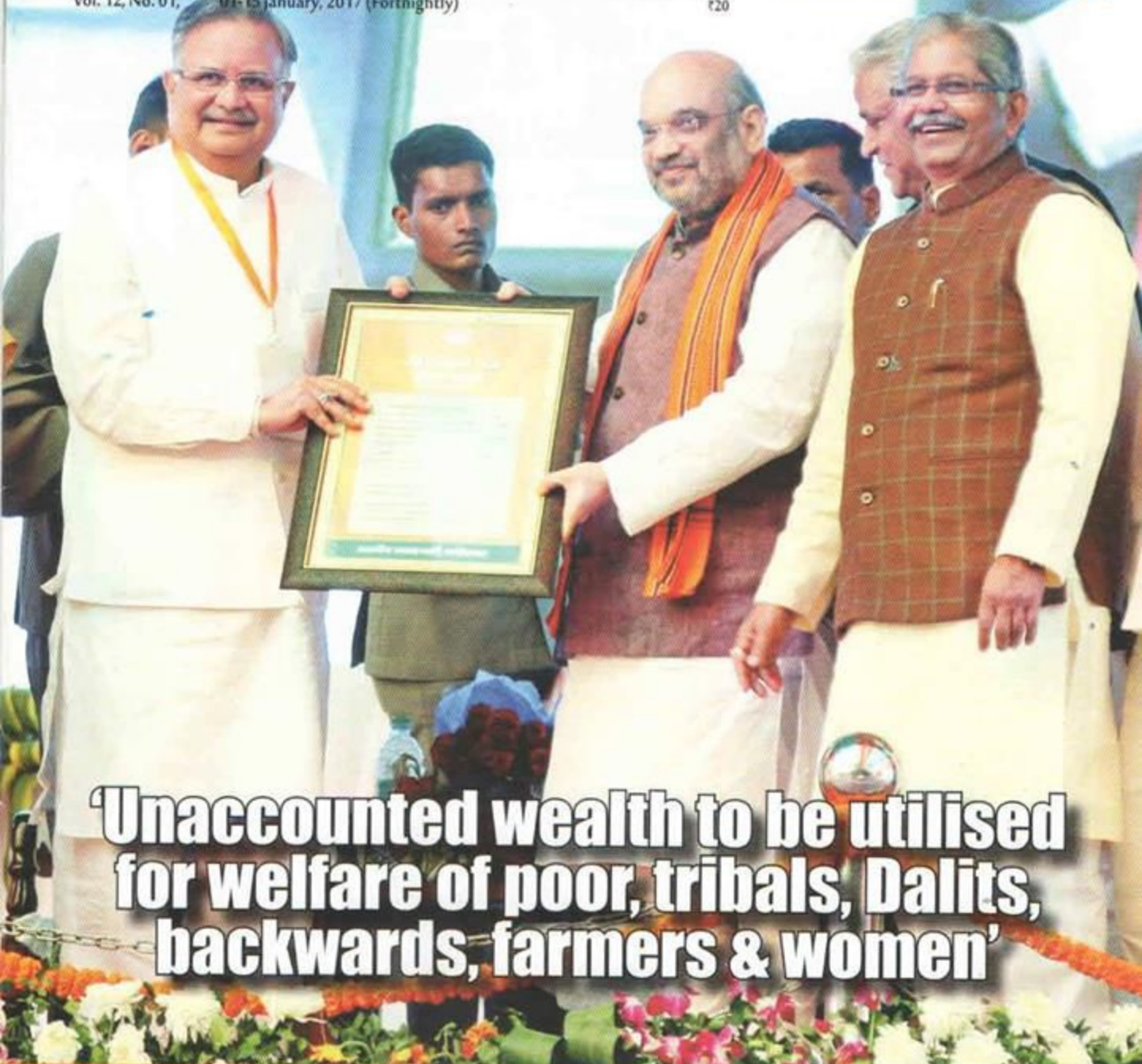


# KAMAL SANDESH



Vol. 12, No. 01, 01-15 January, 2017 (Fortnightly)

₹20



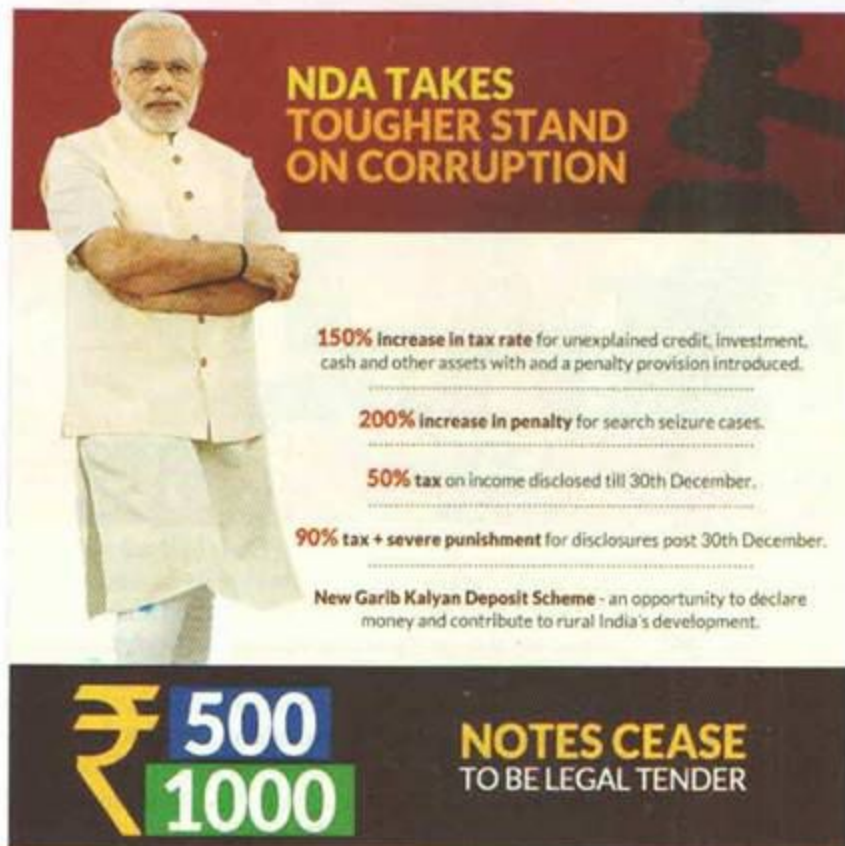
**'Unaccounted wealth to be utilised for welfare of poor, tribals, Dalits, backwards, farmers & women'**

KARYAKARTA SAMMELAN  
RAIPUR, CHHATTISGARH

BJP GETS A LANDSLIDE VICTORY IN  
CHANDIGARH MUNICIPAL POLLS

DRIVE AGAINST BLACK MONEY  
RATTLES OPPOSITION

# FACTS ON DEMONETISATION: and roadmap ahead



**NDA TAKES TOUGHER STAND ON CORRUPTION**

- 150% increase in tax rate** for unexplained credit, investment, cash and other assets with and a penalty provision introduced.
- 200% increase in penalty** for search seizure cases.
- 50% tax** on income disclosed till 30th December.
- 90% tax + severe punishment** for disclosures post 30th December.

**New Garib Kalyan Deposit Scheme** - an opportunity to declare money and contribute to rural India's development.

**₹ 500**  
**₹ 1000**

**NOTES CEASE TO BE LEGAL TENDER**

by **GOPAL KRISHNA AGARWAL**

**T**he recent announcements on demonetization have created a new dimension in the economic ecosystem of the country. There is a debate in the country, whether it will help us in curbing corruption and eliminating black money in circulation. What will be its impact on the economy in the short, medium and long term; particularly in the important segments, like rural and agriculture sector; micro, small & medium enterprises and unorganized sector

like small traders, shop owners & daily wagers etc. But Big Bang reforms require this, we are moving towards new revolution of Digital Economy. Demonetisation has to be seen in a larger prospective.

Bringing economic growth to the country and curbing corruption and elimination of black money, were the two important mandates on which our government came to power. Some of the important aspects that have to be kept in mind are:

▶ According to the World Bank report 20% of wealth is stashed across all assets class i.e. real

estate, gold and currency etc.

- ▶ Global wealth report 2016 shows that 1 % of population has more than 58% of the wealth of the country. In the concentration of wealth India ranks 2nd after Russia across globe.
- ▶ 97% of our population is having wealth of less than \$ 10,000 i.e. approximately Rs 7,00,000.
- ▶ Cash currency ratio to GDP, of 12 % in India is very high compared to international standards.
- ▶ Budgetary resources of the government are very limited. Planned expenditure of approximately Rs 5.5 lakh crores is not enough for the government to undertake infrastructure developments and meet social security requirements.
- ▶ Every citizen of the country is paying taxes in the form of indirect tax, but if it is properly accounted for, it is not reaching government revenue coffers. Proper recording of transactions in system is necessary.

Demonetization cannot be analysed in isolation. It is a part of the series of measure under taken by Shri Narendra Modi's government since its inception, keeping in mind the above ecosystem.

The very next day Shri Modi came to power, a Special Investigation Team (SIT) was set up to suggest steps to curb corruption from the country. Starting that day, several steps have been taken by the government to achieve these objectives:

1. Foreign illegal assets declaration scheme.



2. Re negotiation of bi-lateral treaties with Mauritius, Cyprus and Singapore where most of the hawala transaction were taking place.
3. Treaty with America for sharing of financial information under FATCA.
4. Initiatives with OECD and G20 countries for information exchange.
5. Income disclosure scheme (IDS)
6. Passing of Benami Properties Act.
7. Amendment to prevention of corruption Act and placing of Whistle blower protection Act in the current session of Parliament.
8. Now Pradhan Mantri Garib Kalyan Yojna has been announced for penalizing those who deposit black money in the banking channels.
9. In last two and a half years about 92 senior officials have been penalized for corruption which is much more than such action in the past.

Demonetisation is part of the larger plan of eliminating Black Money and fight corruption. It is the part of the whole process to create an ecosystem of equal and transparent opportunities for economic growth, to the common men in all segments of the society across all geographical areas.

### **BENEFITS OF DEMONETISATION**

- ▶ Due to huge currency in circulation, economy was having inflationary pressure and value of housing etc. were getting out of common man's hands. Demonetisation will reduce prices in real estate and bring down inflation further.
- ▶ Bring resources to the Government for social benefit schemes for the poor and low-income groups and infrastructure development in particular in the rural sector.
- ▶ Helping us to move towards low interest rate economy. With loans for housing sector, poor and rural sector of society at lower rates.
- ▶ Create infrastructure for smooth implement of GST, which in turn will help us reducing indirect taxes.
- ▶ Curbing terrorist activities and other criminal activities like Maoist insurgency and extortions in north Eastern area etc.
- ▶ Removal of Fake currencies in circulation.
- ▶ Lower cost of transaction (cost of online payments and mobile banking are much cheaper)
- ▶ Many awareness programs and incentives by the government on online payments.
- ▶ Higher tax compliance. Third quarter tax collection report shows:  
26% increase in indirect tax collection

-15% increase in direct tax collection.

The Government is well aware of the liquidity crunch, but this will be sorted out by 30th December. We are asking people to move towards less cash economy through online payments and mobile banking but we will do this through creating awareness and not make it compulsory. Government will bring liquidity back into the system, but with reduction to about 8 to 9 % of GDP.

The government is well aware that, there is a chance that this squeeze in liquidity can affect the economic activities in the country.

The government has a roadmap to revitalize the growth of GDP.

- ▶ The current account and savings accounts deposits (CASA) of banks will increase. This will reduce their cost of funds and will also result in increased availability of funds.
- ▶ Focus on credit off take through startup, standup, mudra loans to medium & small sector and rural sectors of economy at reduced rate of interest
- ▶ Real estate price to fall further and with fall in rate of EMI, housing will come within the reach of the common man and will boost construction industry.
- ▶ With more tax compliance government can move towards lower of rates of taxation, and create premium on honesty.
- ▶ With the black money in circulation not coming to the banking channels, can bring several benefits to the economy. But all this will be achieved only when

**DEMONETISATION IS PART OF THE LARGER PLAN OF ELIMINATING BLACK MONEY AND FIGHT CORRUPTION. IT IS THE PART OF THE WHOLE PROCESS TO CREATE AN ECOSYSTEM OF EQUAL AND TRANSPARENT OPPORTUNITIES FOR ECONOMIC GROWTH.**

black money is not recycled.

- ▶ Through increased tax collection and enhanced resources, Government will go for huge capital investments and social sector spending to improve quality of life of the common men and catalyze growth.
- ▶ Implementation of GST (which will lead to low indirect taxation) requires right ecosystem, the government is creating an atmosphere so that transactions are recorded properly and transparently.
- ▶ With supply of black money being checked, government will go for electoral reforms for curbing use of black money. ■

*(The writer is BJP National Spokesperson for Economic Issues)*