small & medium firms, and dealing with fragmented Indian industrial sector- all without making informal activities untenable. The most effective strategy is to expand formal economy through economic growth.
- Limiting black money creation: a.) Reforms in real estate, like the combined registration fees & stamp duty lowered to 2 to 3% of the land value from the current 5-12% and gradual replacement of guidance value system by transparent, market-determined system, and b.) Reforms in politics, like

changing the business model, addressing high cost of elections, greater transparency in campaign financing, auditing of party accounts & mandatory income tax filings, payments to parties only through formal channels and revising electoral spending limits every 5 years.
- Politically sensitive agriculture income tax and campaign finance: to be tackled judiciously.

There are no easy answers to development challenges of India. Persistent capital accumulation, creating a large consuming class, encouraging firms to operate formally & building efficient regulatory capacity are needed. Best antidote to informality is inclusive economic growth.

FINDINGS, CONCLUSIONS & SUGGESTIONS

Demonetization was a daring & pioneering reform after "*Liberalization, Privatization & Globalization"* of 1991. The ruling party appears to have staked its credibility, goodwill & popularity on this. The findings, conclusions & suggestions from the study are:

- Demonetization has certainly caused a short-term disruption in economy and affected the common man. But a majority of people appear to have accepted it as necessary for a brighter future. .
- The hue & cry raised against the short-term disruptions were, at the best for sparing the anguish of common man, and at the worst, ventilation of frustration at various personal losses, like deprivation of power, position or say in national affairs, unaccounted cash rendered worthless, and fast-drying sources & uncertain future of unaccounted wealth, besides politico-ideological bias.
- A deliberate & well thought-out strategy appears to have been adopted on sound economic fundamentals, and not in a specter of hyperinflation or financial crisis. This renders undue fears of long-term consequences and doomsday predictions irrelevant.
- It is advisable for the Government to stay on course, be responsive to positive critics & not rabble-rousers, communicate with citizens, be honest in accepting short-comings, encourage citizen-participation in development, and do the required mid-course corrections, holding welfare of the common man supreme.
- Demonetization is not an end, but only a means to an end in a multipronged strategy to control black money. A holistic approach with structural reforms, like strengthening legislation and building capacities of regulators & anti-corruption watchdogs, shall check black money in all its forms and render attempts at its generation too risky.
- Besides punishing & shaming the corrupt, the honest & the compliant should be rewarded and made role models for coming generations.
- This is a crucial phase and there is too much at stake for the nation, besides the credibility & future of the present government! It deserves utmost earnestness in planning and execution to bring about desired changes.

India has had many 'managers' at the helm of affairs after independence, who could do the things right. But the country now needs a 'leader', who can do the right things!

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