

BLACK MONEY

Hyderabad,
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From

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To

The Finance Minister,
Government of India,
New Delhi.

Sir,

Sub: Curbing black money – few suggestions.

Black money has gained gigantic proportions in our economy and I believe everybody is working to curb this menace. I have few suggestions for your consideration in this regard. I request you to go through them and, if found acceptable, you may act upon them. They are given hereunder:

1. RESTRICT THE USE OF CASH: I understand that we have unacceptably high levels of cash in our system. By curbing the use of cash, black money, if not reduced, at least kept under check. This can be achieved in number of ways. Some (I repeat ‘some’) are given below:
 - a. Collect cash handling charges: While we have tried this earlier by way of cash transaction tax and withdrawn it later, for whatever the reason, I make a small modification so that it becomes much easier to operate/implement. **Let the RBI collect cash handling charges from the Banks** each time they either deposit or withdraw cash. Give the Banks freedom to recover these charges from their customers as they deem it convenient. RBI should fix these charges in such a way that they are neither too small (so that Banks can ignore and absorb) nor too high (to disrupt banking activity). Gradually RBI may increase these charges year after year to a point where people are forced to get rid of their addiction to cash and start using debit/credit cards, net banking etc.,
 - b. Introduce cash transit permit: One of the observation I made during elections time, police confiscate large sums of cash from people. This I guess because police are instructed to do so by Election Commission. But

I believe, people do carry large sums of cash always for variety of reasons (mostly unaccounted money). By following a simple procedure we can make this practice potentially dangerous (for those who are carrying cash). Let the government issue appropriate order that anybody carrying cash in excess of certain limit (say Rs.10 lakhs) is liable to be confiscated unless the carrier has 'cash transit permit' on him. '**Cash transit permit**' – a **new concept** – can be generated by any one from a specific internet site, hosted by a government agency (ex. IT department), after feeding necessary details like amount, owner, PAN, purpose, transit from/to, probable period of transit etc., Government can capture data from the said internet site and take appropriate action whenever required.

- c. **De-monetize/Re-monetize currency of higher denomination viz., 500 & 1000 notes:** Again this is an old suggestion and the Government has declared it impossible. But let us take a fresh look at it. Here I suggest two simultaneous steps that Government has to take. **One** introducing new set of higher denomination notes, if necessary (let us call them 'new notes') and **two** introduction of 'Banker's Notes' – a new and hybrid banking product. As per this proposal Government of India declares all higher denomination notes ceases to be a legal tender from a specific cut-off date. People with such notes have to approach their bank to exchange them (through their account) for 'new notes'. However 'new notes' are given only up to certain amount, say up to Rs.1.00 Lakh per a/c and thereafter the customer has to accept '**Banker's Notes**' that are issued in different denomination, say 10k/25k/50k etc., Banker's Notes are neither cash nor cheque nor fixed deposit but a hybrid product of all. They are issued by banks to their customers and these notes are freely transferable from one person to another person subject to some procedure like endorsement by the transferor (preferably attested by the banker), inclusion of transferee's details etc., Conversion of these notes into cash is regulated by some restrictions like time and quantity restrictions. (Alternatively banks may open a twin account for all account holders and credit such account with the value for which they can not issue 'new notes' and such accounts are normal bank accounts for all practical purpose but for cash withdrawal restrictions – that means banks are creating a **new set of accounts, call them 'No-Cash' accounts**).
- d. **Discourage cash payment for certain type of payments:** We already have such provisions in Income Tax Act like expenditure beyond certain limits, borrowing and lending etc., this list can be expanded further by including many such targeted type of payments (for example all purchase/sale of property beyond certain value) by making necessary amendments to appropriate statutes.

2. **Track gold/precious metals/diamonds etc.:** Another disturbing feature I observed is large gold imports. Even more disturbing is most of this gold is retained by the buyer in raw form i.e., biscuits/bars etc., (when much more convenient forms like GoldETFs are available). Government need to track this gold/diamond etc., at

least until it is converted into jewelry. I guess it is not very difficult. Even bulk sale of jewelry can be tracked with a set of incentives and disincentives to the jewelers.

I would like to restrict this letter mainly to cash (and probably to gold) since there are number of other factors that contribute to black money. Black money is generated every minute in number of ways. To check, if not eliminate, black money we need comprehensive reforms of certain sectors; we need to modify many procedures/policies, we need better intelligence/better monitoring and so on and so forth. (This is not difficult at all).

Thank you,

(CHANDRA SEKHAR GUPTA BOGGARAPU)

Copy to RBI, CBDT, ICAI