

Book Review

Demonetisation: Monumental Blunder or Master Stroke, Sandeip Khakase, Peoples Literature Publication, 2017, pp- 449, ISBN: 9788193252550**Arshad Bhat**Amity Institute of Liberal Arts, Amity University Mumbai, Maharashtra 410206, India; bhatarshad09@gmail.com

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This book provides deep interconnection into the complex subject of demonetisation, whereas weaving historical context, global comparisons, and in-depth examinations of India's monumental 2016 demonetisation policy. The book begins explaining demonetisation in laymen's terms, thus creating a stage for reading which gives room to understanding the gravity and implications of such a financial overhaul. It then sensibly spreads out into historical demonetisations around the world, demonstrating how other countries have attempted to do this thing. This section does a beautiful job of locating the topic within a global context, demonstrating that India is not alone across the globe in attempting this bold economic end. By the time we arrive at the past demonetisations in India, we are already conditioned to be set up for reckoning with what transpired before 2016. Adding India's past experiences with demonetisation (1946, 1978) gives the study a bit of historical depth and explains how these policies tend to spill into another epoch. The book, though its soul lies in the analysis of India's 2016 demonetisation and RBI's role, covers around 50 global demonetisations and analyses their impacts. Here, the book tells how Prime Minister Modi was provoked to take such a bold step-scrubbing and cleaning black money, corruption, and counterfeit currency. The book further elaborates on the Reserve Bank of India's desire to introduce the very policy. This very succinct and educational discussion perhaps portrays that while the intentions may be good, the execution comes with a series of complications, showing ups and downs on the way. Its strong strength is also in the terms of elaborate debate on the impact on economic indicators and industries. Unlike in many accounts mired by their use of jargons, the book breaks down prime metrics like GDP, inflation, and employment in accessible yet comprehensive ways. Another way through which the narrative is brought alive is by the articulation of how demonetisation affected industries, especially cash-rich sectors such as real estate, agriculture, and SMEs. In one respect, anecdotes and case studies by small business owners really come out to bring forward the impact of the policy at grass-root levels. The cost-benefit analysis is another highlight; it doesn't decline to ask whether it was worth it. At this point, the book gives a well-balanced viewpoint-how short-term chaos translates into long-term benefits, such as digitization and the formalization of parts of the economy. However, the section called "Demon in Demonetisation" had just the right feel of frustrations by millions and reminded one that all good-looking policies can be highly defective if implemented.

Thus, the chapter on corrupt culprits introduced a wondrous plot followed about how loopholes were exploited, despite all ideal intentions, and some parts of society managed to sidestep this policy. This part feels especially apt for the times as it pictures the strength of corrupt machinery even within situations where sweeping financial

reforms would sweep them away.

While essentially a technical aspect, lease licensing seems to be linked with the larger effects of demonetisation and falls in line with the impact resulting from policy shifts related to licensing and regulations in the wake of the 2016 move. The detailed chapter wise review of the book can provide a concrete outlook as;

Chapter-1: The book attempts to look at one of the most contentious financial policies in recent Indian history-demonetisation, specifically India's 2016 experience, while situating it within a broader global and historical context. The book does not aim at narrating the events but rather analyse the various dimensions of the policy on the Indian economy, the various industries, and the people at large.

Chapter-2: The book first introduces the reader to the basic concept of demonetisation, so that the reader should understand why the governments start doing such a policy. It discusses meaning of legal tender and demonetisation, its objectives and also remonetisation. As of now, removing the legal status of a country's high-value currency notes is a simple idea; however, properly this technique has been made for eliminating black money and cutting inflation or stabilizing the economy. The explanation presented carries, to an obvious extent, clarity, thereby making it possible for the academic audience as well as readers at large to understand the intricacies of demonetisation without being burdened by jargons from economists.

Chapter-3: Having established that context with the introduction, the book goes on to narrate in a chapter about historic demonetisations around the world, thus, establishing a global setting to which India's experience can be compared. The chapter starts with demonetisation of silver in the US and, subsequently, in the other parts of the world. It also discusses how pre-declared demonetisations are differently executed and results differently from non-pre-declared ones. Using case studies of the U.S., Zimbabwe, and Nigeria gives the reader a broad understanding of how demonetisation has been availed to other nations as an economic tool. This chapter is very helpful in explaining the fact that demonetisation is not an Indian product only, and the success and failure might be diametrically opposite with a different socio-political and economic background of different countries. Each example is given with the motivations, the processes involved, and results obtained so that it becomes clear that although demonetisation is a daring step, its outcome may be of a very different variety in a different environment.

Chapter- 4: The next chapter follows history about demonetisation in India-the country itself reminds the readers that the event was certainly not the first. While discoursing about the demonetisations of 1946 and 1978, it draws comparisons to contrasts them with the policy from 2016. A ratio of demonetised currency to currency in circulation was around 86.9% in 2016 whereas 11.65% and 1.74% were demonetised in 1946 and 1978, a major factor that shook the economy then. Such historical context adds dimensions to the discourse that might otherwise have not gone so far, as it highlights how efforts in demonetisations targeting black money have seen mixed results. The book goes carefully into the motive behind those moves, including insight as to why they did not result as significantly as the 2016 policy did. The chapter highlights how history both informed-and perhaps failed to inform-the policymakers of 2016.

Chapter-5: Here the author shifts his focus on demonetisation in 2016. He now

narrates the political and economic context that eventually led to this exercise. Thus, it is clearly explained in the book that though officially it was called a measure against black money, counterfeit currency, and corruption, there were political undertones during the Modi government. This section is particularly rich in explaining the position by the Modi government and sets forth the principles of the policy. The book does a great job at presenting a very balanced narration-something that does not frequently happen in most of the arguments that precede-with adequate exposition of governmental objectives while critically evaluating many claims made. It mentions that demonetisation was also an effort to push India towards a more digital economy and lessen its dependency on cash.

Chapter-6: This chapter talks about the role of the Reserve Bank of India (RBI). The author concentrates on the way RBI managed its job in demonetisation. The coordination between the government and the RBI has been addressed to unearth who decided what, like how big an operation it was to withdraw such a humongous amount from circulation. The book is not one to shy away from talking about some of the issues RBI faced during its tenure-issues that the incumbent was saddled with completing and was under a lot of pressure, ensuring the transition without any glitches. It questions about the RBI's stand and preparedness for the demonetisation step: central board's ambiguity, insufficient non-demonetised currencies and no recalibration of ATMs for replacing currencies. This also touches upon the criticism that the RBI faced at that moment, criticizing this and that from operational hiccups to communication failures regarding their stance with the public and financial institutions.

Chapter- 7: The chapter carefully scrutinises the impact of demonetisation on the economic indicators of India. Using data, the book presents the macro- and micro-economic effects-from the growth in GDP to the inflation rate and its impacts, to unemployment, and change in liquidity. I was putting in a lot of detailed analysis, but the author has woven this into an accessible package, including data with narratives from economists, policy experts, and businesses. The severe short-run disruption through the shock of demonetisation is seen; the longer-run implications require attention to the deepening formalisation of the economy and the rise in tax compliance.

Chapter- 8: Here the book turns to the effect of demonetisation on industries and here shines clearly through the human element of the policy. The size of cash transactions greatly impacts the basis of real estate, agriculture, and small and medium enterprises (SMEs), and those are the ones most affected in the downtrend of demonetisation. Many businesses were unable to repay loan; the government was forced to give moratorium to borrowers. Personal accounts by entrepreneurs who could barely stand the unexpected cash crunch add a strong emotional undertone to the technical analysis. It portrays both their resilience and frustration as they coped with a situation they had not experienced before.

Chapter-9: Among the many gems in the book lies this cost-benefit analysis. Here, the thorough account of the kind of costs disrupted-the cash shortages, economic slowdowns, and the toll on small businesses-are balanced against all those expected benefits: the push toward digitization and the formalization of the economy. The book therefore eschews any straightforward verdict such as "success" or "failure." On the plus side, demonetisation has ensured manifold increase in digital payments and an increased taxpayer base. It cost more to some and less to others, and that appears to be

borne by the weaker sections in the form of increased costs due to reliance on cash. The RBI also has to pay significantly for printing and transporting of new currency and recalibrating ATMs for new currencies with different dimensions. The book concludes that even while some of the objectives were met, others—that of ridding the economy of black money, for example—were not.

Chapter- 10: The chapter “Demon in Demonetisation” deals with the critics of the policy. It intends to let everyone know that, despite all noble goals, demonetisation hit India’s poor and working class more ruthlessly. Cash withdrawals by the government suddenly created a free-for-all-like situation with long bank lines and hardship to those who scarcely engaged with the digital world. Finally, the conclusion excels in bringing together all the loose ends. Instead of a summary, it gives reflective insights on what demonetisation bodes for India’s future both economically and politically. The recommendations of the policy feel practical, thoughtful, and well-balanced within the evidence presented in the book throughout. The detailed chapter-wise review of the book can be presented as follows:

The book sums up the broad contours of its argument by restating the fact that though demonetisation was able to push India toward a more digitalised economy, it also flung open the wide chasm between the Aam Aadmi (A “Hindi” word for common man) and the infrastructure the country has since long needed, as well as the age-old difficulties in phasing out corruption and black money. A policy that was well meant, therefore, threw up outcomes nobody could have thought would happen. Thoughtful policy recommendations end the tome, as future economic reforms need to be set against the practical realities on the ground in a country as diverse and cash dependent as India. The book goes out on a thoughtful note since demonetisation cannot exactly be claimed a sweeping success that the government had in mind, though it did set important conversations about the future of India’s economy in motion.

Further, the book has covered special chapters dedicated to comparative analysis of previous Indian demonetisations and cost-benefit analysis of the 2016 demonetisation which are completely new to the literature. The book has first time attempted to differentiate demonetisations and coined two new terms, “Pre-declared Demonetisations” and “Non-pre-declared Demonetisations” which would be a contribution to monetary economics in near future. In addition to theoretical, law and policy aspects, the book has dedicated a chapter for illustrating impacts of the 2016 demonetisation on the public and economy. The book goes beyond, and states several reasons like adding security features, increasing durability of notes, etc. for declaring a demonetisation and how to execute such events. The book suggests careful execution of a demonetisation: prefers pre-declared over non-pre-declared, and availing enough currency exchange window to the public. A dedicate a chapter of the book asserted that non-pre-declared demonetisation cannot be used for curbing corruption in a country like India where corruption is a result of systemic failure as briefed in the **Figure 1** below:

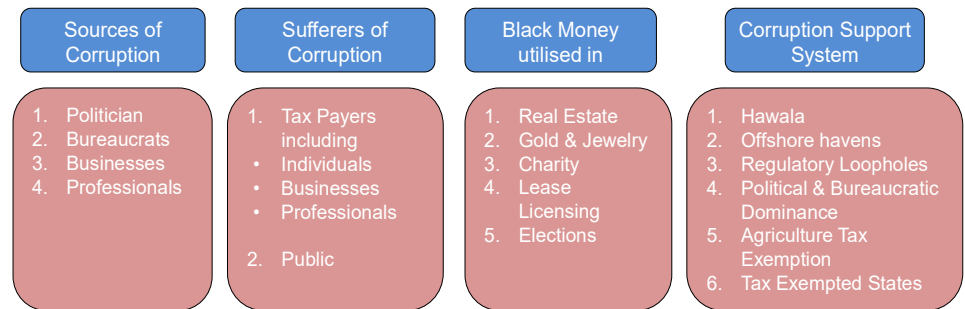


Figure 1. Corruption in India: Sources, sufferers, utilisation and support system.

It is important to note that the book was published in 2017, thus, it could gather real time evidence and short-term impacts, but it lacked to include long term effects. This fact does not curtail the importance of the book as it offers extensive study of global (around 50) demonetisations, provide pre-demonetisation and post-demonetisation analysis. This rare and concise treatise will help every government and policy maker willing to execute a demonetisation in any country worldwide. Thus, the book should serve as a guiding light in managing future demonetisation, and I congratulate Sandeip Khakase for writing such a valuable book.

Conflict of interest: The author declares no conflict of interest.