

Supreme Court verdict on demonetisation

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In news— The Supreme Court Constitution Bench has upheld by 4:1 majority the decision taken by the Union Government six years ago to demonetise the currency notes of Rs. 500 and Rs.1000 denominations.

What did the Apex Court say?

- The **majority held that Centre's notification dated November 8, 2016 is valid and satisfies the test of proportionality.**
- Supreme Court **accepted the government's views that there was consultation between the Centre and the RBI before demonetisation.**
- The Supreme Court stated that there was a **reasonable nexus to bring such a measure**, and we hold that demonetisation was not hit by doctrine of proportionality.
- The court said the notification dated November 8, 2016, which announced the decision to scrap the high-value currency notes, **cannot be said to be unreasonable and struck down on the ground of decision-making process.**
- The top court's remarks came when the Reserve Bank of India counsel made the submission that judicial review cannot apply to economic policy decisions.
- RBI had told the apex court about the objective of the demonetisation policy to curb black money and fake currencies.
- Justice Nagarathna, however, differed from the majority judgment on the point of the Centre's powers under section 26(2) of the RBI Act.
- She further said that Parliament should have discussed the law on demonetisation, the process should not have

been done through a gazette notification. Parliament cannot be left aloof on an issue of such critical importance for the country.

- Justice BV Nagarathna in her dissenting view held that though demonetization was well-intentioned and well thought of, it has to be declared unlawful on legal grounds (and not on the basis of objects).

What is demonetization?

- Demonetization is the process through which a nation's economic unit of exchange loses its legally enforceable validity.
- Currencies that are terminated are no more legally considered exchanges and have no financial value.
- On 8 November 2016, the Government of India announced the demonetisation of all ₹500 and ₹1,000 banknotes of the Mahatma Gandhi Series.
- It also announced the issuance of new ₹500 and ₹2,000 banknotes in exchange for the demonetised banknotes