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- A Panoramic View

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– A Panoramic View”

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IMPACT OF DIGITAL ECONOMY ON CORRUPTION, BLACK MONEY AND COMPLETELY TRANSPARENT GOVERNANCE

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Abstract

The current situation of demonetization of currency notes in India was initiated by Prime Minister Shri. Narendra Modi has created a short term pain to the people of India, which will bring the long term gain indeed to the people of India in future. He is using Demonetization as only a part of a comprehensive strategy to tackle corruption and generation of black income. Demonetization is an economic term which is used to mean the 'scrapping' of old currency notes and stripping off their status of legal tender. There are two basic elements to this definition. One is 'scrapping of old currency notes' and 'status of legal tender'. This "status" of legal tender can be scrapped for a currency note, which means that the instrument ceases to be a "legal" mode of monetary transactions and in effect loses the value associated with that instrument. In other words, until and unless the old currency is legally exchanged at the designated centers, they are equivalent to nothing more than scraps of paper. The demonetization-driven cash crunch that is playing out in India will create short-term economic pain in the form of the transactional hit created by a hard cash deficit and the structural hit to non-tax paying individuals and businesses that would become unsustainable.

If digital transactions could curb corruption and black money, Kenya would have been the most transparent country in the world. About 75% of the adult population in Kenya uses mobile phones for payments and money transfer. The value of mobile money transactions and transfers per day is equal to 4.5% of annualized GDP of Kenya, as per a report published in an International Monetary Fund (IMF) journal.

The primary pitch and narrative of the demonetization drive by Prime Minister Narendra Modi seems to have taken a major shift to cashless economy from the initial key highlights of war against black money, corruption and counterfeit currency. That's the inference one can draw from the PM's Mann Ki Baat speech.

Demonetization technically is a liquidity shock; a sudden stop in terms of currency availability. It creates a situation where lack of currencies, jams consumption, investment, production, employment etc. In this context, the exercise may produce short term/long term, consumption/investment, and welfare/growth impacts on Indian economy. The intensity of