

Rs 2000 Notes Recall Should Turn Focus on Black Money & Currency Reforms

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Reserve Bank of India's (RBI's) belated decision to withdraw Rs 2000 denomination banknotes from circulation deserves an applaud for five reasons. First, it would put an end to the business of counterfeiting Rs 2000 banknotes. This business got a shot in the arm due to demonetization-induced shortage of currency.

Second, it would deprive criminals of a convenient conduit for handling proceeds of crime ranging from corruption to drug peddling. The criminals would now have to fall back on Rs 500 denomination bank notes.

Third, the deposit of high amount of cash as Rs 2000 notes in bank accounts might happen in certain cases. These should serve as an opportunity for Income Tax Department (ITD) and other tax authorities to probe deposit from angle of tax evasion including GST.

Authorities might like to keep a hawk's eye on likely exchange of hoarded Rs 2000 banknotes at discount in informal markets. Corrupt persons & black money owners might find the discount option safer than making large deposit in banks or hiring poor for exchange of Rs 2000 notes with ones of Rs 500 denomination.

Fourth, the withdrawal offers an opportunity to RBI and the Government to reflect its patently wrong decision to launch Rs 2000 banknotes and then drag its feet over unavoidable recall of notes.

Fifth, the withdrawal offers an opportunity to the Government to revisit unfinished agenda in the realm of black money, related tax reforms and currency printing and management.

The inordinate delay in withdrawal of Rs.2000 notes becomes clear if one recalls how an onion farmer in Karnataka was duped with photocopy of a Rs 2000 note in Karnataka within 2 days of launch of this high-end denomination currency. Reports of police seizing lakhs of fake Rs 2000 banknotes in different States hogged the limelight for a couple of years.

We don't know how many rural families have unknowingly kept fake notes as cash for the rainy day. Prevention of counterfeiting and circulation of fake currency, is the responsibility of the Government. Experience shows that fake currency gets circulated via currency chests & ATMs.

The RBI required time to monetize the economy with Rs.2000 and Rs 500 denomination notes after demonetization in November 2016. This period saw emergence of counterfeit currency makers as a cottage industry. The fraudsters just needed a good computer and high-quality colour printer-cum-scanner to print fake currency.

With Rs 2000 denomination recall, the fake currency business would obviously now focus on Rs.500 & Rs.100 banknotes. We hope RBI would also recall these notes too after printing and stockpiling new series of notes with best possible security features.

The Rupee cannot become a global currency if the country's banknotes are easy to counterfeit. Moreover, robust defense of the currency is vital from standpoint of national security and retaining public trust in Indian currency.

The authorities should not remain indifferent to suggestions for recall of currency that is easy to copy and print. The idea to withdraw Rs.2000 banknotes recurred both within and outside the Government for many years.

It is here apt to quote Mr. Subhash C. Garg, former Finance Secretary, who sought voluntary retirement after being shifted to the Power Ministry. In a note dated 6th November 2019 that he prepared for the Government while demitting office, Mr Garg stated: **"Rs. 2000 bank-note accounts for app. 1/3rd of currency notes in circulation in value terms. A good chunk of Rs. 2000 notes are actually not in circulation, having been hoarded. Rs. 2000 note, therefore, is not presently working as a currency of transaction. It can be demonetized, without causing any disruption. A simple method, depositing these notes in the bank accounts (no counter replacement), can be used to manage the process."**

This was one of the 100 suggestions that he penned to take Indian economy to great heights - \$ 10 trillion by 2030.

Ignoring Finance Secretary's advice is not an isolated case. The Government also didn't act on valuable advice given by Chairman and Vice-Chairman of Special Investigation Team (SIT) on black money that Modi Government constituted in 2014 after coming to power.

These two former judges of Supreme Court, Justice M B Shah (Chairman) and Justice Arijit Pasayat (Vice-Chairman), penned the advice in a joint letter to the then Finance Minister Arun Jaitley.

They wrote the advice while supporting the demonetization. They reiterated SIT's earlier recommendation to put a ceiling on cash that can be stored by a person or entity to **"ensure that people do not start hoarding black money in cash again ."**

A PIB release quoted them as saying

"the recommendation relating to putting a limit on cash holding is especially important in this regard since with the introduction of Rs. 2,000 notes, it shall be even more easier to store large amounts of money in cash. If no limit to cash holding is imposed, we may lose the benefits of demonetization quite soon."

We hope the Government would explain to the nation as to why it has not implemented this and several other recommendations given by different committees over the decades to check black money.

It is here pertinent to cite Parliamentary Standing Committee's preliminary report on black money. The report dated 28th March 2019 recommended that Finance Ministry should disclose follow-up action on SIT's seven reports & three studies on estimation of unaccounted money, commissioned by UPA regime.

The recommendations on fighting and tapping black money are scattered over different reports submitted over the years. All that the Government has to do is to compile them and take a stand. Let the Government define a road-map against black money for Amrit Kaal.

A white paper on black money should be released to mark nine years of Modi Government. Let us not forget that BJP came to power after its repeated call to fight black money.

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