



FOUNDATION *for* RESTORATION of NATIONAL VALUES

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NEWSLETTER

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Message from FRNV President on Demonetization

Relying on large scale illegal transactions in cash and evading taxes, are indicators of a culture of greed, and an inherent value crisis in the society. The recent move by the Government to demonetize high value currency notes, as part of a slew of strategies to curb corruption and the generation of black money, is a welcome move. Large denomination notes provided an easy way of stashing illegal and ill-gotten money, and the Government's move will thwart the "black economy" in the country, while encouraging honest, upright citizens, and keeping anti-national elements in check.

While the move has inconvenienced some people, in the long run the intervention will embolden those who are honest and upright, and stimulate many more people to be transparent and accountable in their dealings. He is hopeful that the Government of India will continue to ensure steps for improved tax compliance, transparent funding of elections, thereby blocking the generation of illicit money. A cleaner economy will encourage better governance, and attract investments that will lead to our wholesome growth.

A decline in societal values is evident from the excessive and widespread cases of corruption, tax evasion, cheating, hoarding of unaccounted money, and dishonesty by people in powerful positions. The time has come for people to be guided by their inner, moral compass. At the same time, systems and structures have to be created by conscious and ethical leaders for serving the public that would help tide over some of the glaring problems affecting the country.

Dr. E. Sreedharan

Demonetization

A Surgical Strike on Black Money or Common Man
- Dr. Seema Pawar, Project Director- VBE, FRNV

The recent move to demonetize currency notes of Rs. 500 and Rs. 1,000 is an effort to combat corruption, tax evasion and counterfeiting. However, the decision led to a huge uproar from the political parties, citing problems for the common people. Critics cite the long queues in front of banks and ATMs say those who are disenfranchised like refugees, those who lack the access to ID documents and do not have bank accounts are severely hit since they currently hold all their money in cash form. Opposition parties are also arguing that even those who have access to bank accounts are severely hit by the move since banks and post offices around the country are ill prepared to handle the enormous administrative burden that this decision has caused.

While there are problems of accessing the new currency and exchanging the old demonetized ones, especially in the rural areas where banks and ATMs are few and dispersed, it has also been found that the long queues were usually formed by those who were deployed by people with excess cash holdings, especially those who operated outside the legal systems. The middle class, especially in urban areas, have come to rely more on credit/debit cards, mobile wallets like PAYTM and other similar modes of money transactions. However, in spite all the problems being faced by the common citizens, the honest taxpayer has praised this decision. Demonetization has the support of over 93 percent of the 5,00,000 people who took the survey on the Prime Minister mobile application.



The most important reason for this overwhelming support to the cause of demonetization is the acceptance and recognition that the reason behind this exercise was the Government's effort towards improved transparency, integrity and fairness for all. So tired were people of black money, hawala transactions, corruption, funding of election campaigns, smuggling, terrorism as well as the circulation of fake currency, people are willing to undergo hardships, for the larger good of the society, and ultimately the country.

People are also cynical about the use of hoarded cash by all political parties at the time of elections. They hope that with this move of the government, the stock of black money in cash would be cleared up, with the result that the party tickets and votes would not be purchased. At the same time, there is now a general acceptance of the need to accept a digital economy and curb unnecessary spending.

NEWS AND EVENTS

□ The Advisory Board meeting of FRNV was held on November 27, 2016 at Metro Bhawan, New Delhi. Justice M. N. Venkatachaliah, Shri T. S. Krishnamurthy, Smt. Vibha Parthasarathi and Dr. E. Sreedharan were present on the occasion. Advisory board gave useful suggestions and shared best practices that FRNV could learn from.

□ A Task Force Meeting to discuss the indicators for Value Based Education (VBE) project was organised in

FRNV Secretariat on 26th October 2016. The session was chaired by our Project Director, Dr. Seema Pawar and was joined by CEO, FRNV, Anupama Jha. The meeting was attended by Prof. Najma Siddiqi, Mr. Sunil Kumar, Mr. Sushil Jain, Brig. Rajindar Kumar, Ms. Sonam Guliani, Ms. Kirti and Ms. Khushboo Srivastava. Dr. Pawar began the meeting with outlining FRNV's conception of VBE and provided a brief summary of our activities so far. She went on to throw some light on the strategy and program FRNV wish to follow in the coming months and introduced the indicators that FRNV is trying to use to assess the current value levels in government schools in Delhi. The discussion on the same was carried out over lunch and valuable suggestions were made by task force for consideration of FRNV's team.

□ FRNV, in pursuit of its aim to correct the lack of information on existing status of Police

Complaints Authority (PCA) in India, has began to file RTIs in all states and union territories to inquire whether PCA has been established in the state and if yes what is the formal procedure that citizens should follow to lodge and track complaints, what is the procedure for investigation that is followed once the complaint is registered and in how many cases investigated FIRs were filed against errant police officers on recommendation of state PCA. As of date, we have filed RTIs in Delhi, Chandigarh, Haryana, Maharashtra, Karnataka and Kerala inquiring the same. We have also filed an RTI to Delhi Police requesting to provide information in respect of statistics of the crimes committed by Delhi Police personnel in the year 2015 and numbers of departmental, magisterial and judicial inquiries instituted against Delhi Police personnel. We hope that our active efforts and advocacy for Police Complaints Authority will help the state in building a more Ethical, Efficient, Disciplined and Accountable Police Force that is compassionate towards the victims of crime.

Collapse of Black Economy and Restoration of Values in the Indian State

-Priya Mathur, Programme Associate, FRNV

An important outcome of Demonetization is the restoration of values of accountability, transparency, and honesty in the society. Until now, a sense of cynicism existed among common man who believed that the rich and corrupt are rarely liable for their actions and it is the poor and the middle class who has to bear the brunt of their dishonest ways. However, now there is a sense of triumph among the honest tax payers and restoration of belief in the government. They see an incentive to be honest in their economic dealings and this will only increase tax compliance in the future.



In fact, hoarders will also come around to the understanding, the government can not only declare certain currency illegal but can even declare series or serial numbers of notes defunct any time in the future if the corrupt practice of black money rises again. Therefore, in fear of losing years of hard earned money, they would ensure that they do not go back to hiding their earnings and evading taxes.

The effects of the same are already visible as even small businesses and traders like grocery store owners, who till now accepted payment only in cash and rarely declared their whole income, has now installed computers, scanning items, providing proper bills and accepting electronic card payments in these times of cash crunch. Such cashless practices will further ensure that every penny is accounted for and all dealings are declared, thereby by ensuring transparency in the economic system of the country.

Demonetization would also help in controlling greed and frivolous spending of the citizens. Consumer spending has already become limited and people are only buying essential items of daily need. Alcohol sales have even gone down to 50%, as the general public is preserving cash to pay for essential wedding services.



Nevertheless, it must be noted that the demonetization drive may or may not reduce corruption in enormous proportions automatically or completely eradicate black money from India but it will definitely send a strong message to corrupt individuals that such practices will no longer be spared by the government. However to ensure that the vicious web of black money is not continued, a culture of honesty and accountability has to be promoted by the government by different policy solutions from time to time.

According to Ministry of Finance, Government of India 2012 report, about INR 92.95 billion black money is deposited in Swiss banks in addition to the bundles of fake currency and black money which are hoarded by dishonest citizens of the state. While illegal wealth

concealed in Swiss banks by Indian citizens can now be tackled with the help of the declaration signed between India and Switzerland agreeing to automatic exchange of financial information between the two countries from 2018 onwards. The fake currency and hoarded money already present and circulating in the economy required a bold step to counter it.

The demonetization policy of the government will automatically collapse the vicious parallel black money economy. To start with, citizens who have hoarded money will either have to deposit or discard the undeclared currency. A minimum of 50% tax will be levied on unexplained cash deposits which are above the threshold of Income Tax rules. According to Centre for Investment Education and Learning, this means that “taxpayers who have drawn cash for various uses, can deposit it all back as long as it is within the amounts they legitimately earned and paid taxes on. Evaders will pay taxes on what they bring into the bank”. This will enable the government to collect an enormous amount of taxes which in turn would not only help the government to reduce its fiscal deficits in 2016-2017 but will also enable the government to provide better services to citizens.

This will also keep in check those businesses which heavily rely on corrupt ways of cash transactions. For example, the real estate market where black money is indiscriminately used, as dealers, developers, and resellers insist on hard cash as payment, will now see a big hit. While new property market might not see drastic price correction since this sector is mostly driven by home loans; resale and land transactions will now become more affordable for the common man as prices will automatically go down due to a sudden cash crunch. In addition, negative sentiment in the market will drive builders to negotiate prices with the buyers and offer considerable value for money in the current economic environment.

Dear readers,

FRNV invites stories from its readers on deep-rooted values that have helped us in our everyday lives. Some of these stories will be featured in the next issue of our newsletter. So put your thinking caps on, recall the values integral to your life which you cherish and write to us at shilpi@valuefoundation.in.