

## Revolutionizing Revenue: Tax Reforms and Digitalization Post-Demonetization in India

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### ABSTRACT:

The NDA government has made substantial alterations to the Taxation laws of India. This chapter will analyse the changes in the Indian economy and tax compliance after demonetization, with a specific focus on tactics implemented to address the issue of black money in India. The research will thoroughly investigate the impact of tax compliance and evasion, as well as the legal transparency that emerged throughout this significant transition. The authors will conduct a comparative study of before and post-demonetization tax compliance patterns and evaluate the effectiveness of its implementation. An extensive examination will be conducted to analyse socio-economic issues, technical improvements, legislative changes, and the introduction of new policies through the perspective of digitalization to enhance tax compliance in the nation. The study intends to offer significant insights into the Indian economy, specifically focusing on the implementation of demonetization and its influence on tax compliance and the prevalence of illicit money in India.

**Keywords:** Demonetization, Tax Compliance, Reforms, Digitalisation

### INTRODUCTION

Demonetization is the process of eliminating the utilisation of a specific type of note or coin or precious metal as an authorised currency. This procedure entails revoking the official recognition of the designated currency unit. Normally, demonetization happens concurrently with a change in the national monetary system, wherein the earlier used monetary forms are removed from circulation and taken out of the economy. Usually, they are substituted with introducing freshly issued coins or notes. On occasion, a country at its discretion might choose to completely introduce a new currency, replacing the earlier currency altogether. "The first case of demonetization can be traced back to 12th, January 1946, and the second one took place on 16th, January 1978."(*Complete List of Demonetisation Date in India*, n.d.) "On November 8, 2016, Prime Minister Narendra Modi announced that Rs 500 and Rs 1000 currency notes will no longer be considered legal tender, resulting in a significant impact on the nation."(Desk, 2016)

This work of the authors aims to find out the impact of demonetisation on the tax evasion & regime, hawala transactions along with the problem of black money & terror funding, different economic sectors, and the legal aspect of such a grave decision using secondary data sourced from the Ministry of Finance, Reserve Bank of India and other sources. A critical analysis shall be made by the authors evaluating the decision of demonetization impacting the Indian Economy after nearly 8 years of its implementation.

“The Reserve Bank has issued two reports confirming that a significant amount of the demonetized `500 and `1000 notes have been deposited in banks.”(*RBI / Demonetised Notes: 99.30% of Demonetised Money Back in the System, Says RBI Report*, n.d.) It has been widely discussed that the primary objective of Demonetisation could not be achieved since major portion of the circulated money in the economy was returned to the Banks. Was the sole objective of demonetization the invalidation of the Non-deposited currency? Certainly not. “The primary aim of demonetization was to transition India from a society with a lack of obedience to tax regulations to a country that adheres to follow tax regulations.”(*Demonetisation and Its Impact on Tax Collection and Formalisation of the Economy - Arun Jaitley*, n.d.) This demanded the formalization of the Economy and a crackdown on illicit funds. By what means has this been accomplished?(*Demonetisation and Its Impact on Tax Collection and Formalisation of the Economy - Arun Jaitley*, n.d.)

Once cash is put in a bank, the anonymity of its legitimate owner disappears, since the deposited monies become linked to their genuine owner. This necessitates careful examination to verify that the amount deposited corresponds to the income disclosed by the depositor. “As a result of the government's demonetization program, almost 1.8 million depositors are currently being investigated.”(Lee, 2017) Consequently, a significant number of individuals are encountering taxes and fines. It is crucial to acknowledge that a bank cannot presume that the cash deposited represents income that has already been taxed.

Advancement in the tax regime and the growth of digitalization were the key reasons for enacting the demonetization of currency in 2016. It was an integral plan to tackle the deeply rooted problem of corruption, black money in circulation, and terror funding, to clean the Indian economy by eliminating tax evasion & encouraging tax revenues. A short span until 31st December 2016 was given to the Indian population to deposit these currency notes in their respective bank accounts to make the person accountable for the said cash reserves and to lose the anonymity of the transactions. Nonetheless, the government reiterated that just depositing money into the respective bank account will not legitimize black money, thus declaring that the citizens will have to disclose the origin of their funds with utmost transparency and fulfill their tax obligations.

The Reserve Bank of India through its publication launched in March 2017, titled 'Macroeconomic Impact of Demonetization - A Preliminary Assessment,' organised an overall evaluation of the effects of demonetization on different sectors of the economy and its impact on the GDP growth rate.(Singh, 2019) As per the above-mentioned report, demonetization had grave consequences on the medium enterprises and the informal sector which saw a downfall of GDP growth and a decline in job creation. There was a decrease in demand due to which the manufacturing units took a substantial hit. Moreover, the purchasing power was adversely impacted in the agricultural sector that hampered payments and wages of labourers, purchase of fertilisers and seeds etc. as such

transactions mainly take place in cash. However, the report indicated that there was a decrease in the interest rates on lending and deposits as the banks saw a wave of cash inflow. Another positive from this setback was the growth of deposits in mutual funds, LIC and increased digitalisation in the financial institutions. Nonetheless, the GDP growth rate was 5.7 percent.

### **WHY DEMONETISATION TOOK PLACE?**

The following were the primary reasons for introducing the plan of demonetization in 2016 in the Indian Economy:

Illegitimate funds, commonly known as black money, pose a serious threat to society as they restrict tax revenues that could be utilized for the development of society through various avenues of investment in education, welfare schemes, infrastructure, healthcare, etc. The aim was to unveil large sums of unaccounted cash in the form of jewellery, foreign currency, and real estate investments and inject that cash back into the economy legitimately through the path of taxes, penalties, and fines.

Corruption in the public domain mainly refers to bribes and wrongful payments made mainly in cash for quid pro quo. Corruption can naturally be reduced by restricting the cash flow. Moreover, black money or huge reserves of cash deposits held by individuals engaging in corrupt practices becomes of little financial value and loses its anonymity after getting deposited into banks, certainly directing the person to deposit tax on such an amount.

Our country faces major terrorist issues in the North in Jammu & Kashmir and through Naxals & Maoists in central India, whose operations and funding came to a standstill after the demonetization of currency. Their funds and cash reserves became worthless and thus they could no longer use such funds for terror financing.

One way to encourage tax revenues and limit tax evasion was to reduce cash-based transactions and increase online transactions that leave a trace behind. The government introduced various methods to promote digitalization by boosting the growth of online payment methods that involved the widespread use of Rupay, BHIM applications, GPay, and PayTM, thus enhancing the electronic monitoring of payments and taxes.

External enemies often intend to pose a challenge and barrier to growth in the Indian economy by injecting fake money or Counterfeit currency. Such counterfeit bills lose their value by the introduction of new notes and by the withdrawal of old currency. Hence, such fake notes could not be deposited into banks.

### **LEGALITY OF THE MATTER**

“On November 8, 2016, the Union government applied its jurisdiction to issue an order demonetizing Rs. 500 and Rs. 1000 currency notes.”(Desk, 2016) This ruling was primarily focused on acknowledging the principal problem of unaccounted money, which had gravely impacted the nation's economy and disadvantaged the government of considerable tax revenue. While passing legislation on this matter might be preferable, in the prevailing state of affairs, the court's focus should be on the constitutionality and legality of the action. The question arises as to the length and proportion to which judicial intervention can be permissible in such a scenario as

that of demonetization, as to when an economic policy or measure directly affects the fundamental rights of the citizens guaranteed under Part III of The Constitution of India.

In a democratic country like ours, the Government is composed of elected representatives chosen by the people, assigned with the responsibility of discovering and implementing measures to boost the welfare of its citizens. If the Government, based on its judgment, has concluded that demonetization contributes to the welfare of the State, as it appears on the surface, then it is not within the purview of the Courts to pass judgment on that decision. Considering the gravity of the problem that the alleged executive action seeks to address, it cannot be deemed as lacking a public purpose. A policy introduced for the broader public interest cannot be arbitrary in nature and it shall not abridge the rights of the citizens of our nation. Arguments suggesting a violation of the freedom of trade and commerce as outlined in Article 19(1)(g) would be misconceived, as this freedom, unlike others under Article 19, is subject to reasonable restrictions in the interest of the larger public good.

Another possible contention that “*No person can be deprived of his property except by authority of law*” may not be entertained. Since there is no seizure of property involved neither by the government nor by the policy, the accounted funds of all citizens will remain unaffected. Individuals may only face the loss of their unaccounted funds, as these are not gained through legal valid means, which seems reasonable.

In the case of “*Balco Employees Union v. Union of India*” (*Balco Employees Union v. Union of India*, 2002), it was held by the Supreme Court that “*Wisdom and advisability of economic policies are ordinarily not amenable to judicial review unless it can be demonstrated that the policy is contrary to any statutory provision or the Constitution.*” In other words, “*it is not for the courts to consider relative merits of different economic policies and consider whether a wiser or better one can be evolved. For testing the correctness of a policy, the appropriate forum is the Parliament and not the courts*” Whereas in the case of “*DDA v. Joint Action Committee*”, *Allottee of SFS Flats (DDA v. Joint Action Committee*, *Allottee of SFS Flats*, 2008), the Supreme Court gave a contrary view citing that “*An executive order termed as a policy decision is not beyond the pale of judicial review. Whereas the superior courts may not interfere with the nitty-gritty of the policy, or substitute one by the other it will not be correct to contend that the court shall lay its judicial hands off, when a plea is raised that the impugned decision is a policy decision. Interference therewith on the part of the superior court would not be without jurisdiction as it is subject to judicial review.*”

The court in this landmark case reiterated that the policy can come under the umbrella of judicial review on the following grounds:

- 1) If the said policy by its very nature is stated to be unconstitutional;
- 2) If it is beyond the reach of the relevant acts and regulations;
- 3) If the authority is using its powers beyond its power of delegation;
- 4) If the executive establishes a policy against the interest of the public at large or against some statute

The government's policy, along with Section 26(2) of the RBI Act granting authority to demonetize banknotes via notification, could potentially face legal challenges for violating Article 19(1)(g),

which guarantees freedom of trade and commerce. It has been highlighted various times that India functions mainly on a cash-based economy, thus any depletion of its cash-based resources could adversely impact trade and commerce. Nevertheless, Article 19(6) permits reasonable restrictions on this freedom in the interest of the general public.

However, such an argument would weaken the motive behind the sudden policy shift of demonetization and currency exchange, which aimed to eradicate illicit wealth and fight the circulation of counterfeit currency within the economic framework.

There remains a question regarding whether the policy decision of demonetization contradicts statutory or overarching policy. The most important policy that overrides all others is that of public welfare. It has been acknowledged that demonetization has caused notable inconvenience to the general public, a fact acknowledged by the government itself, which anticipated temporary disruptions. The court may be called upon to determine whether the policy's primary objective of addressing unaccounted wealth and eradicating counterfeit currency justifies subjecting the public to such unfavourable hardships.

#### **JUDGES DISSENTING REMARK**

*"On looking at the records (submitted by RBI), I find the use of the words and phrases there "as desired by the Central Govt", "Govt has recommended the withdrawal of legal tender of 500 and 1000 notes", "recommendation has been obtained" etc., are self explanatory. "This demonstrates that there was no independent application of mind by the (Reserve) Bank. Neither was there any time for the bank to apply its mind in such a serious issue. This observation is being made having regard to the fact that the entire exercise of demonetisation of all series of bank notes of Rs 500 and Rs 1000 was carried out in 24 hours", Justice BV Nagarathna observed."*

#### **Section 26 of the Reserve Bank of India Act, 1934 reads as:**

##### **26. "Legal tender character of notes**

*(1) Subject to the provisions of sub-section (2), every bank note shall be legal tender at any place in India in payment, or on account for the amount expressed therein, and shall be guaranteed by the Central Government.*

*(2) On the recommendation of the Central Board the Central Government may, by notification in the Gazette of India, declare that, with effect from such date as may be specified in the notification, any series of bank notes of any denomination shall cease to be legal tender save at such office or agency of the Bank and to such extent as may be specified in the notification."*

Justice BV Nagarathna also observed that the original proposal was supposed to originate from the Central Board to the Central Government according to Sec. 26(2) of the RBI Act. However, it originated the other way around, the act was initiated from the Central Government to the Central Board of the Bank.

*"The problems associated with the measure of demonetization would make one wonder whether the Central Board of the Bank visualized the consequences that would follow. Whether the central board of the bank had attempted to take note of the adverse effects of the demonetization of such*

*a large volume of banknotes in circulation. The objectives of the central board may have been sound, just and proper. But how the said objects were achieved, and the procedure followed were not in accordance with law".(Vivek Narayan Sharma v. Union of India, 2016)*

It can be noted by the Supreme Court's view that all series of notes could be withdrawn using the powers of Section 26(2) of the Reserve Bank of India, but that should have been done by an Act of the Parliament, just like the case of 1978 and 1946, where an act of parliament led the shift of demonetization.

**Historical GDP and growth rate of India**

Financial Year	GDP	GDP Per Capita (Nominal)	GDP Growth
2024 (till Q3)	\$4,112.00B	\$2,845	7.6%
2023	\$3,737.00B	\$2,610	7.2%
2022	\$3,385.09B	\$2,389	7.00%
2021	\$3,150.31B	\$2,238	9.05%
2020	\$2,671.60B	\$1,913	-5.83%
2019	\$2,835.61B	\$2,050	3.87%
2018	\$2,702.93B	\$1,974	6.45%
2017	\$2,651.47B	\$1,958	6.80%
2016	\$2,294.80B	\$1,714	8.26%
2015	\$2,103.59B	\$1,590	8.00%

**SOURCE:** <https://www.forbesindia.com/article/explainers/gdp-india/85337/1>

The majority's judgment answered the following important questions that were brought forward before the Supreme Court:

### **1) Whether all the series could be demonetized under Section 26(2)?**

The Judgement held: *"The word "any" would mean "all" under sub-section (2) of Section 26 of the RBI Act. The power available to the Central Government under sub-section (2) of Section 26 of the RBI Act cannot be restricted to mean that it can be exercised only for 'one' or 'some' series of bank notes and not for 'all' series of bank notes. The power can be exercised for all series of bank notes."*

### **2) The legality of the policy implemented and how?**

The Judgement held: *"While adjudging the illegality of the impugned Notification, we would have to examine on the basis as to whether the objectives for which it was enacted has nexus with the decision taken or not. If the impugned Notification had a nexus with the objectives to be achieved,*

*then, merely because some citizens have suffered through hardships would not be a ground to hold the impugned Notification to be bad in law,”*

They also held that the notification was not arbitrary and was for the interest of the public at large to counter terrorism, black money, and fake currency.

### **CRITICAL APPRAISAL OF DIGITALISATION**

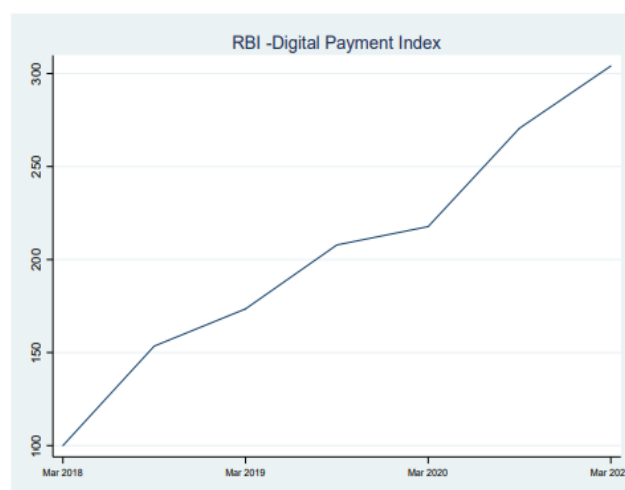
Digital technologies dominate the capacity to bolster tax administration and boost domestic revenue generation, addressing a perpetual obstacle, particularly in developing nations, regarding the augmentation of crucial social and infrastructure investment. Transformation towards non-cash transactions is the future landscape of India's payment framework through which tax revenues are expected to increase gradually as more individuals will become part of this formal financial system. The nexus between tax revenue collection and digital payment flourishes on financial inclusion. Only when citizens are included financially in its entirety can they advocate for and engage in digital payment methods. In India, increased tax revenue, trade expansion and economic growth are the positive long term benefits that are closely related to the promotion of digital payments.

The Government of India took the prime initiative of transforming the financial landscape of our country through "Digital India" with the primary objective of transforming the nation into a much more advanced knowledge-based economy along with a technologically & digitally advanced society. This foresight consists of three major components: providing a digital structure attainable to all citizens, offering on-demand governance and services, and empowering citizens through digital means. Creating digital infrastructure includes ensuring universal access to high-speed internet, executing a unique and lifelong digital identity that can be authenticated online, and enabling involvement in the financial and digital space through bank accounts and mobile phones. The gradual smooth transition from conventional cash-based transactions to online digital payments observed during the pandemic can be attributed to various factors. Among these were the enforced shutting down of physical retail outlets, restricted availability of physical cash notes, and increasing concerns in respect to interpersonal physical contact. This paradigm shift precipitated a notable rush in the use of digital payment channels, promoting methods such as card payments and other virtual transfer mechanisms, both during and after the Covid pandemic. Consequently, the pandemic served as a fuel for the exponential growth of digital payments across India, uplifting digitalization from a sole matter of convenience to an essential measure during the crisis and a supreme measure of preferred payment thereafter.

In recent years, global payment systems have been undergoing significant changes. Furthermore, the Covid-19 pandemic has also had a notable impact on non-cash payments worldwide. Digital tools are heavily used by modern tax authorities for various core functions, including registration, filing, e-invoicing, e-payment processing, appeals, online submissions, enforced collections, and other critical tasks. The combination of digital technologies and services has remarkably enhanced tax administration, resulting in increased revenue collection. Notably, there is a significant gap in existing literature on this subject, and our analysis aims to contribute to addressing a portion of this gap.

Traditional government methods of tax revenue collection such as audits, check posts, and account scrutiny, to keep checks and balances in the financial system comes with its own set of limitations. On the contrary, the solution is offered by way of digital payments. Digital transaction comes with the benefit of cost-effectiveness and time efficiency thus reducing the burden of the government along with that of the individuals. This concept automatically optimizes and organically incentivizes the use of modern digital payment gateways. Moreover, the adaptation of digital payments can notably reduce tax evasion and at the same time boost tax revenue. Therefore, digital payments emerge as an effective tool for promoting voluntary tax compliance.

The Reserve Bank of India (RBI) has officially recognized the span from 2010 to 2020 as the "Decade of Digital Payments." Accordingly, digital transactions in India have experienced remarkable growth in recent years due to these circumstances.



Source: RBI (2022)

Gathering and collecting data for the government is simplified through the mode of digital payments, including tax and income statistics, for their respective areas. The increased adoption of financial institutions by businesses to manage their transactions not only provides insights into those businesses but also sheds light on their suppliers and other entities involved in economic transactions. As more individuals gain access to formal financial institutions, tax revenues are poised to increase gradually. The nexus between digital payments and tax revenue is reinforced by financial inclusion, facilitated by the documentation of transactions through electronic payments, which makes it more challenging to engage in informal economic activities. Consequently, digital payments contribute to strengthening tax revenue system by encouraging financial inclusion and reducing the shadow economy.

India boasts a wide set of payment options for consumers, with the Reserve Bank of India (RBI) serving as the principal regulatory authority overseeing payment systems in the country. "Landmark developments such as the enactment of the Payment and Settlement Systems Act in 2007 and the establishment of the National Payment Corporation of India Ltd (NPCI) in 2008 to govern retail payment and settlement systems have majorly shaped the landscape of digital payments in India." (*Reserve Bank of India*, n.d.)



## POSITIVE IMPACT OF DIGITALISATION ON TAX

“The Central Board of Direct Taxes (CBDT) has been releasing key statistics relating to Direct Tax collections and administration in the public domain from time to time. In continuation of its efforts to place more and more information in the public domain, the CBDT has further released Consolidated Time-Series data as updated up to F.Y. 2022-23. (*CBDT Releases Key Direct Tax Statistics through Time-Series Data*, n.d.)” (*CBDT Releases Key Direct Tax Statistics through Time-Series Data*, n.d.)

### The key highlights of some of these statistics are as under:

1. Net Direct Tax Collections have increased by 160.52% from Rs. 6,38,596 crore in F.Y. 2013-14 to Rs. 16,63,686 crore in F.Y. 2022-23.
2. Gross Direct Tax Collections of Rs. 19,72,248 crore in F.Y. 2022-23 have registered an increase of over 173.31% compared to Gross Direct Tax Collections of Rs. 7,21,604 crore in F.Y. 2013-14.
3. Direct Tax to GDP ratio has increased from 5.62% in F.Y. 2013-14 to 6.11% in F.Y. 2022-23.
4. The Cost of collection has decreased from 0.57% of total collection in the F.Y. 2013-14 to 0.51% of total collection in the F.Y. 2022-23.
5. The total number of ITRs filed in FY 2022-23 stands at 7.78 crore showing an increase of 104.91% as compared to total number of ITRs of 3.80 crore filed in FY 2013-14.

“India has emerged as one of the most attractive destinations not only for investments but also for doing business. India jumps 79 positions from 142nd (2014) to 63rd (2019) in 'The World Bank's Ease of Doing Business Ranking 2020’. (*EASE OF DOING BUSINESS / Make In India*, n.d.) However, there was a silver lining here and this move had a positive impact also. In March 2014, the number of Income Tax returns filed was 3.8 crores. However, this figure has grown to 6.86 crores in 2017-18. When the impact of demonetization and other steps was analyzed, the Income Tax returns increased by 19% and 25%. This is a phenomenal increase.

1. The number of New Returns filed post demonetization increased in the past two years by 85.51 Lakhs and 1.07 crores.
2. For 2018-19, advance Tax in the first quarter has increased for personal Income Tax assessments by 44.1% and in the Corporate Tax category by 17.4%.
3. The Income Tax collections have increased from the 2013-14 figure of `6.38 Lakh crores to the 2017-18 figure of `10.02 Lakh crores.
4. The growth of Income Tax collections in the Pre-demonetisation two years was 6.6% and 9%. Post-demonetisation, the collections increased by 15% and 18% in the next two years. The same trend is visible in the third year.
5. The GST was implemented from 1st July, 2017 i.e. Post demonetisation. In the very first year, the number of registered assesses has increased by 72.5%. The original 66.17 Lakh assesses has increased to 114.17 Lakhs.

Greater economic formalization, increased tax revenue due to digitalization, less expenditure, more money in the system, and growth after two quarters were some of the desired benefits of Demonetisation.

## **CONCLUSION**

The deeply rooted belief that demonetization alone can directly lead to curbing or stopping altogether the generation of black income appears to be unreasonable. Even the dissenting opinion advocated that the decision to demonetize lacked good intentions. However, assessing a policy based on someone's intentions isn't sufficient. Instead, it should be evaluated based on its potential efficacy in achieving its desired objectives.

The fundamental assumption that demonetization could have eliminated black income or black money is inaccurate and imprecise. This conjecture is itself based on the misconception that black money can solely exist in the form of cash. It can have various other modes of status as well. However, black money can be in various forms of assets, and holding it predominantly in cash is not as fruitful as it cannot generate any returns just by holding it in the form of cash. A prudent investor would be aware of such vital information that cash itself will not generate further returns. Therefore, a nominal portion of black money is likely to be held in the form of cash, estimated to be less than one percent. As a result, demonetization would only impact a small fraction of black wealth, with the majority remaining unaffected.

This was also clear from the reports of the RBI as 98.8% of the currency in circulation was returned to the Central Bank. The fact that almost all the demonetized cash was returned to banks, as indicated in the Reserve Bank of India's annual report, further supports this. Hence, the initiative of introducing the policy of demonetization did not remarkably affect black money; instead, it simply led to the conversion of old currency notes into new ones, leaving most of the black wealth untouched.

The government claims to have consulted the Reserve Bank of India for over six to eight months. However, former RBI Governor Mr. Raghuram Rajan, who held the position until September 2016, has publicly stated that he advised against this policy measure, believing it wouldn't effectively eradicate black money from our economy. Another very important characteristic to consider in this scenario is that of the democratic process of implementing such policy and the legality of such implementation. The manner in which decisions are introduced holds utmost importance. It's absolutely essential that the decision-making process upholds democracy and respects the integrity of the institutions involved in policy-making. Minimal consultation without genuine concurrence can't be equated with democratic principles.

Undermining the process and involvement of the principal institution such as the Reserve Bank of India not only erodes democracy but also sabotages the credibility of such institutions. The RBI's credibility took a hit when the vast majority of demonetized currency was returned, as highlighted in an article penned for the Economic and Political Weekly in June 2017. By January 10, 98.8 percent of the currency in circulation was returned to the Central Bank.

The conformance to the proper process was equally pivotal. However, the established procedure wasn't briefly followed. The government's proposal to the RBI Board was made just 24 hours in advance of the decision. The board convened for a brief meeting at 5:30 PM, mere hours before the decision was announced at 8 PM. This rushed timeline left very little room for meaningful deliberation and important critical discussion weighing the pros and cons of introducing such a major change in a vast country like India. There was hardly any opportunity for the board or the

cabinet to rigorously consider such a significant matter or to formulate appropriate modalities for implementation. In a democratic system, failure to engage in discussions regarding such a pivotal step can lead to significant errors. This lack of discussion not only weakened the authority of the cabinet and the RBI board but also damaged the credibility of the RBI itself. Consequently, the democratic fabric itself suffered as a consequence of these actions.

After the demonetization was announced, chaos followed as banks remained closed for two days, and ATM operations were not fully restored, leading to a shortage of currency notes in the country. To demonstrate, consider the demonetization of European currencies during the introduction of the Euro. The procedure involved rigorous planning, including three years of printing and minting coins. In Germany, citizens could exchange old notes for new ones over five years, resulting in a smooth transition without chaos. However, the demonetization in India was so badly rushed, leading to currency shortages and the primary burden fell on the people belonging to the lower strata of the economy. The Prime Minister himself claimed that not even the banks were aware of the impending decision, leaving them unprepared and paralysed. The RBI also faced readiness challenges, evident from the 104 changes implemented within 52 days of demonetization, averaging almost two changes every day. This constant flow of alterations clearly indicates a lack of anticipation and planning, as problems had not been accounted for or discussed prior to the announcement. The Ministry of Finance, banks, renowned economists, and other stakeholders should have been involved in extensive discussions and consultations over a period of at least a few weeks or months. The policy makers should not have relied solely on a handful of individuals which led to inadequate planning and the subsequent mishandling of the process.

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