

# DEMONETISATION: YET ANOTHER FRAUD ON THE PEOPLE

*Those who take the meat from the table  
Teach contentment.  
Those for whom the contribution is destined  
Demand sacrifice.  
Those who eat their fill speak to the hungry  
Of wonderful times to come.  
Those who lead the country into the abyss  
Call ruling too difficult  
For ordinary men.*

– Bertolt Brecht

In a televised address at 8 pm on November 8, 2016, Prime Minister Narendra Modi announced that currency notes of Rs 500 and Rs 1,000 denominations would no longer be legal tender from midnight that night. He stated that people holding Rs 500 and Rs 1,000 notes could deposit them in their bank and post office accounts till December 30, 2016. He further announced that new notes of Rs 500 and Rs 2,000 will soon be introduced. The Prime Minister stated that this step was being taken to curb counterfeiting and funding of terrorism with fake notes, and most importantly, to crack down on black money in the country.

The total currency in circulation in the country is around Rs 17.9 lakh crore. Most of this is in Rs 500 and Rs 1,000 notes, these accounting for 86% of the currency in circulation. Therefore, till the government replaces the abolished currency with new currency notes, for the present, 14% of the currency has to serve the task of the whole. The total value of the Rs 500 and Rs 1,000 notes in circulation is around Rs 15.44 lakh crore, and these were printed over a span of 15 years.<sup>1</sup> To prevent the economy from collapsing, the government has to quickly replace them. Even though the Prime Minister claimed that the step was being planned for more than nine months,<sup>2</sup> the monumental inefficiency of the Modi Government becomes evident from the fact that it made no advance preparations for quick replacement of the old notes with new notes. According to a newsreport that quoted former Finance Minister P. Chidambaram and also a former Reserve Bank of India (RBI) Deputy Governor, even if the government prints note for note, given the capacity of the four currency note printing presses in the country, it is going to take at least six to seven months for these printing presses to print new

notes to replace all the scrapped notes.<sup>3</sup> Once printed, the notes must reach granular India—5,93,731 inhabited villages, 4,041 towns, 3,894 census towns and 1,456 urban patches.<sup>4</sup> The printing of such a huge quantity of notes requires large quantities of paper and ink, which are largely imported. Such an elementary step as importing the required quantity of ink and paper was also not done in advance—ink is already in short supply and the government recently floated a tender for importing it.<sup>5</sup>

The sudden move without adequate preparation for its consequences has led to chaos across the country. With 86% of the currency sucked out of the system, even though nearly two months have passed since the demonetisation announcement, there is still very inadequate cash with the banks. People were first forced to queue up outside banks for hours to exchange/deposit their old notes. After that, they now have to stand outside banks almost daily in long queues to withdraw their money, because even after standing in line for hours, at the most people are able to withdraw only Rs 2,000–4,000 at a time. The worst hit are the daily wage workers, as they are forced to forgo a day's wages in order to stand in the queues. Dozens of people have actually died waiting in these queues.

Adding to the woes of the people are non-functioning ATMs. Initially, the problem was that the ATMs were not calibrated to distribute the new Rs 2,000 and Rs 500 notes. It was only by early December that nearly 90% of the ATMs got recalibrated. But even after that, the problem of standing outside ATMs in long queues has not reduced, as there is not enough cash, and so either one can withdraw only small amounts at a time, or the ATMs run dry just 2–3 hours after being refilled.

The situation is worse in the rural areas, where the banking network is not so widespread and one bank branch caters to several villages. Banks often have no cash for 2–3 days, and even when they get cash, it is so insufficient that people often have to go home empty-handed after standing in line for hours.

The government's ineptitude is also revealed in its decision to first introduce the Rs 2,000 note rather than the Rs 500 note. It shows how much our policy makers are cut off from the people. After standing in queues for 3–4 hours, people get most of their withdrawals in Rs 2,000 notes. This does not ease their financial difficulties one bit, as the shortage of lower value currency notes has made it virtually impossible for them to use it to buy essential items like milk and vegetables, as shops have no change to pay back.

BJP–RSS activists have put up banners all over the country, asking people to patiently wait in the long queues as a sacrifice for the country, as Modi’s demonetisation policy will soon end black money and give the economy a big boost, leading to a fall in housing and food prices. Many people too think that this step will indeed end terrorism and curb black money, and so the troubles being faced by them are worth it.

## **EXAMINING THE GOVERNMENT CLAIMS**

Let us examine the claims of the government about the benefits of demonetisation one by one.

### ***i) Will It Overcome the Problem of Terrorist Financing?***

Terrorists need financing. They use both banking channels and fake notes. The major part of their financing is done through banking channels, using various innovative techniques. That cannot be curbed by demonetisation. And so far as fake notes are concerned, to the extent that terrorism is financed from abroad, state actors are involved in printing these fake notes. That too cannot be curbed by demonetisation. So, we are only indulging in self-deception if we believe that demonetisation is going to curb terror financing.<sup>6</sup>

### ***ii) Will It Overcome the Problem of Counterfeit Notes?***

According to the RBI, there is only Rs 400 crore worth of counterfeit currency in circulation in the country—a tiny amount of the total currency in circulation of Rs 17.9 lakh crore.<sup>7</sup> Is it really worth attempting to eliminate such a small amount (0.022%), while giving so much trouble to the ordinary people? And very soon, the new notes will be faked too. In the USA also, there are a large amount of fake dollars in circulation; the dollar is in fact among the most counterfeited currencies in the world.<sup>8</sup>

### ***iii) Will It Significantly Curb the Black Economy?***

People think that black money means bundles of notes tucked away in suitcases or pillows or lockers. That is not the case. Then what is black money? For this, it is important to understand the difference between three terms: black money, black income and black wealth. All three are different, and together comprise what can be called the ‘black economy’. People mix up these terms, and use them interchangeably.

First you earn income; out of this, you consume one part, and save the rest. This saving you invest in various assets. That gives you your

wealth. Wealth is held as a portfolio—you can invest it in real estate, gold, share market, etc. or hold it as cash. Thus, cash is only one component of your wealth, and a very small part of it.

Coming to the black economy, here, first, black income is generated through a whole range of activities. These activities can be entirely illegal, such as the drugs trade, or the manufacture of fake medicines, or the arms trade, and so on. Or they can be activities which are completely legal, but are undeclared (either wholly or in part), as people want to avoid taxes. These can include: under-reporting of income by doctors or lawyers to save taxes; under-reporting of profits by industrialists by means such as overstating costs (for example, by showing purchase of raw material at higher than actual prices) or understating production; and under-invoicing and over-invoicing in international trade.

It is not the case that only black activity or black business is carried out with cash, and white or normal activity is carried out by cheque or credit card or other such means. Normal business also requires cash. So, normal cash holding and black cash holding are not two different things. One may ask: that may be so, but is it not that black business is more dependent on cash transactions than white? The answer to this also is no. In both black and white business, cash is held for shorter or longer period, and then thrown into circulation, and this is equally so for both types of business. Therefore, if currency is demonetised, both white and black cash holdings are affected, and both are equally affected.

To put the same argument in another way, black businessmen are as much capitalists as white businessmen. It is only misers who hoard money; capitalists believe in investing money to earn more money. And so, black money holders, like white money holders, also try to expand their business by investing their black money/income. Therefore, just like white money holders, black money holders also will be holding only a small fraction of their total income in cash at any point of time.

The point we are trying to make is, only a part of the black income is held as cash. Most black money holders invest their incomes in assets, which yield returns, such as buying land or shares with it, or sending it abroad through various means. A recent *Hindustan Times* report has also given several arguments to show that black money hoarders keep very little of their earnings in cash. It goes on to quote a finance ministry official as saying that ill-gotten wealth mostly enters the formal economic system through real estate and shell companies.<sup>9</sup>

The part of *black income* that is kept in cash is what is actually *black money*, while that invested in assets is *black wealth*. Demonetisation at the most affects black money; it does not affect black income generation, nor

does it affect black wealth one tiny bit.

Let us consider a concrete example of black income generation to understand this in greater detail. An especially important sector where black incomes are generated, and where black incomes are invested in a big way, is real estate. Funds are taken out of the country through various illegal means such as hawala channels, or over-invoicing of imports, or under-invoicing of exports, or transfer pricing. They are then brought back into the country as foreign investment or FDI (this is known as “round-tripping”) through channels such as the infamous Mauritius route. In this, sham corporations are registered in Mauritius, through which funds are routed into India, often through a mechanism called P-notes (participatory notes, where the ultimate investor is not identified to the Indian market regulator Sebi). The earnings on such investments are not taxed in India because India and Mauritius have a double tax-avoidance treaty (according to which a Mauritian entity investing in India does not have to pay capital gains tax in India, and only pays taxes in Mauritius), while at the same time the investors pay little or no taxes in Mauritius too because of the tax structure there. The amendments to the Indo-Mauritius Treaty done in May 2016 will not have much of an impact on this “round-tripping” of funds, as firstly, P-notes are exempted from this amendment, and secondly, there are other routes available through which such funds can be routed into India without attracting much tax, such as through Netherlands.<sup>10</sup> FDI flows into the real estate sector have zoomed in recent years—between 2005 and 2010, FDI in India’s real estate and housing market jumped 80 times. In 2010, nearly \$5,700 million of foreign funds were invested in this sector. It is this infusion of black money into real estate that has contributed to the sharp and sustained rise in land prices, making housing unaffordable for an overwhelming majority of Indians.<sup>11</sup>

We have discussed the round-tripping of black money in some detail to explain how a major part of black incomes is invested via phoney legal means, through banking channels. And this is not going to be affected by demonetisation. That will only be curbed if the government takes steps to curb the illegal parking of funds abroad, and its round-trip back to India.

## **Dispelling an Important Myth About Black Money**

Before we go ahead to estimate the size of the black economy, it is important to discuss an issue being raised by persons like Baba Ramdev, who have these days donned the mantle of ‘economics experts’. They are claiming that the central problem of the Indian economy is “black

money”, and are trying to create the impression that if this problem is solved, poverty would vanish, unemployment will decline, and so on. This view is wrong for a number of reasons:

- (i) Firstly, capitalism is all about making profits. And therefore, under capitalism, the line between what is legal and what is illegal, the line between ‘white capitalism’ and ‘black capitalism’, is a tenuous one. Thus, when the government gives tax concessions to the rich, the savings made by the rich are considered legal, but when ordinary people do not declare their incomes to save on taxes, that is considered illegal; when the government transfers land at throwaway prices to the corporate houses, that is considered legal, but when ordinary people buy land out of their hard earned savings to build a house, and under-report the land price to save on taxes, that is considered illegal; when pharma companies through their network of Medical Representatives encourage doctors to prescribe unnecessary medicines to patients, this is plainly unethical, and should be labelled as black activity, but it goes on in a big way; and so on . . .
- (ii) Then again, the definition of what constitutes ‘black activities’ varies from country to country! Thus, banks investing people’s savings in the stock market is considered illegal in India, but is perfectly legal in the United States.
- (iii) Finally, even if there were no black economy, the inherent law of capitalism, which produces wealth at one end and misery at the other, would still operate. And this is becoming worse in today’s era of neoliberalism. The people who are blaming the black economy for the misery of the masses are actually doing so to hide from the people the real reasons for their poverty and unemployment.

All this is of course not to argue that steps should not be taken to curb the black economy. That should be done. But it should be clear that *this is only one of the many problems gripping the Indian economy, and furthermore, is not the most important problem.* The most important problem today is the economic policies being implemented under the name of globalisation–privatisation–liberalisation. It is these policies that are responsible for the huge rise in poverty and destitution, the worsening unemployment situation, the rising inflation, and the worsening agricultural crisis that has pushed more than 3 lakh farmers into committing suicide over the past decade.

## Estimating the Size of the Black Economy

It is very difficult to make an estimate of the size of the black economy. Estimates of the black income generated every year vary from 25% to 75% of GDP.<sup>12</sup> An authoritative analysis has been made by Prof. Arun Kumar, an eminent economist who was Professor at the Centre for Economic Studies and Planning at the Jawaharlal Nehru University. He estimates the black income generation in India to be 62% of GDP. This is fairly close to the estimate made by a report of the National Institute of Public Finance and Policy in 2014 that estimated domestic black money as being equal to 70% of GDP.<sup>13</sup> The GDP for 2016–17 is estimated at Rs 150 lakh crore, so 62% of that would be roughly Rs 93 lakh crore. This then is the size of the black income being generated in the economy this year. Black wealth would be several times this amount, as it has been accumulating over the years. Even assuming a low figure of say three times, this means black wealth would be around Rs 300 lakh crore.

Let us now make an estimate of the black money in circulation as cash in the economy. It is this 'black cash' that the government is attempting to demobilise by demonetisation. The Rs 500 and Rs 1,000 notes in circulation in the economy total Rs 15.44 lakh crore. But not all the notes in circulation are a part of the black economy. Thus, for instance, a significant proportion of our GDP—around half, according to current CSO estimates—is produced in the informal sector, and around 85% of the population relies on it.<sup>14</sup> While the incomes in this sector are mostly unrecorded, the dominant part of this is not 'black'. It is true that the incomes in this sector do not fall into the direct tax net, but then in any case these incomes are too small to pay direct taxes; on the other hand, due to the tax structure of the Indian economy which collects more revenue from indirect taxes rather than direct taxes (70:30), they anyway are subject to indirect taxes.<sup>15</sup> In this sector come the income of farmers and small traders and daily wage workers and small service providers and other such sections of the population. Most of the transactions in this sector are in cash. Apart from this informal sector, a significant portion of the cash in the economy is in businesses, like petrol pumps, railway stations, airports, etc., and this too is not black. Therefore, of the total currency in circulation, assuming that half is in the informal sector, and of the remaining, at least 50–60% is in businesses as legal currency, that leaves just around Rs 3 lakh crore as black money.<sup>16</sup> Indeed, a former governor of the RBI, D. Subbarao, a

Demonetisation is going to affect at the most 3% of black income generated this year in the economy!

supporter of the demonetisation move, has also mentioned this as the maximum amount that can be rendered worthless by this move.<sup>17</sup>

**Table: Estimating Black Money in the Economy**

Total GDP of India in 2016	~ Rs 150 lakh crore
Estimated size of Black Economy	62% of GDP
Total amount of Black Income generated every year	Rs 93 lakh crore
Total value of Rs 1,000 and Rs 500 notes (1)	Rs 15.44 lakh crore
Legal currency in circulation in informal economy (2)	~ 50% of (1)
Legal currency in the formal sector (3)	25–30% of (1)
Estimated Black Money in circulation in economy (1–2–3)	20–25% of (1)
Total value of Black Money demonetised	$20 \times 15.44 / 100 = \sim$ Rs 3 lakh crore
Black Money as % of Black Income generated every year	$3 / 93 \times 100 = 3.2\%$

The maximum amount of black money that can be demobilised by demonetisation—Rs 3 lakh crore—is just 3% of the total black income being generated in the economy this year (Rs 93 lakh crore), and 1% of the black wealth (assuming black wealth to be a low Rs 300 lakh crore). Even assuming that the government is completely successful in eliminating this Rs 3 lakh crore of black money, it is only eliminating a very small fraction of the total black income being generated in the economy this year, and an even smaller fraction of the black wealth.

### **Will Government be Able to Eliminate Rs 3 Lakh Crore?**

Assuming that only the top 3% of the population has black money, this means 3.6 crore people have black money—of around Rs 3 lakh crore. This works out to an average black money holding of less than Rs 1 lakh per person; and the government is permitting people to deposit Rs 2.5 lakh per person without questions being asked! Of course, not everyone in the top 3% of the population has black income, and so many would have black money more than this limit specified by the government. But then, they are finding innovative ways of converting their black money into white. Thus, on the day the demonetisation announcement was made, jewellery shops were reported to be open till 3



am, issuing backdated receipts for purchase of gold, jewellery, etc. People are also resorting to stratagems like employers paying employees salaries for several months in advance, or giving money to the poor to deposit in their Jan Dhan accounts, to be returned later as white money. Of the 25 crore Jan Dhan accounts opened by the poor, 3 crore accounts have seen a total of nearly Rs 29,000 crore in increased deposits. The tax department simply does not have the infrastructure or resources to investigate these 3 crore Jan Dhan accounts.<sup>18</sup> Modi's pet project of financial inclusion has itself become a robust platform for money laundering!

So, in all probability, the government will not be able to demobilise even Rs 3 lakh crore; at best it may demobilise around Rs 1 lakh crore. This is precisely what is happening. By mid-December, of the Rs 15.44 lakh crore of high value notes in circulation, around Rs 13 lakh crore had already come back to the banks, and with a fortnight to go for the deadline to end, experts are predicting that it may all end up with nearly 90–95% of the money coming back.<sup>19</sup>

To quote Prof. Arun Kumar, "If the bulk of the money comes back into the system, it will be seen as the most foolish decision by the government involving all pain and no gain." He stated that the whole exercise will then simply be described as replacement of current stock with negligible demonetisation.<sup>20</sup>

On December 6, Revenue Secretary Hasmukh Adhia too admitted that the government was expecting all scrapped notes of Rs 500 and Rs 1,000 to come back into the banking system.<sup>21</sup> Clearly, the government is going to fail in achieving its third objective too.

### **Past Experience Too Proves This**

This is not the first time that demonetisation has been done. In 1978, the Morarji Desai Government too had demonetised currency, but it had only demonetised high value notes—Rs 1,000, Rs 5,000 and Rs 10,000 notes. In 1978, Rs 1,000 was a lot of money. The step did little to curb the black economy, but at least it did not affect the ordinary people, as they did not use these high value notes; the notes demonetised accounted for only 0.6% of the currency in circulation; and so life went on as usual. However, even then, the then RBI Governor I.G. Patel had pointed out that "such an exercise seldom produces striking results" since people who have black money on a substantial scale rarely keep it in cash. "The idea that black money or wealth is held in the form of notes tucked away in suitcases or pillow cases is naïve."<sup>22</sup>

## **CAN DEMONETISATION CURB BLACK ECONOMY?**

Be that as it may, what is even more fatuous about the government's exercise of demonetisation is that it is aimed at demobilising only the black money (that is, the illegal cash) stored with people, which is only a fraction of the black income generated in this year, and is an even smaller fraction of the black wealth accumulated in the economy over the past several years. The government is not taking any steps to eliminate, or even curb, black income generation. So, even assuming that a part of the black income generated this year will be demobilised by demonetisation, black income is going to be generated in the coming year too, and the year after that, and so on, and it may even be more than that generated this year. Be it narcotic drugs or charging capitation fees, or be it hiding of incomes by lawyers and doctors, or be it understating real estate deals or understating industry profits, or be it under-invoicing and over-invoicing in international trade, all this is going to continue in the coming years too. Black money in the form of cash will again be generated in all these transactions. And since the government has introduced notes of an even higher denomination, that is Rs 2,000, storage of black money is going to be much easier!

There is another reason why the black economy cannot be attacked by demonetisation. As the classical political economists, Adam Smith and David Ricardo, had pointed out, long before Marx, capital always flows from the less profitable to the more profitable activities. Therefore, till the government takes steps to make black income generation unattractive, till then, so long as "black activities" remain profitable, they are going to attract capital.

## **IS GOVT. SERIOUS ABOUT CURBING BLACK ECONOMY?**

Many people will argue: even if demonetisation cannot significantly curb the black economy, at least the Modi Government has shown its willingness to attack it, and will soon come up with more steps to eradicate this menace.

Even assuming this to be true and assuming that the government initially wants to tackle black money only (and not black income generation), the method adopted, of demonetisation, is bizarre. To give an analogy, if there is a crime in a locality, this is like the police calling all the residents of the locality to the police station to investigate whose hands have bloodstains, or whose eyes are bloodshot, or who was where at the time of the crime, and so on. The correct way to pursue the case is to diligently investigate all the leads available, and then call in for

questioning only those who are the suspects. Similar is the case with black money. If there is an honest tax administration that operates without interference, it can through painstaking efforts unearth substantial amount of black incomes and black wealth. Irrespective of how high and mighty a person is, if he/she is prosecuted and sent to jail for tax evasion/black activities, that will act as a deterrent to others. This is what is done in all countries that have taken some effective steps to curb the black economy, such as the US or UK—they have acted to curb the black economy by serious investigation and prosecution.

In contrast, the Indian Government, in the name of curbing black money, has through demonetisation put into enormous hardship all people with cash, a majority of whom actually have white money. At the same time, it is wilfully not taking any action against those who really are deeply involved in black income generation and have huge hoards of black wealth. This is evident from so many examples.

For instance, black money is generated in election funding. It is estimated that probably nearly Rs 30,000 crore was spent by parties in the 2014 Lok Sabha elections. A major part of this was spent by Narendra Modi for his high-voltage electioneering. If the BJP was indeed serious about curbing black money, it should have declared the sources from where it got its funding, and pressurised other parties to declare their sources of funding too. As per the law, parties don't have to reveal the names of donors for donations of amounts below Rs 20,000; taking advantage of this loophole, all parties, including the BJP, Congress and others, declare most of their donations as being below this. Modi could have moved to change this law, and asked every party to reveal the name of each donor, no matter how small the donation, and thus bring in transparency in political funding.

A large part of the black money generated every year is parked in land and gold/jewellery. The government can easily monitor big land deals and gold-jewellery purchases, and put them under scrutiny. Then again, our intelligence agencies are tracking export deals on a daily basis. A *Hindustan Times* analysis of RBI data, gleaned from 1972 to 2015, shows that 1,88,605 export transactions were not remitted home, and involved exports worth Rs 17 lakh crore.<sup>23</sup> This means that the government has the details of the deals through which money is being funnelled abroad. If the PM wants, he can easily stop this outflow. As discussed above, a known way of storing black incomes is by sending the money abroad, and then bringing

If BJP is serious about the war on black economy, why does it not declare its own sources of funding?

it back to invest in securities through 'P-notes', which do not require the buyer to reveal his/her identity. Both the UPA and the supposedly anti-corruption BJP have been reluctant to impose curbs on P-notes. Even after the government recently amended the Indo-Mauritius Double Taxation Avoidance Treaty, taxation of P-notes was left untouched.<sup>24</sup>

Another obvious step that the government can take is to go after those who have stashed their money abroad. In February 2012, the director of India's Central Bureau of Investigation stated that an estimated \$500 billion or Rs 24.50 lakh crore has been stashed away by Indians in foreign tax havens, more than any other country.<sup>25</sup> Modi had in fact promised to bring this back in his election speeches, to the point that people had actually believed that the government was going to deposit Rs 15 lakh in each of their Jan Dhan accounts. But after winning the elections, the BJP Government made a complete U-turn on the issue and has even gone to the extent of refusing to divulge the names of foreign account holders in the Supreme Court. Commenting on the application moved by the attorney general on behalf of the government in the Supreme Court, senior advocate Ram Jethmalani, who was the petitioner in the case, stated, "The government has made an application which should have been filed by the criminals. I am amazed."<sup>26</sup>

Actually, this is not surprising. Journalist Josy Joseph, author of the book *A Feast of Vultures*, writes that the biggest case of black money parked in offshore havens being investigated by Indian authorities is that of business tycoon Gautam Adani.<sup>27</sup> Considering the close relations between Adani and Modi, and the fact that Adani grew from being a small time businessman to one of India's biggest business tycoons during just the decade when Modi was Chief Minister of Gujarat, it is obvious that Adani will never be prosecuted.<sup>28</sup>

In 2016, 11 million documents held by the Panama-based law firm Mossack Fonseca were leaked by an anonymous source, and obtained and made public by the International Consortium of Investigative Journalists. The documents show the myriad ways in which the world's rich exploit secretive tax havens to hide their wealth. The leak, that became known the world over as the Panama Papers scandal, contained the names of 500 Indians who have links to offshore firms, including politicians, businessmen and films stars. The names include those of Amitabh Bachchan, Aishwarya Rai, DLF owner K.P. Singh, Garware family, Nira Radia, Harish Salve, and Gautam Adani's elder brother Vinod Adani, to name a few.<sup>29</sup> A year before that, in February 2015, *Indian Express* released the list of 1,195 Indian account holders and their balances for the year 2006-07 in HSBC's Geneva branch, in what has

become infamous as the ‘Swiss Leaks’. The names included several prominent Indian businessmen—Mukesh Ambani, Anil Ambani, Anand Chand Burman, Rajan Nanda, Yashovardhan Birla, Chandru Lachhmandas Raheja and Dattaraj Salgaocar—and the top diamond traders of the country—Russell Mehta, Anoop Mehta, Saunak Parikh, Chetan Mehta, Govindbhai Kakadia and Kunal Shah. Even earlier, in April 2014, the government disclosed to the Supreme Court the names of 26 people who had accounts in banks in Liechtenstein, as revealed to India by German authorities—adding three names later.<sup>30</sup>

The action so far? HSBC whistleblower Herve Falciani, talking to the media in November 2015, said the Indian government “had not used information on those illegally stashing away black money in foreign bank accounts, and still millions of crores were flowing out”.<sup>31</sup>

All this should not be surprising. Despite having come to power on the plank of anti-corruption and good governance, the Modi Government has actually been seeking to dilute anti-corruption legislations. Soon after coming to power, it made a U-turn on the issue of bringing political parties under the Right to Information (RTI) Act; it had earlier supported this. It has not been keen on operationalising the Lokpal Act despite it having been notified in the gazette in January 2014, and has not appointed a Lokpal even after two-and-a-half years in office, for which it was pulled up by the Supreme Court earlier this year (2016). Not only that, in July 2016, it diluted this Act and exempted bureaucrats from declaring assets and liabilities of their spouses and dependent children. Similarly, it has not operationalised the Whistleblowers Protection Act (WBP Act), despite it too having been passed by Parliament. This Act provides a mechanism for protecting the identity of whistleblowers—a term given to people who expose corruption. Nearly 60 people have been killed in the last few years for exposing corruption and wrongdoing in the government; had the law been operationalised, the lives of many of them could have been saved.<sup>32</sup>

Clearly, all the chest thumping by PM Modi about fighting corruption is just a lot of hot air.

After coming to power, the BJP has actually been diluting anti-corruption legislations.

## **MODI CHANGES NARRATIVE TO CASHLESS ECONOMY**

The point we wish to make is that the real purpose of the demonetisation exercise is not to curb the black economy. Had the government been serious about it, it could have easily gone after those

responsible for generating and storing black incomes both inside the country and abroad.

This is also borne out by a recent change in the government tune. On November 8, when the government issued its first press release announcing demonetisation, the release spoke extensively on the black money issue, and made no reference to moving towards a cashless society. PM Modi's speech, also delivered on the same day, where he announced the decision to ban Rs 500 and Rs 1,000 notes from the banking system, also projected that the major focus of demonetisation was war on black money, terror funding and corruption. He too did not make any major reference to shifting to a cashless economy.

Now, a month after this so-called 'war on black money' was launched, the government has shifted its rhetoric to pushing for a cashless economy. In his *Mann Ki Baat* speech on November 27, Prime Minister Narendra Modi shifted his focus from the drive against black money to exhorting the people to make the transition first to a 'less-cash economy' and then later a 'cashless' economy. He urged people to start using cash substitutes like debit cards and digital wallets. The RBI Governor, after maintaining a stoic silence on the note ban ever since the decision was announced, too shared his *mann ki baat* on the same day, and urged people to migrate to a cashless society.<sup>33</sup> The government has pushed its departments to shift from cash transactions to cashless transactions; for instance, the Urban Development Ministry has announced that people will have to make e-payments in matters of property tax, professional tax, utilities like water, power & gas, fee and licensing charges, etc. On December 8, the finance minister announced a slew of incentives to encourage people to move towards cashless transactions, including: waiver of service tax on digital payments of less than Rs 2,000; discounts on petrol and diesel purchases, suburban railway tickets and toll payments at Toll Plazas on National Highways if payment is made through digital means; and issuance of 'Rupay Kisan Cards' to farmers to enable them to make digital transactions, as well as installation of two PoS machines (swipe machines) free in 1 lakh villages with population of less than 10,000.<sup>34</sup>

The government is now claiming that as the economy moves towards a cashless economy, black money will reduce, and tax evasion and corruption will decline.<sup>35</sup> But in reality, there is no connection between a cashless economy and tax evasion and generation of black incomes. Currency notes are not necessary in generation of black money. Most of the black activities/tax evasion/ corruption in an economy are indulged in by the rich or the big corporations. And they use all kinds of

legal accounting gimmicks to do so, using banking channels.

Thus, in the USA, according to the Federal Reserve, as much as \$1.48 trillion is in circulation as cash, which works out to approximately 8% of its GDP. The cash to GDP ratio of the USA is less than that of India; according to RBI data, the currency in circulation in India is 12% of GDP.<sup>36</sup> Nevertheless, hundreds of the biggest US corporations have used all kinds of accounting gimmicks to show their profits as having been earned by subsidiaries in offshore tax havens, so as to avoid paying US taxes. According to one estimate, at least 303 of the Fortune 500 US corporations collectively hold a whopping \$2.4 trillion of profits offshore, and thus are avoiding paying up to \$695 billion in US federal income taxes.<sup>37</sup>

Making an economy more cashless does not reduce tax evasion. Tax evasion in the US and Europe totals billions of dollars every year.

The situation in Europe is no different. In the Eurozone countries, cash is 10.63% of GDP. Yet, tax evasion in Britain every year totals around 16 billion pounds, while the French Parliament says that tax evasion costs France between 40 and 60 billion euros a year.<sup>38</sup>

Already, in India, cashless transactions exceed cash transactions in value terms. At the end of fiscal 2015, electronic transactions at Rs 92 lakh crore topped paper-based ones at Rs 85 lakh crore transactions. . This January (2016), 411 million transactions were carried out through various digital payment modes (including PoS, IMPS, PPI, Mobile Banking and NACH) of a value of Rs 1.29 lakh crore. By October 2016, this had risen to 604 million transactions of a value of over Rs 2.48 lakh crore.<sup>39</sup> And yet, there are no indications that the black economy has reduced even marginally, again proving that there is no relation between proportion of cash transactions in the economy and black money.

Therefore, the new drive of the Modi Government to further push towards an even more less-cash economy is not going to lead to a reduction in tax evasion or reduction in the black economy.

On the other hand, instead of cash transactions, as the number of online transactions increases, it increases the risk of online frauds. One study found that the value of global online fraudulent transactions is expected to reach \$25.6 billion by 2020, up from \$10.7 billion last year. Just a month before Modi announced the demonetisation drive, India's biggest internet banking security breach occurred. Over 3 million debit cards and their pin numbers were stolen by hackers, enabling the miscreants to steal personal information and do fraudulent transactions. Several banks, including State Bank of India, Yes Bank, ICICI Bank and

Axis Bank, were hit by the attack. Newsreports say that banks have reported total fraudulent withdrawals of Rs 1.3 crore because of the security breach. Considering India's huge illiteracy and poverty levels, if the poor are forced to shift to using debit/credit cards, it is going to be very easy for tricksters to defraud people of their hard-earned money.<sup>40</sup>

## THE REAL MOTIVE BEHIND DEMONETISATION

If demonetisation is not going to lead to a reduction in the black economy—and the government obviously knows this—then what is the real motive behind the demonetisation exercise and now the push towards a less-cash economy?

The real purpose is: to destroy India's informal economy, especially agriculture, small-scale retail trade, and small-scale industry. For those who have become 'Modi bhakts' because of the media propaganda, this may sound unbelievable, but all the facts point to this.

After coming to power, the BJP has made a complete U-turn on all the promises made by it during the elections, and is continuing with the same policies of globalisation–liberalisation–privatisation that have been implemented in the country for the last more than two decades, and that too at an accelerated speed. These policies are being implemented at the behest of the governments of the developed countries led by the USA, and the international financial institutions controlled by them, the World Bank and the International Monetary Fund (or IMF). The reason why the Indian Government is dutifully implementing their dictates is because of our huge foreign debt, which under the Modi Government has now topped \$485 billion. (Discussing this issue in greater detail is beyond the scope of this booklet.<sup>41</sup>) The objective of these economic reforms is to corporatise the Indian economy, allow big corporations—both foreign and Indian—to acquire decisive control over it, and remould the economy so that these giant corporations can maximise their profits. This requires the destruction of India's vast unorganised or informal sector; and that is precisely what is being done through the economic reforms being implemented in the country in the name of globalisation. The three biggest components of India's vast unorganised sector are:<sup>42</sup>

- i) Agricultural sector, on which 53% of the population depend for their livelihoods;
- ii) Small-scale or unorganised retail sector, which accounts for around 9% of total employment;
- iii) Small-scale or unorganised manufacturing sector, which accounts for 7.5% of total employment.



All these sectors were already struggling for survival under globalisation. Now, in the name of demonetisation and cashless economy, the Modi Government has launched yet another offensive to further cripple these sectors. PM Modi expecting the pavement tea-seller or a roadside fish-seller to have a PoS machine with which to accept payment from the credit card of a daily wage worker, or expecting a street hawker to sell a dozen bananas and accept payment through Paytm, or expecting a small farmer to make payment to his labourers by cheques, or expecting the owners of India's tiny manufacturing units to pay their daily wage workers, who are paid daily on a piecemeal basis, by electronic transfer every day, is akin to Marie Antoinette asking Parisians to go eat cake.

### **Benefiting US Corporations**

As with the other important policies being implemented as a part of globalisation, Washington is behind this policy too! This may sound incredible to our readers, but there is enough evidence to substantiate this. PM Modi's demonetisation and cashless drive is being implemented at the behest of US Government's development agency USAID.

Ever since the Modi Government came to power, it has been bowing to US pressure and implementing policies to benefit US corporations, such as: amending the Land Acquisition Act (on which the government had to backtrack due to a countrywide protest movement); diluting India's nuclear liability law so that US nuclear corporations can set up nuclear plants in India without having to worry about paying indemnities in case of design defects causing a nuclear accident; and amending insurance laws to permit increased inflow of foreign capital into India's insurance sector.<sup>43</sup> The push to demonetisation is a continuation of this surrender to US corporate interests.

In October 2016, the USAID and the Indian Finance Ministry entered into an agreement known as *Catalyst: Inclusive Cashless Payment Partnership* with the goal of effecting a quantum leap in cashless payments in India. The partnership was based on a report commissioned by USAID in 2015, and presented in January 2016, titled *Beyond Cash*. The study and subsequent plans were kept a secret<sup>44</sup>—this explains Modi's statement that preparations for demonetisation had been going on for many months before the November 8 announcement.

Who are the real beneficiaries of this partnership and drive towards a cashless economy? This is revealed by USAID itself. In a press release following the release of the *Beyond Cash* report, it declared, "Over 35 key Indian, American and international organisations have partnered with

the Ministry of Finance and USAID on this initiative."<sup>45</sup> These organisations are mostly IT companies and payment service providers who stand to benefit from the increased digital payments and from the associated data generation. They include Microsoft, credit card companies such as Mastercard and Visa, the internet services company eBay Inc., the financial services corporation Citigroup, among others. India's digital payments industry is estimated to have the potential of growing to a whopping \$500 billion by 2020, but only if millions of Indians can be drawn into the digital payments net!<sup>46</sup>

The real aim of PM Modi's demonetisation drive is to benefit US digital payments corporations like Mastercard, Visa and eBay. India's digital payments market is estimated at \$500 bn.

USAID and its partner corporations are well aware that this policy is going to spell disaster for India's small traders and producers, and people in remote regions; *Beyond Cash* had analysed the impact of demonetisation

extensively.<sup>47</sup> But they are not bothered. In today's world dominated by big corporations, profit maximisation is all that matters, even if these profits come drenched in the blood of lakhs of poor and starving people.

Let us take a more detailed look at the impact of demonetisation on India's unorganised sectors.

### ***Impact on Agriculture***

The majority of the Indian peasants are small farmers with landholdings of less than one hectare. An important objective of the agricultural reforms being implemented in the name of globalisation is to slowly strangle these small farmers and drive them out of their lands so that big agribusiness corporations can take them over. And so successive governments have been reducing public investment in agriculture, cutting subsidies given on major inputs needed for agriculture (such as fertiliser, electricity and irrigation subsidies), gradually eliminating output support to agriculture (in the form of public procurement of agricultural produce), gradually phasing out subsidised credit given to agriculture by public sector banks, and allowing imports of heavily subsidised agricultural produce from the developed countries into India. These policies have pushed Indian agriculture into deep crisis, and driven the hardy Indian farmers into such despair that more than 3 lakh farmers have committed suicide since the reforms began, the largest recorded wave of such deaths in history.<sup>48</sup> The Modi Government's policies of the last two years has further

worsened this crisis. It has cut budgetary allocations for agriculture-related sectors, from 1.07% of GDP in 2014–15 BE to just 0.92% of GDP in 2016–17 BE—for a sector on which over half the population depend for their livelihoods.<sup>49</sup> Consequently, farmers’ suicides in 2015 recorded a 40% increase over the figure for 2014!<sup>50</sup>

Now, demonetisation is probably going to be the proverbial last nail in the coffin of the small farmers. It was announced just when the kharif crop was being harvested and sowing for the rabi crop was about to begin. This has pushed farmers into a difficult situation. Business at the mandis is down, by anywhere from 25% to 70%, as there are no buyers—the cash crunch has affected shopkeepers, hotels and restaurants, and even the small street vendors. And so, traders at the mandis do not have cash to pay to the farmers for their produce (or they are forcing farmers to sell at half the price); even if they pay in cheque, farmers are not able to encash them as banks are facing a cash crunch. The other source of funding for farmers, disbursement of loans by village-level credit cooperative societies, has also been affected due to restrictions imposed by the RBI on these institutions. And so, farmers do not have the money to buy seeds and fertilisers, and to hire tractors and other equipment, and pay their labourers—and they need cash immediately, because the agricultural season does not wait upon humans. The extent to which the rabi crop is going to be affected is evident from one newsreport, according to which the disbursement of crop loans in Maharashtra has been badly hit. By November end, only 17% of the earmarked outlay had been disbursed, despite the fact that this year, the water situation is satisfactory across the state due to the good monsoon after two years of weak monsoons.<sup>51</sup>

### *Impact on Small-Scale Retail*

Another important policy reform that is being pushed through under globalisation is allowing entry of giant multinational retailers into India’s retail sector, which is overwhelmingly dominated by small-scale retailers. In September 2013, the then UPA Government granted approval to 51% foreign direct investment (FDI) in multi-brand retail. The entry of huge foreign retail corporations like Walmart, TESCO, Carrefour and Metro into India’s retail sector will decimate India’s small retailers. That is because these foreign retail giants are huge, much beyond our imagination: for instance, in 2009–10, Walmart alone had total global sales of \$405 billion,

Demonetisation is decimating India’s informal sector, on which 92% of the people depend for their livelihoods.

meaning that Walmart alone sold more goods than all of India's 1.5 crore retailers combined! These big retailers have the financial muscle to source their supplies from the lowest cost producers at the global level, like China. Therefore, they will be able to sell their products at cheaper rates than the small retailers—if necessary, they will even sell at a loss. Not just the kirana stores and street vendors will be forced out of business, the entire network of wholesalers and distributors will be displaced. There is absolutely no exaggeration in this, it is happening all over the world. Small retail has virtually been wiped out in the developed countries. And it is in the process of being wiped out in those developing countries who have opened up their economies to these giant retailers.<sup>52</sup>

When it was in the opposition, the BJP had vociferously opposed the opening up of the retail sector to FDI. However, after coming to power, it has made a complete U-turn on this issue. At a news conference at the BJP party headquarters on May 23, 2015, Finance Minister Arun Jaitley formally declared that the BJP was continuing with the UPA policy of allowing FDI in multi-brand retail. Not only that, since then the BJP has further liberalised this sector. It has permitted 100% FDI in the market place format of e-commerce; it has waived the 30% local sourcing norm imposed on single brand retailers for companies with 'cutting-edge technology', a move that will benefit companies like Apple; it has also allowed 100% FDI in trading of food products produced in India, including through e-commerce.<sup>53</sup>

India's small-scale retail was already under severe attack; demonetisation and the push towards a cashless economy is going to sound the death knell for it. India has more than 1.49 crore retail outlets, the highest in the world. India's retail sector is presently overwhelmingly dominated by small retailers. According to the Confederation of All India Traders—one of the largest trade associations in India—businesses in markets across the country has reduced by a whopping 75% since the government announced demonetisation on November 8. People simply don't have the cash to buy even essentials, and even if they have cash, it is a Rs 2,000 note that most small traders cannot accept as they do not have enough change.<sup>54</sup>

### ***Impact on Unorganised Manufacturing Sector***

Since India began globalisation in 1991, despite the massive entry of giant Western corporations into the economy, and despite the Indian economy having expanded at a rapid rate of 7.3% per annum during the decade 2000–10, it has not led to a generation of formal or organised

sector manufacturing jobs. Two decades later, the total manufacturing sector employment in India in 2010 was only 50.7 million, or 11% of the total workforce; of this, barely 16 million were organised sector jobs, the remaining 34.5 million were unorganised sector jobs—that is, jobs in tiny units or home-based manufacturing (this includes jobs such as workers making papads or rolling bidis in their homes).<sup>55</sup>

Even though the overwhelming number of jobs in the manufacturing sector continue to be in the unorganised sector, for the last two decades, this sector has been struggling for survival due to globalisation policies such as ending of reservations for small units and decline of low interest bank credit for the small sector.

Now, demonetisation is destroying this sector. As many as 80% of the micro/small enterprises in the country have been badly hit. They are very small units, and have innumerable backward and forward linkages, all of which are in cash. The drying up of cash has pushed these industries to the wall. To give an example, take the brass industry of Moradabad, Uttar Pradesh. The raw material for brass is supplied by people who deal in scrap. They buy scrap from various places in cash, and sell it to the consolidator who buys it in cash. The next stage is the melting of scrap; it is turned into brass slab or bar. After that comes the making of moulds—for instance, of a flower vase or a tap. The brass is melted and poured into these moulds. After this stage, there are craftsmen who make designs on it, then comes the stage of polishing, then of lacquering. Each of these stages is based exclusively on cash. At each stage, the workers are paid in cash, daily, on a piecemeal basis. They earn, and spend it, on a daily basis. Demonetisation and the resulting cash crunch has brought this thriving industry, which had a total turnover of Rs 6,000 crore, to a standstill. Likewise, the hosiery industry of Ludhiana, the bangle industry of Faridabad, the garment industry of Tirupur, the chikankari industry of Lucknow, and so many other industries, employing lakhs of workers, have also been badly affected; thousands of units have shut down, lakhs of workers have been rendered unemployed, and forced to go back to their villages.<sup>56</sup>

### *Economy Slowing Down*

The destructive effect of demonetisation on the informal sector has caused demand to fall, production to decline in several sectors, and rise in unemployment. The money supply is not going to be restored for several months, implying that these adverse effects are going to continue for a year and more. The obvious consequence: recession. The first authoritative figures indicating that demonetisation is leading to a

slowdown in the economy have started coming in within just one month of the November 8 announcement of the banning of Rs 1,000 and Rs 500 notes. The Nikkei/Markit Manufacturing Purchasing Managers' Index, one of the most closely watched economic indicators in the world, for India fell to 49.6 in December from November's 52.3. It was also the biggest month-on-month decline since November 2008, just after the collapse of Lehman Brothers triggered a financial crisis and brought on a global recession.<sup>57</sup>

## **MODI GOVT: MOST PRO-RICH, ANTI-PEOPLE**

Just like his other slogans such as *Make in India* and *Skill India*, PM Narendra Modi has covered his demonetisation policy and drive towards a cashless economy too with a coat of nationalism. With the corporate controlled media firmly backing him, the BJP 'indoctrination' machinery has launched a huge propaganda campaign calling it a 'surgical strike' against black money and terrorism, while labelling those criticising the government decision as being anti-development and hoarders of black money, and even anti-national. Despite having to stand in queues for hours to withdraw their own money—and that too only in limited amounts in Rs 2,000 notes—for more than 40 days now, despite the mounting evidence that demonetisation is having ruinous consequences for agriculture, retail trade and small businesses, and has destroyed the livelihood of lakhs of people, a large number of people have been befooled by the propaganda and continue to believe that demonetisation is indeed going to curb the black economy and that finally, *achhe din* are around the corner.

The media has been so successful about creating an aura of saintliness about Modi that people have forgotten their life realities. The reality is that the Modi Government is even more pro-corporate and anti-poor than the previous UPA Government. Over the last two-and-a-half years it has been in power, it has drastically cut government welfare expenditures on the poor, while transferring lakhs of crores of rupees of public funds to the coffers of the rich under various guises.

### ***Government Transfers to the Rich***

- Union Budget documents reveal that successive governments at the Centre have been giving tax exemptions to the rich to the tune of lakhs of crores of rupees every year. These tax exemptions have reached a new high under the Modi Government. In 2014–15, the Modi Government gave away Rs 5.49 lakh crore in tax exemptions/ deductions/ incentives to the very rich; in 2015–16,

these tax exemptions touched Rs 5.51 lakh crore!<sup>58</sup>

- Ordinary people defaulting on bank loans have their house/scooter/ other

Modi Govt. gave tax exemption of Rs 11 lakh crore to the super-rich during its first two years in office.

assets seized, and farmers are driven to suicide for not being able to pay the instalments on their bank loans. But when the wealthy default on their (public sector) bank loans, nothing happens to them. The banks simply write-off their loans! The Minister of State for Finance recently admitted in the Rajya Sabha that during the first two years of the Modi Government, public sector banks have written off loans given to the rich to the tune of Rs 1.05 lakh crore.<sup>59</sup>

- Loan write-offs, however, make bad news, both for corporate houses and banks/government. So public sector banks are adopting a new stratagem to provide succour to these 'helpless' rich—they 'restructure' their loans. That's the buzzword today, 'Corporate Debt Restructuring' (CDR). Under its name, the payback period may be extended, interest may be waived, and/or a part of the loan may be converted into equity; the corporation is even given another loan to tide over its 'crisis'. Private corporations whose loans have been approved for restructuring include some of India's most well-known names. Public sector banks had cumulatively rescheduled/ restructured loans worth Rs 4.03 lakh crore under the CDR scheme till March 2015.<sup>60</sup> While we do not have figures of the amount of loans restructured under the Modi-Jaitley regime, all indications are that this legal transfer of public funds to the corporate houses in the name of 'loan restructuring' is gathering speed under the new government. While on the one hand the bad loans of Indian banks have gone up to Rs 6 lakh crore (90% of which is on the books of public sector banks), at the same time, in June 2016, the Reserve Bank of India relaxed guidelines for restructuring bad loans of large borrowers so that banks can restructure them more easily.<sup>61</sup>
- Another 'innovative' way in which public funds are being transferred to the private sector is under the guise of what is being called 'Public-Private-Partnership'. Under this, the government invites the private sector to invest in infrastructure, provides the private investor a direct subsidy of up to 40% of the project cost, gives it land and other resources at concessional rates, guarantees the private partner a minimum rate of return on its investment,

and as if this was not enough, even the investment money is also often provided by the government in the form of long term loans at concessional rates. (And yet it is called free market capitalism!) In his Union Budget 2016–17, Finance Minister Jaitley allocated Rs 55,000 crore for construction of roads and highways in partnership with the private sector under the PPP model—implying that this is the amount that is going to be given as subsidy to the private sector to build roads and highways in this financial year. Last year, the amount transferred to private corporations under this head was Rs 43,000 crore.<sup>62</sup>

These are just a few examples of the mindboggling amounts of public funds being transferred to the private corporate houses under the Modi regime under various guises. And on the other hand, the BJP Government in its three budgets presented so far has made steep cuts in government spending on welfare schemes meant to provide essential services like education and health to the poor at affordable rates and in its allocations for the most marginalised sections of the Indian society.

### *Withdrawal of Subsidies to the Poor*

- ◆ In a country where more than 40% of the children drop out of school without completing elementary education;<sup>63</sup> where even for those going to school, the condition of the schools is so pathetic and quality of education is so bad that 52% of Class V students are unable to read Class II-level text and 49% cannot solve simple two-digit subtraction problems (that they are expected to learn in Class II);<sup>64</sup> an unconcerned Modi Government has slashed the school education budget so severely that the budget allocation for 2016–17 is lower than 2014–15 BE by as much as 32% (in real terms)!<sup>65</sup>
- ◆ India is the disease capital of the world. More than 2 lakh people in the country die of malaria every year, while TB kills 3 lakh. India accounts for nearly one-fourth of the deaths in the world due to diarrhoea, more than one-third of the deaths due to leprosy and more than half of the deaths due to Japanese encephalitis. India's under-five child mortality rate is the highest in the world, and it accounts for one-fifth of the global maternal deaths too. India is also in the grip of an epidemic of chronic diseases, which account for more than 50% of the deaths in the country. This “crisis” gripping India's health system is because of low public expenditure on health, due to which the country's public health



system is in a bad shape, and hence the people have to depend on the private sector for treatment—and

Modi Govt. has cut the budget for education by 32%, for health by 13%, gender budget by 20% and allocation for SCs/STs by 35% in 2016-17 BE as compared to 2014-15 BE (in real terms).

obviously, only the rich are able to afford good quality health care in costly private hospitals. This crisis can be tackled, the solution being to raise India's public expenditure on health care—India's public health spending is amongst the lowest in the world, with the country ranking 171 out of 175 countries in this.<sup>66</sup> However, Finance Minister Jaitley in his latest 2016–17 budget has kept the budget allocation for health at the same level as two years ago, which implies a cut in real terms by around 13% (taking inflation at 8% for both the years).<sup>67</sup>

- ◆ India is one of the world's worst places to be a woman. She may be killed even before being born, or as an infant or a little girl. If she survives, there is every possibility that as she grows up, she may be molested/raped/tortured by her husband. In India, a crime against a woman is committed every 100 seconds: a woman is molested every 7 minutes, raped every 15 minutes, a case of cruelty committed by either the husband or his relatives occurs every 5 minutes, and a dowry death occurs every 65 minutes (all figures for 2013).<sup>68</sup> And yet, the Modi Government's allocation for the Gender Budget (this captures the quantum of budgetary resources earmarked for women by various departments and ministries) for 2016–17 is lower than that for 2014–15 even in nominal terms by 7.6%.<sup>69</sup>
- ◆ More than six decades after the Constitution outlawed the practice of untouchability and discrimination on the basis of caste, and guaranteed that every citizen shall have equality of status and opportunity, the scheduled castes and scheduled tribes continue to face many forms of untouchability practices as well as social, economic and institutional deprivations. Not only that, they are also subjected to enormous atrocities, ranging from abuse on caste name, murders, rapes, arson, social and economic boycotts, to naked parading of SC/ST women, and being forced to drink urine and eat human excreta. And so the government in the 1970s launched the Scheduled Caste Sub Plan (SCSP) and Tribal Sub Plan (TSP) to ensure the flow of targeted funds from the general sectors in the Central Ministries towards the development of the

Dalits and Adivasis. The guidelines under these two programmes clearly state that the allocations for them as a proportion of the Plan outlay should be at least in proportion to their share in the total population. The population share for the Dalits is 16.6% and for Adivasis is 8.6%. However, the *Manuwadi* BJP Government's budget allocations for SCSP and TSP in 2016–17 are even in nominal terms lower than the allocations made in 2014–15 BE by as much as 23–26%. Consequently, the allocation for SCSP has fallen to just 7.06% and the allocation for TSP to a lowly 4.36% of the total Plan expenditure for 2016–17.<sup>70</sup>

There is no doubt. While one may have strong disagreements with the overall orientation and policy framework of the various governments that have come to power at the Centre since Independence, the present BJP Government led by Narendra Modi is undoubtedly the most anti-people of them all.

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## ABOUT US: LOKAYAT

The Directive Principles of the Constitution direct the Indian State to orient its policy towards:

- ☞ building an egalitarian society; ensuring that there is no concentration of wealth; ensuring that all citizens have the right to an adequate means of livelihood; improving public health and making adequate provision of education for all children.

Unfortunately, the major political parties that dominate the Indian Parliament have decided to abandon this vision of the founding fathers of the nation, and secede from the people. Ever since India's ruling classes decided to globalise the Indian economy in 1991, the country is being run solely for the profit maximisation of big foreign and Indian corporations. In connivance with the politicians–bureaucracy–police, giant corporations have launched a ferocious assault to dispossess the poor of their lands, forests, water and resources—to set up giant infrastructural projects, build malls/golf courses/villas for the rich, etc. Public sector corporations, including banks and insurance companies, are being privatised and handed over to these scoundrels at throwaway prices. Indian agriculture, on which 50% of the Indian people still depend for their livelihoods, is being deliberately strangulated—so that it can be taken over by giant agribusiness corporations; the consequence: three lakh farmers have committed suicide since the 'reforms' began. Lakhs of small businesses have downed their shutters. Essential services like drinking water, education, health and transport, are being privatised and transformed into instruments for profiteering. Even the ration system designed to check speculation in prices of foodgrains is being dismantled. The country is heading towards an ecological catastrophe—corporations are cutting down entire forests, over-exploiting groundwater, polluting our river-seas-air-soil, damaging the health of not just the living but also of those yet to be born.

These policies have produced the most obscene inequalities, that are becoming worse by the day. On the one hand, the rich are becoming extremely rich—the number of billionaires has doubled from 56 to 90. And, on the other hand, the poor are becoming even more poor: three-quarters of the population are not able to eat two full meals a day; half the children below the age of 5 are malnourished; 40% children drop out of school without completing basic schooling; lakhs of people die every year due to entirely preventable diseases; . . .

As the economic system becomes more and more sick, the social and political system is also becoming more and more degenerate. All-pervasive corruption; continuation of the age-old caste-based social system because of which atrocities on Dalits take place almost daily, and which is exploited by politicians to make the upper caste youth believe that the reservation system is responsible for lack of jobs; a communal political system that divides people in the name of religion and fills them with hatred against each other; a value system that promotes crass selfishness and unconcern and apathy for others; a society where cynicism and moral bankruptcy permeate every nook and cranny—this is the reality of today.

The common people have not been silent spectators to this betrayal of the Indian Constitution. Ordinary people are coming together all over the country, getting organised, forming groups and raising their voices in protest. Though these struggles are presently small, scattered, without resources, the future lies in these magnificent struggles. As more and more people join them, they will strengthen, join hands, and become a powerful force which will transform society.

We must stop being sceptics, dream of a better future, believe that it is possible to change the world. *Yes, Another World is Possible!* But to make it a reality, we must start our own small struggles. These will ultimately unite, like the small rivulets hurtling down the Himalayas which ultimately form the mighty Ganges, to transform society and build a new society in accordance with the dreams of our freedom struggle that are embedded in the Directive Principles of the Indian Constitution. And so, we have started this forum, *Lokayat*.

We organise a wide range of activities in Pune colleges, schools, city and slums. Dear friends, if you would like to know more about us, you may contact us at any of the contact addresses given below:

## LOKAYAT

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*(We meet every Sunday from 5 to 7 pm at this address.)*