Demonetisation – A Just Move for Behaviour Change?

(Source: https://inc42.com/resources/demonetisation-effect-online-shopping-traffic/)
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Demonetisation – A Just Move for Behaviour Change?

Union Minister M. Venkaiah Naidu has opined that the policy move of demonetisation announced by Prime Minister Narendra Modi on November 8 is a national project to influence behavioural change necessary for building a new India. According to him, Prime Minister Modi is working on a “new cultural revolution” to target behavioural modification which would result in “the elimination of black money leading to increased revenues to Central and state governments that ultimately benefits the poor, common man and the middle classes.” (Naidu 2016)

Governments often use policy tools – like legislation, sanctions, regulations, taxes, subsidies, services – to influence or change behaviour of the public so that society is able to benefit from it inter alia economically, culturally, socially. A major barrier faced by governments in delivering these benefits is a largely disengaged and passive public. (Changing Behaviour: A Public Policy Perspective 2015) This disengagement and passivity was brought forth when the present government at the Centre realised that a rising tally of constructed toilets is not indicative of the success of Swachh Bharat Abhiyan, as these toilets were not being used by the people at all.

On November 8, Prime Minister Modi announced the demonetisation policy. This objective of this move was to combat black money, reduce corruption and stop terror-financing. To achieve these objective the higher denomination currency notes of Rupees 500 and 1000 were taken out of the money circulation, so that the mentioned objectives can be achieved. By all means the objectives herein underlined are noble, but there is a need to debate the fairness of government’s approach in realising these objectives.

Citizen-Centric Approach to Good Governance

Good governance aims to provide two things - an environment in which all citizens can develop to their full potential and public services effectively, efficiently and equitably to the citizens. Citizens are considered as the core of good governance. (2nd Administrative Reform Commission 2009) Various experts such as M. Govinda Rao (Rao 2016), Prabhat Patnaik (Patnaik 2016) agree that demonetisation will not succeed in curbing black money. Its success in stopping counterfeiting also is questionable as fake Rupees 2000 notes worth Rupees 42 lakhs have already surfaced. (2016) With no novel security features on the note it is hard to believe that this government has firmly averted all avenues for terror financing. If governance does not keep citizens at its core while making policies, inconveniences them disproportionately for want of better brainstorming or planning or implementation strategy, will it be safe to conclude that a government is not practicing good governance?

What may not have been an objective of this move initially but it is now as has been advocated by the Prime Minister in his latest monthly “Mann ki Baat” radio address is a bid to push India towards a cashless economy. (‘Less-Cash’ First ‘Cashless Society’ Next 2016) To achieve this cashless economy dream there are serpentine queues outside ATM entrances now, families that are not so privileged to have multiple earning members in the family budgeting basic need expenses, production of non-durables commodities being wasted, subsistence ways gone awry in the hinterlands of the country and this list can go on. If reports and hearsay evidence is to be believed, the public has largely been patient in face of the adversity that demonetisation has created. Except for reports of scuffles there has been no major demonstration of mob fury which is cited as a reason that the Bharat bandh that was planned for November 28 “had to be hastily diluted into symbolic protests after it became clear that popular support for an outright opposition to demonetization was not in evidence.” (Dasgupta, 2016) However, explaining popular psychology can be tricky as evidenced from the recent experiences of pollsters in the United Kingdom and the United States. (Dasgupta, 2016)

State Serving Citizen or Vice Versa

Whether the Prime Minister was successful in bringing a “cultural revolution” by giving a clarion call to the youth to lead the transition into a cashless society, a clean society (‘Less-Cash’ First ‘Cashless Society’ Next 2016) is for time to
tell but has this modus operandi become the new form of governance in India is a question we need delve into. In furtherance of establishing good governance, it is the responsibility of the State to provide services to its citizens for which participation of the citizens is important. Before announcing demonetisation of two widely used currency notes this government did not assess the infrastructural capacity to implement it. Banking agents are not available in adequate numbers, there are connectivity and server issues, there is lack of adequate number of ATMs – 200 ATMs for a population of one lakh – and further not all of them were calibrated to support demonetisation. Even basic questions like accessibility of smart phones to make digital payments, knowledge of using various mobile banking and wallet services or even the availability of these applications in the myriad local languages so that the public can understand was not considered. (Yadav 2016) Was the preparation of the government for heralding demonetisation only banking on extracting ‘sacrifices’ from the public?

Rather than soliciting public participation the ruling BJP party – at the Centre and many States - has continually exemplified and encouraged the trend of burdening the citizens themselves into realising social policy goals. Madhya Pradesh passed a law that bars anyone not having a flushing toilet from contesting Panchayat elections. Haryana too enacted a similar law where in addition to a flushing toilet; minimum educational qualifications were conditional to contest elections. Chhattisgarh also affirms that without construction of toilets people will not be eligible to access government’s public distribution shops. (Open Defecation in India: Forcing People to Stop is Not the Solution 2016)

These policy announcements clearly indicate that the State is advancing its agenda of making its policy - Swachh Bharat Abhiyan - a success. It is agreed that open defecation is not desirable but the question is – how is it fair to implement this policy by forcing the public into a new fold of behaviour? While citizen participation is definitely pivotal for the success of welfare schemes, to what extent can the State demand obedience and support for its schemes from people who may not be capable or enabled by the State itself to provide this support without being subject to extreme hardship? As Harsh Mander, noted human rights activist, states- “did the government not think of the devastation this (demonetisation) would wreak for millions of informal workers, farmers, migrants, nomads, tribals, single women, disabled, sick and old people, street children — 96 per cent people of the country without any kind of plastic card, and three out of four people in the country without effective and accessible banking?” (Hardest Hit, Most Invisible 2016)

‘Sacrifice’ of Public should be Incidental not Central to Success of Welfare Schemes

That the policy tool of demonetisation will encourage people to open and use bank accounts thus boosting Pradhan Mantri Jan Dhan Yojana and may improve declarations of black money thus boosting its recently introduced Pradhan Mantri Garib Kalyan Yojana should be incidental and not central to envision policy. Swachh Bharat Abhiyan, Pradhan Mantri Jan Dhan Yojana and Pradhan Mantri Garib Kalyan Yojana are government welfare schemes having the advantage of developing sound implementation framework by capitalizing on the acumen of various ministries and department. Not only that the government decides the allocation of funds for these welfare schemes. Despite this if the government has to rely on expedient measure such as demonetisation or conditional right to contest Panchayat elections, there needs to be proper justification for choosing such means. It does not suffice to say that their aim is to bring about behavioural change. Since behavioural change is not a pain-free process for the larger sections of India’s population who do not have the wherewithal for being a part of the envisioned cashless economy or construct toilets. It is the responsibility of the State to pre-empt the infrastructural constraints and provide them resources on war footing and develop an ecosystem to smoothen the process of transition.

Through oratorical emotive appeals by the current government, the public in India is being made wholly responsible for governance in its final, implementation stage and not at the stage of deliberation. Instead of using this brutish approach, the recent collaboration between the government's think tank NITI Aayog and the Bill & Melinda Gates Foundation to initiate behavioural changes and recommend policy corrections must be used wisely as it has been realised that nudge units have been found to “help politicians fathom human behaviour” (Rutter 2015) we are essentially sitting on Pandora’s box if political vagaries govern such information. Rather through transparent deliberation NITI Aayog must make the programmes more effective by evaluating theories of behaviour change in context of public policy making that
Lead Essay

best suit India to initiate success of welfare schemes. (NITI Aayog Plans 'Nudge' Unit to Help Push Government's Flagship Schemes 2016).

Is it the rational choice model which assumes people rationally seek to maximise their welfare by assessing the cost and benefit of each move or will a cultural and demographic model that tailors specific solutions for specific groups realising their diverse belief and faith better suit India? A well-researched, well-reasoned clarion call for behaviour change should be advanced, unlike the one initiated by demonetisation. Or else probably the next challenge we face is a sudden announcement of non-availability of paper so that a behavioural change of public aimed to reduce their dependence on paperwork for various formal procedures is initiated in a bid to push the Digital India initiative.

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Can the State Legally Deprive People of Their Own Money?
(Krithika Ashok, The Wire, 5th December 2016)

With the end of the year closing in, people without bank accounts stand to lose their cash if they are unable to open accounts by the end of this month. When the Centre announced the demonetisation of old Rs 500 and Rs 1000 notes last month, it brought the monetary fate of people without bank accounts into question. At the end of the year, all the old notes will stand cancelled as the RBI’s liabilities, and so, people still in possession of these notes will be deprived of their money’s worth. And in a country where only a little over half the population have bank accounts, this poses a real risk; and therefore, demands immediate scrutiny from a legal perspective.

Read More: http://thewire.in/84411/state-legally-deprive-people-money/
Date Accessed: 5.12.2016
Economy

On Notes Ban, Firm Warning From West Bengal To Centre: GST Now At Risk
(Arun Nair, NDTV, 30th November, 2016)

The biggest tax reform in decades - the national Goods and Services Tax or GST - has been thoroughly jeopardized by the centre's abrupt demonetization drive, said Amit Mitra today. As the Finance Minister of West Bengal, Mr Mitra is on the GST Council, which is drafting the rate and scope of the tax. He told NDTV that the April rollout of the tax seems unfeasible now and he will talk to other Finance Ministers about revisiting support for a reform seen as crucial for economic growth. "After demonetization, GST has become a double whammy for states," said Mr Mitra to NDTV. The GST replaces a patchwork of central and state tariffs, creating a single market across the country. States are to be compensated for the next five years by the centre for the money they will lose from their taxes being removed.

Date Accessed: 5.12.2016

I spent 98 minutes in an ATM queue in India. This is what I saw
(Neelabh Chaturvedi, CNBC, 5th December, 2016)

Indian Prime Minister Narendra Modi’s demonetization move has sparked headlines across the world, though not in the way he necessarily hoped. Supporters had hailed the move, which was initially pegged as an important step in the fight against counterfeit notes as well as the so-called black money that has plagued the economy for years. But recent days have seen a reassessment of the potential success of the drive. Tales of hardship and uncertainty have dominated headlines, in stark contrast to the optimism that initially accompanied India’s move to demonetize nearly 85 percent of the currency in circulation.

Date Accessed: 5/12/2016

Bond markets make hay as demonetisation cuts financing cost for Indian firms
(Divya Patil, Livemint, December 05, 2016)

India’s Prime Minister Narendra Modi has pleaded for patience after his currency recall led to long and angry lines at banks. One group hasn’t had to wait long for the benefits. Companies can now raise funds in the local bond market at cheaper costs, after the move sparked a flood of cancelled cash into banks that have plowed the money into debt securities. Investors also profited as rupee corporate bonds had their best month in more than three years in November, amid the worst losses for global debt in a quarter of a century.

Read More: http://www.livemint.com/Money/CCcz8bi0IQcFo5gZbbLVK/Bond-markets-make-hay-as-demonetisation-cuts-financing-cost.html
Date Accessed: 5.12.2016

Demonetization and its Ratio of Efficacy
(Satyam Mohanty, The Wire, 5th December 2016)

Truth often dwells in between relentless cynicism and unfettered optimism. The demonetisation of Rs 500 and Rs 1000 notes have been hailed as the biggest and boldest reform to tackle India’s black economy by some, while others say the real reason behind the move is to upset the apple-cart in the upcoming Uttar Pradesh state elections. People either swear by it or swear at it. There are videos circulating online showing people abusing the people involved to alleging various conspiracy theories.

Read More: http://thewire.in/84378/demonetisation-ratio-efficacy-2/
Date Accessed: 5.12.2016
Farmer's Notebook: Growing Organic Products Isn't the Problem, Selling Them Is
(Satya N Mohanty, The Wire, 5th December 2016)

While the country debates the government’s decision to import pulses, Dr Narasimhan, a senior physician who has been a farmer for 60 years, is a worried man. He is an avid organic farmer and also trains others in organic cultivation techniques. His worry is that organic products are not being marketed at a good price.

Read More: http://thewire.in/84214/organic-farming-marketing/
Date Accessed: 5.12.2016
POLITICS AND GOVERNANCE

5 Hurdles To PM’s Push For Cashless Economy
(Devanik Saha, IndiaSpend, December 03, 2016)

342 million internet users, 27% of Indians; Smartphone usage rate among adults 17%; 1.02 billion mobile subscriptions, but only 15% have broadband internet; Average page load time on mobile 5.5 seconds, China 2.6 seconds; 856 PoS machines per million Indians.

Date Accessed: 5.12.2016

DEVELOPMENT

On poverty, illiteracy, India stands out as red colour on world map: Prof Vijay Raghavan
(The Indian Express, 5th December, 2016)

Drawing attention to the socio-economic challenges faced by the country, Professor Vijay Raghavan, secretary, department of biotechnology, Union Ministry of Science and Technology, told graduating students of Ahmedabad University Saturday that India stands out as a “red colour” on the world map on issues related to malaria, poverty and illiteracy.

Date Accessed: 5/12/2016

ENERGY

Over the barrel: The case for an energy ombudsman
(Vikram S Mehta, The Indian Express, December 05, 2016)

A law specifically captioned “energy security and responsibility” will signal the government’s determination to tackle energy security within an integrated and holistic policy framework that focuses not just on energy but also its broader inter-linkages with food, water, environment, technology, infrastructure, conservation and efficiencies. The signal would be reinforced if the act contains measurable metrics for measuring progress towards the provision of secure, quality, affordable and clean energy.

Read More: http://indianexpress.com/article/opinion/columns/energy-resources-cop21-over-the-barrel-the-case-for-an-energy-ombudsman-4410686/
Date Accessed: 5.12.2016
**CASTEISM**

Govt approves inclusion of 15 new castes in Central OBC list  
*The Indian Express, 5th December 2016*

Out of these 28, 15 were new entries, 9 were synonyms or sub-castes of the castes which were already in the list and 4 were corrections. “The changes will enable the persons belonging to these castes/communities to avail the benefits of reservation in Government services and posts as well as in Central Educational Institutions as per the existing policy,” according to an official statement.

Date Accessed: 5.12.2016

**GENDER**

Long road to gender equality in India  
*Live Mint, 30th November, 2016*

India formally adopted gender budgeting in 2005. In that year, finance minister P. Chidambaram included in the budget documents a separate statement on spending programmes that benefit women in particular. It was his predecessor Yashwant Sinha who began the preparatory work for a shift to gender budgeting. Every Indian budget since 2005 has a statement that lists out schemes meant specifically for women. There are two types of schemes that are included—those in which the entire provision is for women and those where at least 30% of the money is meant for women. Sixteen states have also embraced gender budgeting over the past decade.

Read More at: [http://www.livemint.com/Opinion/rgFtEqLUOR0VIPerJCzCSI/Long-road-to-gender-equality-in-India.html](http://www.livemint.com/Opinion/rgFtEqLUOR0VIPerJCzCSI/Long-road-to-gender-equality-in-India.html)  
Date Accessed: 5/12/2016

**As Government Rolls Out Injectable Contraceptives, Debate Over Women’s Rights Intensifies**  
*Neeta Lal, The Wire, 30th December 2016*

The controversial contraceptive containing the drug Depot Medroxyprogesterone Acetate (DPMA) is currently being introduced at the primary and district level. It is delivered in the form of an injection and works by thickening the mucous in a woman’s cervix which stops sperm from reaching the egg, thereby preventing pregnancy. It is also much cheaper than other forms of contraceptives available across the country.

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AMERICAS

I After the Islamic State
(Robin Wright, The New Yorker, 5th December, 2016)

Last May, Abu Mohammad al-Adnani, the second most powerful leader in the Islamic State, hinted that the caliphate was crumbling. “Whoever thinks that we fight to protect some land or some authority, or that victory is measured thereby, has strayed far from the truth,” he said, in a long audio message that was released to fellow-jihadis. He also suggested a shift in strategy. “It is the same—whether Allah blesses us with consolidation or we move into the bare, open desert, displaced and pursued.”

Read More at: http://www.newyorker.com/magazine/2016/12/12/after-the-islamic-state
Date Accessed: 5/12/2016
**Demonetiser’s Dilemma**  
(Bhaskar Chakravorti, *The Indian Express*, December 05, 2016)

India’s digital state, unfortunately, does not engender the trust needed for cashlessness to take hold in a meaningful way. Despite a billion mobile phone subscriptions, just about 30 per cent of Indian subscribers use smartphones. A little over a third of the population has internet access. India lacks the infrastructure to reliably expand access. Connections are patchy and there is great disparity in connectivity: Seventy per cent of those with mobile internet access are in cities; only 17 per cent of Indian women use the internet, according to the Pew Research Center. With women responsible for much of household purchases, this does not provide a strong foundation for the spread of digital payments.


**What Pakistan’s New Army Chief Means for India**  
(Rohan Joshi, *The Diplomat*, December 01, 2016)

While Gen. Bajwa is the leader of this institution, there is more to the Pakistan Army than merely the COAS. Pakistan’s Corps Commanders wield considerable influence in matters of policy pertaining to military and indeed, non-military issues. Corps Commanders’ conferences, which are presided by the COAS, form a vital cog in the evolution of consensus on military issues as well as sensitive domestic and international issues, as former Pakistani Ambassador to the U.S., Husain Haqqani notes in his book *Pakistan: Between Mosque and Military*.

It is unlikely therefore that no matter what his own reported views on India may be, Gen. Bajwa is unlikely to be able to dramatically alter course without the consensus of his army’s top brass. He will also be loathe to unilaterally affect sweeping changes that could divide army leadership and ultimately undermine his own authority.


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