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India's 2016 demonetisation drive: A case study on innovation in anti-corruption policies, government communications and political integrity

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On 8 November 2016, India's Prime Minister Narendra Modi announced that, from midnight onwards, the country's two largest-denomination notes would be “demonetised”, or withdrawn from use. According to Modi, the policy would tackle corruption, undermine counterfeiters and punish hoarders of undeclared income. This paper discusses the way the Modi administration positioned demonetisation as an anti-corruption initiative, addresses civil society challenges regarding the policy’s impact on the rural poor and, in turn, the government’s responses to such criticism. Ultimately, we argue, demonetisation re-invigorated the Indian public debate on the need for integrity and accountability. However, by positioning corruption primarily as a cash-based issue, the policy may divert attention from future strategies that take a more holistic approach, such as strengthening legislation and capacity-building of regulators and anti-corruption watchdogs.

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1. Introduction

On the evening of 8 November 2016 India's Prime Minister Narendra Modi made an announcement that surprised the nation: From midnight onwards, the country's two largest-denomination notes, worth 500 and 1000 rupees, would be "demonetised", or withdrawn from use. In their place, a re-designed 500 rupee note and a new 2000 rupee note would be introduced. According to Modi, the policy had three goals: Tackling corruption, undermining counterfeiters and punishing hoarders of undeclared income, popularly referred to as "black money". While communications regarding the rationale behind the policy were limited – a key issue this paper seeks to address – Modi highlighted that "the magnitude of cash in circulation is directly linked to the level of corruption." Thus, reducing the cash in circulation would reduce corruption (Modi 2016a).

The notes withdrawn made up 86%, by value, of cash in circulation (MoF, 2017a). Compounding the sheer logistical challenge required to replace such a large amount of cash was the fact that a significant proportion of the new notes had yet to be printed at the time of the announcement, causing weeks-long cash shortages, which in turn led to significant, government-mandated restrictions on cash withdrawals. 90% of all transactions in India are conducted in cash (D'Monte 2016); in spite of these challenges, public reactions to demonetisation were initially broadly positive. The policy's perceived decisiveness struck a chord with the electorate. It appeared there was a consensus that innovative, perhaps radical anti-corruption policies were needed, and that this consensus was so strong, it outweighed even personal inconvenience and potential economic losses.

Gradually, however, the public mood began to change. Agricultural associations complained that farmers across India were unable to sell recently-harvested summer crops or purchase seeds for the upcoming winter sowing season. Opposition parties claimed that some members of Modi's Bharatiya Janata Party (BJP) had received advance warning of the decision, allowing them to save at least parts of illicitly accumulated cash. Such criticism led to a number of modifications to the policy mechanics of demonetisation which, in turn, led to accusations that the government had failed to think through the policy properly.

This paper uses publicly-available sources such as policy directives, government communications, opinion pieces and statements by industry- and regional advocacy groups to analyse how the government of the world's largest democracy communicated to its citizens one of the most radical anti-corruption initiatives implemented in recent years, and how it has responded to challenges about the effectiveness and appropriateness of the overall policy. Ultimately, we seek to provide a case study about the relationship between government-instituted anti-corruption policies and grass-roots concerns about political integrity, ethics and compliance.

What this paper is not is an assessment of the impact of demonetisation on the Indian economy or the spread of corrupt practices. More time needs to pass and sufficient data gathered for such an analysis. There are other aspects we cannot cover in the depth they deserve within the scope of this paper, including legal debates surrounding the making and implementation of demonetisation, the role of anti-corruption policies in Indian electoral politics or the relationship between cash and corruption in India and elsewhere.

Following a discussion on the evolution of the policy mechanism in section two, we argue that the Modi administration has successfully portrayed support for demonetisation as a civic and patriotic duty, using paternalistic messaging and repeated assurances that the end justifies the means (section three). Section four discusses some of the criticism of demonetisation and the respective government responses, focusing on the rural economy, allegations of political nepotism and accusations that demonetisation had been developed in a way that failed to take into account other key stakeholders, including most noticeably the Reserve Bank of India (RBI), India's custodian of monetary policy.

Ultimately, we argue that demonetisation has re-invigorated the Indian public debate about anti-corruption, however, at the cost of establishing a narrative that portrays corruption as a largely cash-based issue, potentially damaging the credentials of future innovation in anti-corruption policy-making in India.

2. The policy mechanics of demonetisation

The policy mechanics of demonetisation were governed by two notifications, issued by India's Ministry of Finance (MoF) and the Reserve Bank of India (RBI). Both were issued shortly after Prime Minister Modi had announced the policy on national television on the evening of 8 November 2016 and came into effect the same day at midnight.

Technically, demonetisation meant withdrawing the legal tender character of all existing 500 and 1,000 rupee notes and introducing new notes valued at 500 and 2000 rupees. The two notifications specified how this process was to be regulated, including over-the-counter exchanges of old notes, and daily and weekly limits for withdrawals at bank counters and cash machines.

Noteworthy about the way demonetisation was communicated is the lack of insight government bodies offered into the reasoning behind it. The RBI notification, for example, did not provide any pointers towards the rationale behind demonetisation – in spite of it being the government body that had officially recommended the policy (RBI 2016a). The extent of the RBI's role in shaping demonetisation, in fact, caused significant discussion, including allegations that the policy had originated with the Prime Minister's office rather than the RBI, reducing the central bank's role to "rubber stamping". Some commentators have argued this damaged the long-term credibility of the

RBI as an independent body and may further have violated Indian law (Kapadia, 2016 and Kumar, 2016). The little information provided by the MoF notification similarly lacked dispassionate observations and clearly defined policy goals (MoF, 2016a). We discuss government communications on demonetisation and the rationale behind it in greater detail in section 3.

One issue that dominated the Indian public discourse on demonetisation was its evolutionary nature: Between 8 November and 30 December, the last day to exchange or deposit old notes, the RBI issued 50 notifications to guide and regulate the process and to remind the actors, namely public and private sector banks, of their legal obligations. Some of these were of an advisory nature but a large proportion provided substantive changes to the workings of the policy. The MoF, for its part, issued 19 notifications during the same timeframe, some reflecting RBI notifications and others introducing additional policy changes. The number of modifications was so large that the RBI created a website entitled "All you wanted to know from RBI", referencing the 57 notifications and 27 press releases (as of 1 March 2017) that the central bank had issued on demonetisation (RBI 2017).

From the public's perspective, the most visible changes to the policy mechanics of demonetisation concerned exchanging and depositing of old notes, as well as caps on the availability of new notes. By the end of the year 2016, the RBI had issued nine notifications on the exchange and deposit process and five on cash withdrawal limits. A significant set of RBI and MoF notifications concerned the agricultural sector, in which nearly half of India's population is employed (World Bank 2013), addressing complaints that farmers were unable to purchase supplies for the ongoing sowing season. We discuss this point in greater detail in section 4.1.

Apart from leading to criticism that demonetisation was, in the words of former Prime Minister Manmohan Singh, characterised by "monumental mismanagement" (Rath 2016), these frequent and often sudden policy changes had a direct impact on the population. The amount of old currency people were allowed to exchange over-the-counter, for example, was initially set at 4,000 rupees, increased to 4,500 rupees five days later and reduced to 2,000 rupees four days after that. The RBI stopped over-the-counter exchanges altogether on 24 November. After that date, people only had the option of depositing old notes in their bank accounts.

Compounding the existing confusion about the timeframe during which old notes could be exchanged or deposited was the fact that the RBI introduced separate rules for District Central Cooperative Banks (DCCBs) and Primary Agricultural Credit Societies (PACS), the primary financial institutions used by the rural population. From 14 November onwards, DCCBs and PACS were only allowed to issue new currency but not to exchange or credit old notes. This is another point we will address in sections 4.1 and 4.2, where we discuss the impact of demonetisation on the agricultural sector and the small businesses in rural India.

3. Government communications

3.1 Positioning demonetisation

Demands for more effective anti-corruption policies have played an important role in Indian electoral politics for decades, a trend that has arguably intensified in recent years. Two high-profile examples are the India Against Corruption Movement (IAC) in 2011 and the BJP's success in the 2014 general elections. IAC was one of the biggest popular movements in 21st century India, lobbying for the introduction of an ombudsman-like anti-corruption authority, the *Lokpal*, literally 'caretaker of the people'. While IAC's demand was fulfilled in 2013 under the aegis of the Indian National Congress, the ruling party at the time, it was Congress' opponent the BJP that successfully positioned itself as tough on corruption in its campaign for the 2014 general elections, contributing to the party's resounding electoral win. In the context of demonetisation, it is important to note that Modi did not just make vague assurances during the campaign but specifically promised to "bring back each and every penny deposited abroad by Indian citizens," announcing his government would deposit a percentage of the money recovered in the accounts of "honest" tax payers (Outlook, 2014).

As with many major government programmes in India, it was Prime Minister Modi himself who announced demonetisation and acted as the policy's main advocate. It is crucial to understand to which extend the policy was tied to Modi as an individual. Although government communications highlight that the RBI had recommended demonetisation, it was the Prime Minister himself who was portrayed as the primary force behind the policy. While Modi is certainly not the first Indian Prime Minister to be the public face of a major government initiative, the reliance on a single individual for a policy with such wide-ranging implications only furthered allegations that demonetisation was a political ploy rather than a serious, well-planned anti-corruption initiative. Consequently, the move was heavily criticised and challenged by opposition parties during the parliamentary session between 16 November and 16 December 2016.[1] Modi's absence from parliament enabled opposition parties to effectively bring the legislature to a stand-still, asking the Prime Minister to formally face parliament and address concerns about the policy's appropriateness and efficacy. More importantly, however, the focus on Modi portrayed corruption as a problem that requires first and foremost the decisiveness of one committed individual, rather than the problem-solving and analytical skills of a larger team.

The language of the Prime Minister's announcement on 8 November makes clear that demonetisation was to be more than a government initiative, but rather a collective nation-building exercise, a "movement for purifying [the] country", in Modi's words (Modi 2016a). In flowery language, the Prime Minister asked the people of India to "extend [their] hand in… this celebration of integrity, this

[1] The Indian parliament meets in three sessions every year to conduct legislative business. The session between February and May is called Budget session; the session between July and September is called Monsoon session and the session between November and December is called Winter session.

festival of credibility". Only if all citizens acted together, Modi argued, could India eradicate the "spectre[s] of corruption and black money" that had "spread their tentacles" and undermined poverty alleviation and the country's place in the global economy. While the government had shown its commitment to tackling corruption by taking the "strong and decisive step" of demonetisation, "the common man" was the real owner of this fight.

Modi's rhetoric played well with the electorate but has the potential to create serious impediments for future anti-corruption programmes: Rather than strengthening governmental checks and balances, the Prime Minister created an "us-vs-them" narrative, with "us" being the righteous and "them" the corrupt. By putting the onus for getting rid of corruption on society, not the state, Modi painted corruption as a cultural problem, not one of policy and the law.

Right from the moment demonetisation was announced, Modi acknowledged that peoples' lives would be disrupted. The Prime Minister responded by invoking civic duty and patriotism: Citizens should accept the challenges of demonetisation as a "sacrifice" and "face difficulties for the benefit of the nation." This appeal to the greater common good permeates Modi's speeches on demonetisation, culminating in his New Year address in which he compared the "patience, discipline, and resolve" that the past seven and a half weeks had required to wars that India had fought in previous decades (Modi, 2016b). Like soldiers fighting external threats, citizens should "unite to fight a war against [the] internal evils" of corruption, black money and counterfeit notes. The flipside of this argument, of course, is that critics and opponents of demonetisation lack patriotism: "Which honest citizen would not be pained by reports of [tens of millions] stashed under the beds of government officers?," Modi asked when he announced the policy. The argument that only the corrupt would be against demonetisation gained further traction over the following weeks, as criticism to the policy mounted. Speaking to BJP MPs on 16 December, Modi condemned the behaviour of opposition parties in parliament, saying: "While the government is working against corruption and black money, the opposition is defending the corrupt" (Modi 2016c). The Prime Minister reiterated this argument less than a month later when he called opponents of the policy "anti-national" and "political worshippers of black money" at a conference in Bangalore (Modi, 2017a). We provide further details on political opposition to the policy in Section 4.3 below.

3.2 Demonetisation and the relationship between cash and corruption

Prime Minister Modi's announcement of demonetisation in early November named three policy goals: reducing corruption, punishing hoarders of "black money" and undermining counterfeiters. Initial communications by the RBI and the MoF echoed these goals but did not elaborate on the rationale behind them. The RBI's first press release on demonetisation, for example, stated that the policy was "necessitated to tackle counterfeiting Indian banknotes, to effectively nullify black money hoarded in cash and curb funding of terrorism with fake notes" (RBI 2016b). Notably absent is any discussion of the relationship between cash and corruption and, consequently, the anti-corruption credentials of demonetisation.

Once again, Prime Minister Modi's speeches provide most of the insight into this issue: "The magnitude of cash in circulation is directly linked to the level of corruption," Modi postulated in his 8 November speech that announced demonetisation (Modi 2016a). The Prime Minister did not, however, elaborate further on this crucial assumption that underlies demonetisation; we have to turn to December 2016, when Modi gave his first media interview since the policy had been announced, for some more – albeit limited – clarity on this crucial issue. Asked about the reasoning behind demonetisation, the Prime Minister quoted four economists: James Henry, the former chief economist of the consulting firm McKinsey; Kenneth Rogoff, a professor at Harvard University and author of The Curse of Cash, a 2016 book arguing that, in "advanced" economies like the US, a large proportion of high-denomination notes is used in illegal transactions; Larry Summers, the Harvard Professor and former World Bank chief economist; and former HSBC CEO Peter Sands (Chengappa 2016). The Prime Minister also cited the European Central Bank's decision, in 2016, to phase out 500 Euro notes (following concerns that they were primarily facilitating illegal activities) and an Indian government report from 1971, by the so-called Wanchoo Committee, as evidence that that "experts across the world have advocated demonetisation over the years". Modi chose to implement the policy now, he said in the December 2016 interview, because the Indian economy was in "good shape" and could shoulder the unavoidable "disruption" the policy was causing.

The only other document that provides insights into the Indian government's perception of the relationship between cash and corruption is the Economic Survey, an annual document issued by the MoF that provides an overview of the state of the Indian economy and discusses relevant government programmes. Published in February 2017, the Survey dedicated a whole chapter to the question "Demonetisation: To Deify or to Demonize", again taking as the starting point the assumption that "the higher the amount of cash in circulation, the greater the amount of corruption" (MoF, 2017a). Apart from quoting the same four economists also mentioned in Modi's December 2016 interview, the Survey brings forward the observation that 11% of 1,000 and 22% of 500 rupee notes are returned to the RBI every year as damaged, while the corresponding rate for lower denomination notes is 33%. While acknowledging that this lower "soil rate" may be the result of the fact that there are more low-value than high-value transactions, the authors maintain that "a fraction of the notes are not being used for transactions but rather for storing black money."

While Prime Minister Modi and the Economic Survey both correctly state that the relationship between cash and corruption has attracted attention over the last few decades and perhaps increasingly in recent years, both fail to address the point that cash is widely-perceived as making up only a small part of the Indian shadow economy, which includes but is not limited to income from corrupt practices. Kohli and Ramakumar (2016), citing former RBI governor Patel, argue succinctly that “The idea that black money or wealth is held in the form of notes tucked away in suitcases or pillow cases is naïve.” Rather, they estimate, that the majority of unaccounted income in India is held – and transferred – using real estate, stocks, opaque investments (called “benami” or “without a name” in Hindi), precious metals and undeclared foreign assets.

The lack of references to any of these alternative modes of corruption within government communications on demonetisation illustrates that the Modi administration presents corruption primarily as a cash-based issue. By creating a narrative that emphasises the role of cash, demonetisation may divert attention from future ABC strategies that take a more holistic approach, such as strengthening legislation and building the capacities of regulators and anti-corruption watchdogs.

4. Policy challenges and response

4.1 Rural banking and distress

The RBI decision, on 14 November, to disallow DCCBs and PACS from accepting or exchanging old currency was perhaps the most controversial one. A key reason for this controversy was the fact that these institutions provide the only access to banking for an overwhelming majority of India’s rural population, which includes small-scale farmers and lower income groups (Asian Development Bank, 2013). Farmers in particular depend on DCCBs and PACS heavily, including when it comes to purchasing seeds and fertilizers. Suddenly, a large part of India’s rural population was forced to commute to larger villages or cities to exchange or deposit old notes.

Although the RBI did not present any official reasons for putting these restrictions in place, it was speculated that the government was concerned with what was perceived to be unusually large cash deposits at DCCBs and PACS immediately after the demonetisation announcement. Between 8 and 14 November, DCCBs in 17 Indian states received deposits of approximately 90 billion rupees (Fernandes and Sukhi, 2016). The RBI implicitly questioned the source of wealth of depositors belonging primarily to the marginal agriculture sector, reportedly raising concerns that DCCBs were used to park unaccounted funds and launder unaccounted income (*Economic Times*, 2016).

Following the RBI circular, operations at 372 DCCBs and over 93,000 PACS were reported to have come to a virtual standstill. Many of these institutions temporarily suspended operations as they were unable to undertake banking activities crucial to the rural sector, including loan payment collections, dispensing cash, paying dividends and interests, distributing fertilisers and running public distribution shops for the poor (Matthew, 2016).

The timing of this decision coincided with the peak agricultural season of harvesting summer crops and sowing winter crops. This disrupted cultivation and adversely affected the marketing and sale of agricultural produce as traders were unable to pay in cash. The difficulties of the producers of perishables were particularly acute. Further, many farmers were unable to buy seeds and other inputs or to pay agricultural workers for farm operations (Alliance for Sustainable and Holistic Agriculture 2017).

The decision triggered intense agitation by employees of rural banks and prominent farmer groups (representing over 20 million farmers in the country) in states like Maharashtra, Kerala, Uttar Pradesh, Gujarat, Tamil Nadu and Karnataka.[2] Protests and demonstrations lasted from mid-November to January and were particularly well-supported in the southern states of Kerala and Tamil Nadu, which have the largest cooperative banking systems in the country (National Federation of State Cooperative Banks, 2016).[3]

While cooperative banks moved regional high courts and the Supreme Court of India challenging the government order, protesting farmer groups wrote to the Prime Minister demanding immediate exemption of farming transactions – especially sale of harvested crops and purchase of inputs – from demonetisation rules (National Seed Association of India, 2016). Such was level of agitation in some states that key BJP representatives at the regional level were reportedly distancing themselves from demonetisation over fears that the policy move undermine their political campaigns ahead of the state elections in 2017 (*Economic Times*, 2016).

As criticism from the rural sector mounted, the government launched a series of policy tweaks to ease the pressure on the rural economy. On 17 November, nine days after demonetisation was announced and a mere three days after the government had disallowed DCCBs and PACS to exchange or credit old notes, the MoF issued a notification allowing the RBI to modify the cash withdrawal limit for farmers (MoF, 2016c). Four days later, farmers were allowed to withdraw up to 25,000 rupees from loan or deposit accounts (RBI, 2016c). On 20 November, the MoF also responded to the second major point protesters had focused on, passing another notification that added the purchase of seeds from government-affiliated bodies to the growing list of activities for which old 500 rupee notes could be used (MoF, 2016b). Payments to government hospitals, purchases of railway, bus and plane tickets

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[2] These groups included Krishi Swaraj, an alliance of 400 farmers groups drawn from more than twenty states across India; two farmer organisations affiliated with the BJP, the Bharatiya Kisan Union (BKU) and the Consortium of Indian Farmers' Association (CIFA) and three rural labour groups affiliated with the Communist Party of India – the All India Kisan Sabha (AIKS), the All India Agricultural Workers Union (AIAWU)

[3] One of the biggest protests, by participants, was by the staff of PACS in Tamil Nadu, led by Tamil Nadu Primary Cooperative Bank All Employees Association on 15 November 2016.

and settling of bills issued by certain central, state, municipal and local bodies had been exempted earlier.

Even ministers government ministers appear to have been relieved, as a press release of the Ministry of Agriculture shows, stating that the Agriculture and Farmers Welfare Minister was "very grateful" to the Prime Minister and Minister of Finance for "taking steps to alleviate difficulties" of farmers (Press Information Bureau, 2016).

4.2 Disruption in small businesses

In addition to its impact on the agrarian sector, demonetisation also had a significant impact on the informal sector, which currently employs more than 80% of India's workforce, including through micro, small and medium enterprises (MSME).[4] MSMEs are heavily cash dependent, often managed by individual proprietors with small turnovers, limited reserves and access to finance. Demonetisation caused serious disruptions to such businesses, many of which were already struggling due to the steady decline in credit flows and a surge in non-performing assets in rural banks. This reportedly led to a substantial drop in production capacity and significant loss of earnings, wages and employment (*India Today*, 2017).

The long terms effects of demonization on the MSME sector are yet to be studied in detail, however the immediate economic challenges faced by the sector were captured by a number of independent studies and industry surveys. A perception survey by the India Development Foundation, a private, non-profit research entity, estimated over 74% of temporary jobs in urban, small-scale industries across nine northern states were lost and observed reverse migration to villages (*India Today*, 2017). A study by the All India Manufacturers' Organisation estimated a loss of 35% of temporary jobs in MSMEs across the country sector and a 50% drop in revenue during the first 34 days of demonetisation (*Business Standard*, 2017). Edelweiss, a diversified financial services firm made similar observations, estimating a more than 70% decline in MSME business activity during the first few weeks of the policy (Edelweiss, 2016). The report further estimated a permanent negative impact on 20% to 30% of MSME businesses and a significant reduction in job growth for non-skilled workers in the near term. Finally, the Associated Chambers of Commerce and Industry of India, one of India's primary trade organisations, in a national survey on the impact of demonetisation on small enterprises in January 2016 stated that the policy had a negative impact on rural consumption and job creation in the MSMEs in the immediate run (*Mint*, 2017).

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[4] According to the latest government data on MSMEs, from 2006-07, there are 20 million unregistered rural sector units in India, making up over 55% of such micro enterprises. Urban MSMEs stood at 16 million. Approximately 2.2 million urban units were added between 2007 and 2015.

While all the surveys referenced above lauded demonetisation and appreciated the need to move away from cash and towards a more transparent economy, they also highlighted that, given India's poor financial infrastructure, this could not be achieved in haste. Instead, they advocated an incremental approach towards creating a digital transformation in the sector.

Recognising the need to relieve some of the pressure on MSMEs brought on by demonetisation, the Modi administration appeared to make MSMEs a priority in the budgetary allocations for 2017-18. To that effect, it introduced a number of tax breaks, including the reduction of corporate tax and presumptive tax[5] for companies with an annual turnover less than half a billion rupees and entities with a turnover of less than 20 million rupees, respectively (MOF, 2017b). It also increased credit guarantees to MSMEs from 10 million to 20 million rupees and significantly augmented investment support to boost digital infrastructure in the sector.

These budgetary announcements were generally well-received by MSMEs, reflecting hopes that they would lead to better infrastructure and a formalisation of financial services. However, some critics were of the view that the government did not introduce any measures that directly address more fundamental macroeconomic challenges affecting the sector.

4.3 Allegations of political nepotism

Nepotism and clientelism are pervasive problems in the Indian political economy and corruption is a common feature of electoral funding. Consequently, it didn't take long for the debate on demonetisation to become one about political motivations and electoral advantages.

Many opposition parties specifically targeted Prime Minister Modi personally, alleging that demonetisation was primarily aimed at undermining opposition funding and, in turn, benefitting the BJP in the upcoming state-level elections. They also alleged that information about the upcoming policy had been selectively leaked to key members of the BJP and their affiliates in the corporate sector (Gupta, 2016; *The Hindu*, 2016).

The evidence brought forward by the opposition during a seven-hour parliamentary debate to support these allegations, however, was largely anecdotal and appeared aimed at achieving political gains rather than making a credible argument for increased integrity in policy-making and governance. For example, a number of political parties quoted one regional language newspaper which had published an article on the details of demonetisation six months before it was announced. The same newspaper later clarified that the report, published on 1 April 2016, had been an April Fools' Day prank (*ABP*, 2016).

[5] A corporate tax is a levy placed on the profit of a firm to raise taxes while presumptive tax is a form of assessing tax liability using indirect methods such as income reconstruction or by applying base-line taxation across the entire tax base.

Another example is that of *Ganashakti Patrika,* a regional newspaper affiliated with the Communist Party in the state of West Bengal, which carried reports claiming to have found bank deposits and transfers of 10 million rupees in old currency allegedly made by the local BJP unit on 8 November, hours before the demonetisation announcement (Gupta, 2016). An image proving the alleged transfer has not yet been established to be authentic. Local BJP representatives, in fact, stated the transfer had been of a legitimate nature and claimed to have donation receipts and other supporting documents to prove their point. Similar allegations of a political conspiracy dominated the Indian (social) media landscape in the weeks following demonetisation. However, none of them have been verified so far.

The Modi administration itself remained largely silent on the issue. Demands for a parliamentary probe into wilful defaulters and significant purchases of gold and foreign exchange in the six months prior to demonetisation, for example, were dismissed. In the long run, however, it appears that the government did pay heed to the attention such allegations and demands received; announcing an electoral funding reform , including a reduction in the permissible amounts of anonymous political donations by a factor of ten, from 20,000 rupees to 2,000. (MoF, 2017b)

Such measures to institutionalise political funding have been longstanding recommendations of the Indian Election Commission (EC) to address corruption in the electoral process (*Election Law Journal*, 2012). Although the government did not accept all recommendations of the EC, the announcement sent a positive message vis-a-vis the integrity of the demonetisation exercise and the government's commitment to address the primary roots of corruption more broadly. While received mostly positively, it is yet to be seen how this proposed reform will impact the nexus between elections and corruption in the long run.

4.4 A unilateral decision?

Approximately a month into demonetisation, public opinion on the policy became increasingly polarised. While a large part of the population continued to show support for the initiative, hoping it would penalise "rich criminals" and "hoarders of illegitimate cash", public intellectuals, academics, industrialists and political groups called the policy "ill-timed", "ill-conceived" and "badly implemented" and alleged it unleashed "economic anarchy" and tremendous hardships on rural India (Iyengar, 2016). One stream of critics claimed the Prime Minister had acted on his own, without sufficient consultation with stakeholders and not taking into account the gap between urban financial systems and agrarian economies, reflecting a lack of knowledge about life in rural India.

Civil society groups also contended that the "war on black money" narrative was being used to forcibly and prematurely integrate rural India into techno-financial systems, not to fight corruption (Pandit, 2016). Others raised doubts on the efficacy of the policy, noting that demonetisation would not affect the holdings of those whose assets resided in tax havens, gold or real estate (Iyengar, 2016).

The RBI, the custodian of India's monetary policy, received particular attention within these allegations. Government statements indicate that a very small group of people had been involved in planning demonetisation; procedural clearances from the law ministry were obtained the night before its announcement and formal permission of the RBI's board of governors was reportedly obtained in a "coffee session" on the day of the announcement itself. The President and Cabinet ministers were also kept uninformed until shortly before the Prime Minister's speech (Kapoor, 2016).

In its defence, government representatives emphasised that demonetisation had to be planned on a need-to-know basis to avoid leaks. Secrecy and decisiveness were key to the success of demonetisation, Modi argued, positioning himself as a strong leader willing to take lone decisions and committed to societal change. An even more powerful argument that the Prime Minister employed, however, was appealing to patriotic sentiment, highlighting that the people of India had "made the world stand up and notice [their] historically inherent qualities of sacrifice, discipline, understanding and commitment to the nation" (Chengappa, 2016).

5. Conclusion

Through demonetisation, Prime Minister Modi successfully portrayed himself as a leader willing to take decisive and, if necessary, drastic steps to tackle bribery, money-laundering and channels of income-generation, by-passing the formal mechanisms of the Indian state. While the long-term impact of demonetisation is yet to be seen, the policy illustrates the priorities of the Modi government: Corruption is primarily presented as a cash-based issue; demonetisation did not explicitly target non-cash-based corrupt activities such as property transfers, gold or the use of tax havens. By creating and cementing a narrative on corruption that emphasises the role of cash, demonetisation may therefore divert attention from future attempts at shaping anti-bribery and corruption policies taking a more holistic approach.

One of the reasons for this development lies in the increasingly prominent role anti-corruption plays within electoral politics in India. Returning "black money" from foreign tax havens and distributing it to the poor was one the key promises made in Modi's successful 2014 election campaign; demonetisation, thus, can be seen as more than economic policy but rather as a political tool. With previous schemes, such as a 2016 amnesty offer for tax evaders, being less successful than anticipated, Modi and his party have a strong impetus to portray demonetisation as a show of their commitment to anti-corruption. In order to do so, the government had to establish in the public mind a strong relationship between cash and corruption. This, however, may have skewed the public understanding of anti-bribery and corruption frameworks, downplaying not only other means of acquiring and storing income generated from corrupt activities but also presenting corruption as a conflict between rich hoarders of cash and the marginalised poor. The Prime Minister's attempts to position himself as a “Robin Hood”-type character whose focus is to take illicit cash from the rich and redistribute it among the poor risks reducing ABC initiatives to a precarious binary of “us-vs-them”, which in turn may undermine more serious discussions on the role of policy, the law and institutions.

Internationally-recognised ABC objectives such as strengthening checks and balances, building capacity of public institutions and incentivising integrity and transparency measures within the private sector may have a harder time gaining recognition in India after the top-down and somewhat simplistic policy of demonetisation captured the public imagination on what the fight against corruption should look like.

The outlook is not all gloomy, however. Demonetisation is a continuation of a larger trend that demonstrates the increasing role of anti-corruption policies in the Indian public discourse. The Modi administration has successfully incorporated some of the momentum of the India Against Corruption Movement, which had its high-points in the year 2011. At a time when one-third of Indian members of parliament were facing criminal prosecution, the Modi successfully campaigned on a platform of good governance. The fact that the number of MPs with criminal charges against them has not significantly reduced since 2014, on the other hand, also points towards the fact that a lot remains to be done when it comes to transparency and integrity in Indian electoral politics (Vaishnav, M. 2016).

Demonetisation may be an important step in that direction, having garnered significant public support for ABC policy-making and further strengthening the relevance of integrity within the political discourse. Political parties across the board are paying attention to the re-invigorated debate on bribery, corruption and nepotism. We expect their ability to portray themselves as tough on corruption to play an increasingly important role in electoral politics. A recent example for this trend are the elections in Uttar Pradesh state, which saw the current chief minister Akhilesh Yadav go through a highly-publicised break from his father, a former chief minister of the state, to portray himself as an honest leader in a party riddled by corruption.

Demonetisation has changed the tone and pace at which corruption is spoken about in India. Crucial for the long-term success of ABC policy-making, however, will be in how far the policy has set the agenda on the relationship between cash and corruption and the role of institutions and the private sector.

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