

# Monumental disaster

**AGAINST:** It has led to job losses, fall in growth and investment stagnation

BY INVITATION

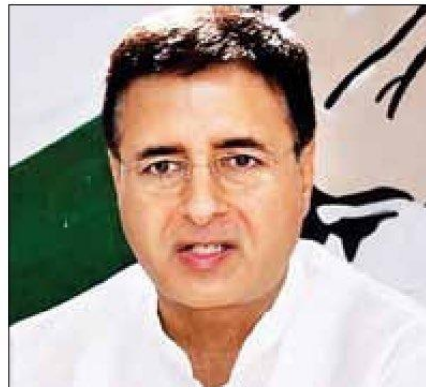
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As India observes the first anniversary of the disastrous decision of demonetisation today, the people of India are asking many pertinent questions to Prime Minister Narendra Modi. The BJP, in sheer desperation, is trying very hard to convert the entire debate of demonetisation into binaries of 'Black Money vs White Money'. In its hurry to whitewash the failure of 'Notebandi' into a 'success', the BJP is insulting the intelligence of 125 crore Indians who underwent great pain and agony due to this 'Modi-made disaster'. One man's personal adventure has left India's economy in dire straits. India has lost the title of the "fastest-growing economy" this year, as growth sputtered and stuttered after failing to trigger new investment. About 2 per cent of our GDP was shaved off and the Indian economy suffered a loss of Rs 3 lakh crore. In the wise words of Dr Manmohan Singh, this decision is "organised loot and legalised plunder".



About 32 minutes post the November 8, 2016, announcement by the PM, the Congress party had given an initial reaction where it had cautioned the government on the serious repercussions of the same. Had the government not consistently changed the goalposts on demonetisation; had more than 150 people not lost their lives waiting in long queues outside banks; had the tall claims by the PM of bringing back illicit money worth Rs 3 lakh crore fructified; had our soldiers not lost their precious lives to terrorism and naxalism; had fake currency stopped in circulation; had digital transactions grown by monumental proportions, then the Congress party would not have observed today as a 'Black Day'.

The BJP has casually and continuously tweaked the demonetisation narrative, and it is trying to do the same now. Three new goalposts are being mounted to fool the people of India and paint demonetisation as a roaring success. Firstly, it is claiming 'formalisation of the economy' by an increase in the taxpayer's base. This is factually wrong. According to the Finance Ministry's Annual Report, the year-to-



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year growth in the number of taxpayers in 2016-17 was 26 per cent (with demonetisation), which is less than 27.6 per cent during 2015-16 (without demonetisation). The Modi government changed the very definition of 'tax base' and 'new taxpayers added' through the CBDT, on the recommendation of the Avadhesh Kumar Mishra Committee. As per the new definition, 'new tax payer added' is a sum of 'persons from whom the TDS/TCS deductions are made for the first time' and 'persons who filed returns for the first time'. Also, due to PAN-Aadhaar linkage insistence and other reasons, a vast majority of individuals filed their returns before the deadline of August 5, this year. Thus, BJP's claim that more people are now under the tax net falls completely flat.

Secondly, PM Modi recently, in an election rally claimed that since India's 'Cash to GDP ratio' has fallen substantially, we have less cash in the system and India has become less 'corrupt'. This claim can also be easily punctured by some simple facts. As on March 31, 2017, the cash to GDP ratio had stood at 8.8 per cent, while in June 2017, it improved a shade higher to 9.9 per cent. Yes, before demonetisation the Cash to GDP ratio had stood at 12.2 per cent. This change is being attributed to the nation becoming 'more honest'. For the period of three months ending March 2017 and June 2017, the non-government part of the GDP (which forms around 90 per cent of the GDP) has grown by a little over 4 per cent. So if economic activity slows down, the growth in currency

in circulation is bound to plunge. The Reserve Bank of India tells us that India's Cash to GDP ratio is now close to countries like Germany and France. But if we take the example of another developed country like Japan which has the highest cash to GDP ratio at 19.4 per cent, then will it mean that India is a more honest nation than Japan? As per the Transparency International's Corruption Perception Index for 2016, Japan is the twentieth least corrupt country in the world. India stands at the 79th position, despite having much lower cash to GDP ratio.

Third 'jumla' which is being parroted by BJP leaders is that 'interest rates for loans' have seen a substantial decline. This is hogwash. The BJP government has actually targeted the country's 'saving rates'. Since 2014, the BJP has made at least eight revisions in the interest rates for various saving schemes, including Savings Bank Rate, Public Provident Fund, Kisan Vikas Patra and Sukanya Samriddhi Yojana. When there are no savings, then reduction of 'interest rates for loans' will be meaningless.

For example, the government's principal bank, i.e., the State Bank of India (SBI), slashed saving bank interest rates from 4 per cent to 3.5 per cent. Savings Accounts in SBI are currently estimated at 37 crore with a deposit of Rs 9.4 lakh crore. If there is a reduction of 0.5 per cent in interest rate, there is a direct loss of Rs 4,700 crore annually to the 37 crore account holders. Club this with the multiple charges being levied on ATM, bank and digital transactions; this has burned deep holes in the pockets of ordinary citizens.

The ill-effect of demonetisation is visible not only in the data of job losses, stagnant investment and falling growth, but it has also extracted a social cost from us. Indian women, particularly housewives, have an innate habit to save money in cash. This money is used when the family is faced with some financial emergency. PM Modi has now lost the trust of these housewives, as now they will think twice before keeping cash in their homes for such emergent needs.

Every economic policy is guided by a cost-benefit analysis and experts are consulted before taking such disruptive decisions. But unfortunately, PM Modi conveniently forgot this basic fact in proclaiming demonetisation.

People of India are suffering, Mr Modi.

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