

# Case Study: Demonetisation and the Three B's

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**Abstract:** Demonetisation has lead different segments of society to react differently. Initially it has created a lot of doubts on everyone's mind. However, testing stage is said and done; now it's a reality. This case is written to highlight the following objectives:

- To analyze the need of demonetisation.
- To discuss the prima facie of demonetisation with classical reasons.
- To understand the after effects of demonetisation on common households.
- Moving from Three B's to Digital Economy.
- Need for Education on cashless economy.

**Keywords:** Cyber crime, Demonetisation, Digital economy.

My best friends' son Aradhya, 12 years old has received ₹1000 note from his aunt during her visit to their home. When his aunt left the house, his dad wanted ₹5000 to pay for taxi driver so he asked his mom, but she refused by saying that she does not have a penny. Aradhya was very much excited to buy a football of a branded company with ₹1000 which he has received from his aunt. However, his dad was postponing their purchase of his favourite sports ball. "Dad please take me to the sport shop in the market before you proceed to business trip". His dad suggested, "Why don't you take your mom along?" Aradhya was very reluctant to take his mom to the shop because he knows very well that she will crib on purchase of an expensive ball that would cost around ₹960. So he insisted that he will visit the shop only with his dad. His dad promised him after the business trip he will take the boy to the shop and he will be back on 10 November 2016. On 6 November 2016 his dad left home wishing adieu to the family.

Next two days passed as usual, on 8 November 2016 at around 6:00 pm Aradhya was playing with his old football was anxious to buy the new ball. His mom was busy cooking in the kitchen, after regular house chores at around 7:45 pm she was watching her ever liked saas bahu serial on television. Her phone rang loudly and she picked up the call, on the other side it was her husband, within few seconds she kept the phone and shifted the regular channel to a news channel. Breaking news was splashed on screen i.e., ₹500 and ₹1000 will not be a legal tender after 12:00 pm today. Aradhya was surprised to see his mother watching newschannel and he asked her. "Mom, what

happened?" She uttered the news to him. Immediately Aradhya exclaimed and asked "What about my new foot ball?!"

Aradhya's mom ran to her bedroom and started searching her wardrobe for her old vanity bag. Which was her secret place to keep money that is undisclosed to her husband! She found around ₹25,000. Most of the notes were of higher denomination of ₹500 and ₹1000!?? She was murmuring to herself and worried about exchanging these notes. More than anything, she has to disclose the truth to her husband. Aradhya came behind her and asked his mom why she is panic?! She asked Aradhya to go back to his room. He saw his mother was upset and fumbled.

Aradhya has many questions in his mind. Why ₹500 and ₹1000 invalid? What about my foot ball? Why his mom is panic?

Is the answer is undisclosed income to her husband? Is it surgical strike on house maker's money? Or on the *Three B's*; *Blocked Money, Black Money, Blood Money*?

*Why money has to be demonetised???* Aradhya ringed his uncle (whom he always relied up and considered as a genius, because his uncle has vast knowledge on variety of issues). His uncle Pragyana picked up the call and was excited to hear from Aradhya. After regular greetings Aradhya shared his concern. His uncle assured him not to worry; demonetisation will not hamper his dream of purchasing a new ball.

Demonetisation is a process in which the legal tender of currency will not be valid as a legal tender of exchange. There are various reasons for this step. Most importantly, to curb the problem of Black Money. Now Aradhya was surprised, he asked his uncle, 'Money is Black in color?' 'How it is possible?', 'My ₹1000 is not Black.' His uncle replied with a smile, no its' not the color of note my dear but it is the source of money. Any money which is not accountable in the books of the government is Black. This is also called as Shadow Money. Aradhya immediately responded Oh! Shadow is always black in colour, that follows us, probably he coined-Parallel Economy i.e., Black money follows the main stream of economy and affects like a monster. A monster or a menace which is thirsty for blood. Ruckus that creates the problem to the society by anti social activities, terrorism and drink the blood from main stream termed as Blood Money. Blocked Money - under the beds of tax evaders, inside the secret chambers of houses.

The percentage of money in Black, Blood and Blocked Money is in higher denominations as it is easy to store huge amount. This money is unaccountable in the government records.

To flush these 3 Bs' into economy or control the money or to cut the fake currency rackets it is important to demonetise. Demonetisation is enforced to control the illegal activities, tax evaders, tax avoiders, ill-gotten money holders, fake currency suppliers and curb the problem of parallel economy.

Aradhya was carefully listening to his uncle was excited to know why police or government cannot control if it is so dangerous. His uncle smiled and answered back, we can surely control but it takes time and preparedness against such activities.

There are several institutions that work towards controlling the menace of the Three B's. Like CBI, CDBT, etc.

However, the role of each citizen is important to safeguard the interest of our nation. Value system need to be strengthen to fight against the monster of shadow economy both at individual level, organizational level and at governmental level. Put the nation first move from 'I' to 'We', 'We' to 'Our'. Slowly we can conquer the monster and can become Vasudaika Kutumbham.

Although, Aradhya understood the concept of demonetisation. He asked his uncle, "Will my mom stop storing unaccountable currency i.e. ₹2000 notes?" "Will Blood money, be stopped?"...!!!!

It was 4 February 2017 Aradhya's birthday; his uncle came home to wish him. Aradhya was delighted to see his uncle, after the party, family was enjoying the ice cream in chilled winter night. Aradhya showed his branded football and invited his uncle to play in the morning at nearby stadium. Uncle asked Aradhya in a twinkle in his eye 'so, young man, you are happy now.' Aradhya smiled back and answered 'dad helped me to buy after he installed *Paytm* on his phone, I gave ₹1000 to dad in return of this ball'. Aradhya continues to ask 'but, uncle why demonetisation has led to *Cashless*?'. His uncle replied the role of *Digital Economy* or *Cash Less Economy*.

The government is trying to connect remote areas, villages through high-speed Internet services to digitally enable people but it has multiple issues to deal with it. It's very easy to comment that the recent step of demonetisation will be helpful in the path of digitalised system of economy but in reality government has to do a lot for this; on supply side (administration) as well as on demand side (users).

The main objective is to make a real democracy with the use of digital knowledge. Its aim is to attach more than 120 crore Indians with the Government with a view to get them benefited in a real time and also get their complaints rectified in relatively short time frame. Besides all these measures / benefits, there are certain challenges which Government has to face during the implementation of such schemes.

It is a technical transformation within the most differentiated country where in lack of adequate infrastructure and skills are going to be great challenges to overcome.

Aradhya was excited to listen to this. However, he asked his uncle "dad is educated he uses the smart phone and computers, what about our watchman who is not educated? What about our grandparents at village, driver and watchman at our school? And what about the Three B's can we eliminate them?"

Aradhya was right.

- Lack of digital literacy.
- Connectivity to remote areas.
- Inter Departmental Coordination.
- Changing mindset of people.
- Limited sharing of facts in a transparent way.
- Cyber Crime.
- Limited availability of band width.
- Limitations of industry to support the development of infrastructure.
- Existing power situation in the country.

Capacities in terms of professionals to handle live transformable. Midst of these problems after demonetisation, the controversial argument is, *Is India ready for transformation to app based cashless economy? Do we have that much infrastructure to handle online accessibility problems? Can we curb the menace of the Three B's?*

*Every cloud has a silver lining.....*

*Time Line: 8 November 2016 – Prime Minister's announcement of Demonetisation - ₹500 and ₹1000 will no longer legal tender after 12 mid night. 30 December 2016 – Last date to deposit ₹500 and ₹1000 Mahatma Gandhi Series notes.*

*Timing of Demonetisation: There is an important question which needs an answer i.e., was the timing right to announce such a huge step? Why so sudden move? Or Why government has not pushed this gradually in the economy?*

Probably the reason being 86% cash supply in India was in higher denominations. It was a surgical strike on black money holders and to bring every transaction under vigilance of FIU's to trap the anti social activities. Usually, the process of demonetisation involves either introducing new bills or coins of the same currency or completely replacing the old currency with new currency. Demonetisation in India took place with the two largest denomination currencies of the country. These notes accounted for 86% of the country's cash supply. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities and promote a cashless economy. By making the larger denomination notes worthless, individuals and entities with huge sums of ill gotten and black money gotten from parallel cash systems were forced to convert the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of upto 200% of the tax owed was imposed.

If this step was imposed gradually with well defined and plan, then wrong doers of the society would find new ways to frisk

away. Sudden attack on unaccountable cash has resulted in increasing bank deposits and increase the cash flow in economy.

*Case Analysis:* Demonetisation step was imposed to curb the problem of Black money. Black money is used in common parlance to refer to money that is not fully legitimate in the hands of the owner. This could be for two possible reasons, first, is that the money may have been generated through illegitimate activities not permissible under the law, like crime, drug trade, terrorism and corruption, all of which are punishable under the legal framework of the state. The second and perhaps more likely reason is that the wealth may have been generated and accumulated by failing to pay dues to the public exchequer in one form or other. At the very outset one thing is clear that a strong intolerant attitude with adequate participation of all the state arms can produce result and second category where the issue becomes far more complex and may require modifying, reforming and redesigning major policies to promote compliance with laws, regulations and taxes and deter the active economic agents of society from generating, holding and illegitimately transferring the wealth.

Demonetisation is validated to curb the black money by increasing the seizures. Similarly in the past 50 days many IT raids have been done by various authorities.

Following measures further will help in combating against Black Money, Blood Money and Blocked Money:

- Substantial Contribution in Tax Administration.
- Global Awareness.
- Egmont Group for International Intelligence working towards money laundering and Terrorism Financing.
- Legislative Framework.
- Financial Intelligence Unit-India (FIU-IND) under the Department of Revenue, Ministry of Finance is the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions to enforcement agencies and foreign FIUs.
- Bank account for every citizen will curb the problem blocked money. Like Jan Dhan Yojana initiative.

*Need for Education:* Being optimistic for this move of Union Govt., various NGO / CBO should come forward and partner with Banks and Financial Institutions to create awareness and sense of security. Given, the increasing e-literacy in India, it is certain that the people of India would embrace the 'cashless economy' faster than the government would have expected.

*VISAKA – Vittiya Saksharta Abhiyan:* To spread awareness among people about the cashless economic system Ministry of HRD launched this scheme. Under this, students and faculty will play a crucial role to motivate people for the adoption of this new changing scenario of economy as Cashless Economy with digitalisation. Government has created a web page for this. Students or faculty who voluntarily wants to be a part of this Abhiyan, can register themselves and can also upload their progress report for this Mission.

*End Results:* Demonetisation step has received different reactions from various segments of society. However, due to implementation limitations, liquidity crunch, lack of adoptability to technology has lead the society to panic. So there is need for education on various modes of cashless transaction. One need not have internet facility, there are many ways by which one can make cashless transactions. Like SBI has launched an easy way to payment by using non smart phones. Other applications like Bharat Interface for Money (BHIM) is supposed to support Aadhar based payment that enables the user with finger impression. It is a digital based payment app based on the UPI (Unified Payments Interface) with the help of NPCI (National Payment Corporation of India). Apart from this one can use Digital Wallet, mobile banking, debit cards and facilitating digital transaction.

#### *Curbing 3 B's*

Any act that is good for nation needs wide awareness and endeavor of nation. One should consider nation into confidence before the major step. Reactions recorded by mass some time depend on individual bias. So at large let us see the big picture and positive outcome of demonetisation.

*Epilogue: 27 March 2017, Aradhya was shouting at his friends "common guys let's play football". His friends were excited to join him.*