

## Remonetise

TODAY marks one year of the decision of the [Narendra Modi](#) government to withdraw high-value currency notes of Rs 500 and Rs 1,000 and extinguish 85 per cent of the value of the currency in circulation. It's a move which, in many ways, led to sharp political divisions, hurt the economy, especially the informal sector and small and medium enterprises, fuelled a national debate. In a [Facebook](#) post on the eve of one year of demonetisation on Tuesday — which the government is projecting as “Anti-Black Money Day” — Finance Minister [Arun Jaitley](#) claimed that the decision of November 8, 2016 would be remembered as a watershed moment and that the country had moved on to a cleaner, more transparent and honest financial system.

There's been much sparring over the last year on the gains from demonetisation. The tangible benefits may be in the form of less cash in the economy, higher tax compliance — 1.26 crore new taxpayers were added to the tax base — and an initial spurt in digital payments which after the early momentum has seen a dip, indicating a reversal in trend with remonetisation. Some of the other benefits, such as a behavioural transformation, will be visible only over time.

But what's clear is that the decision to withdraw high-value currency notes has impacted the economy which was already slowing down in the run-up to November 8 last year — and that the brunt was borne by the unorganised sector, not bigger corporates. Former Prime Minister [Manmohan Singh](#), who was prescient last year about the impact of the note-ban, has, in a signed piece in the Mint newspaper on Tuesday, written that contrary to belief, demonetisation was not a case of “good idea, bad execution” but a fundamentally flawed idea and a liquidity shock which could have a lasting impact on the weaker sections of society and industry. Singh also makes the point that it is time to move on from demonetisation, but not to move away from institutions, procedures and processes.

Prime Minister Modi has expended much political capital on what he described last year as a “mahayagna against the ills of corruption, black money and fake notes and the grand sacrifice for cleansing our country”. A year on, there is much repair work to carry out for the government on the economic front — be it rebuilding state-owned banks, getting stalled projects off the ground, making it easier for entrepreneurs to do business and boosting private investment. That's why it is important for the PM to now invest that political capital on rebooting the economy. Some of that has been on show recently. The decision to withdraw high-value notes last year was also a political bet by the PM. Over the next few quarters, and finally by May 2019, it will be revealed whether it was the right bet.

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