

**Proceedings of the Seminar on
Demonetisation: Opportunities and Challenges
Organized by Madras Management Association
in partnership with Konrad-Adenauer-Stiftung**

on **Monday, 19 December 2016 from 6.00 pm to 8.30 pm**

Chennai

Madras Management Association, one of India's premier management associations in India organised a Seminar on the theme "Demonetisation: Opportunities and Challenges in partnership with Konrad-Adenauer-Stiftung on Monday, 19th December 2016 from 6.00 pm to 8.30 pm Chennai.

The seminar was held, not as much to examine whether "Demonetisation" is good or bad, but with a larger objective to deliberate the Opportunities and Challenges that are likely to arise as a consequence of demonetisation.

On 08th, November 2016, Prime Minister Narendra Modi, announced the demonetisation of the Higher Denomination Currencies in what was immediately hailed as a new, brave and necessary step to stamp out "Black Money", which is seen as a factor in impeding the social progress in the last many decades. Prime Minister had set out the reasons justifying the decision that not only surprised top-notch economists but also the nation's big industry, trading partners, political class and the common man alike.

Whatever may have been the justification for the initiative, the execution of the scheme has since become a subject of intense political debate across the party lines. Economists and politicians have aired contradicting views on the short, medium and long-term impact on the national economy, from GDP to Centre-State relations.

Speakers at the seminar, drawn from various shades of public and political spectrum shared their insights on the current situation and the futuristic scenario. The eminent speakers who addressed over 300 delegates at the Seminar were:

- **Professor M. V. Rajeev Gowda**, Member of Parliament, represents Karnataka and the Indian National Congress in the Rajya Sabha.
- **Mr. Ashok Malik**, Distinguished Fellow, ORF, New Delhi

- **Mr. Gopal Krishna Agarwal**, National Spokesman, Bharatiya Janata Party on Economic Affairs and National Executive Member

- **Dr. R. Vaidyanathan** is Professor of Finance and Control at Indian Institute of Management (IIM), Bangalore

- **Mr. M R Sivaraman, IAS (Retd)**, Former Revenue Secretary, Government of India.

The theme of the Seminar was covered through a mix of lively speeches, intense panel discussions and interactive Q&A sessions. The Seminar was attended by over 300 delegates that included captains of the industry, educationists, management students and other distinguished citizens from various walks of life and also from corporates/government officials/academicians/entrepreneurs and management professionals.

Excerpts from the speeches delivered on the theme of the Seminar by Distinguished Speakers:

Mr. M R Sivaraman set the tone for the seminar by stating that the move was a major milestone that took most people across the entire globe by complete surprise. He also stated that the move has the potential to usher in a number of positives to the economy, if the government rolled out several other measures in tandem with demonetisation to root out black monies comprehensively. Mr. Sivaraman however wondered if the move was well-thought out, issues discussed threadbare and implementation details worked out before the demonetisation move was announced by the Government. Denying that secrecy was a major constraint, Mr. Sivaraman pointed out that nearly 60 plus budgets have been announced since independence and there was absolutely no leaks whatsoever witnessed [save probably one instance when a topic of little impact probably became known before pronouncement] over the years, despite several attempts to get access to budget papers before pronouncement by numerous operators across India. In his concluding remarks, he mentioned that every citizen has to become responsible for his own actions and that all transactions are brought within the purview of the legal system. Unless the moral fabric of the entire citizenry changed to accept legal compliance in its entirety, any moves by the government of the day can only make marginal impact, he observed.

“There is never a right time for a move of this magnitude”: Mr. Ashok Malik

Mr. Malik, Distinguished Fellow, Observer Research Foundation opened his address with a light-hearted comment that had every one in splits. Mr. Malik stated that at a recent engagement with overseas financial experts, he was amused to hear this rather interesting point of view: “In the past, most people including foreigners often complained of slow progress by the government in almost all matters. But, this government since inception in May, 2014 seems to move too fast for everyone’s comfort”. While the economy grew at a rapid 8% between the years 2003 to 2011, it was bound to witness some corrective measures, especially in the backdrop of the demonetisation. The government has been moving towards bringing the entire India within the ambit of banking operations and an incredible 250 million new banking accounts had been opened since May 2014. Government probably has been studying the situation for the last 2 years before it made the decision to go ahead with the move to demonetise”

He continued: “There have been remarks that the timing was wrong, considering this is the sowing time for winter season crops. India has either festivals or agrarian seasons and hence, in my view, there is never a good time for the initiative. With this demonetisation, the government probably hopes that upto 15.5% of the currencies in circulation will end up at the banks or get destroyed.

Those ending up at the banks could probably add to the tax kitty of the government. The singular benefit that the move is expected to achieve is that the cash to GDP ratio is expected to come down from 11.5% to a more acceptable 7-8% of cash to GDP”. Mr. Malik compared the demonetisation move as akin to a recall of cars by an auto manufacturer. “The move is fraught with serious consequences and has to be planned diligently” he concluded.

“1% of Population account for 58% of National Wealth”: Mr Gopal Krishna Agarwal

Mr. Gopal Krishna Agarwal, Member of the National Executive, Bharatiya Janata Party and a member of the Central Economic Policy Formulation Group in his address stated that people in general have welcomed this move. Citing a study carried out in 22 states of India, Mr. Agarwal stated that people in general have welcomed the move and were willing to face hardships, if it would help the nation. Quoting a Global Wealth Report published recently, he said that India was next only to Russia in that fewer people owned a substantial part of the national wealth. “1% of population in India owned 58% of the national wealth while in Russia, 1% of the population owned 74% of the national wealth. The study also quoted that about 97% of the population owned assets of not more than INR 7 lakhs [equating to US \$ 10,000]. Income Declaration Scheme 1 from the Government of India was the first step in this direction. The government also

pledged its commitment to bring the guilty to the tax net. Benami Properties Act introduced in November 2016 is also the next step in this direction. This move of demonetisation has to be seen against the back drop of this eco-system that and the government is determined to ensure success of the initiative” he concluded.

“Scant regard for the hardships caused to the poor” “Prof. Rajeev Gowda

Prof. MV Rajeev Gowda, Member of Parliament and National Spokesperson, Indian National Congress stated that the government in power was frequently shifting goal posts, making it impossible for any effective evaluation of the move. “The demonetisation move is a reality and there can be no going back on it. So one needs to understand the move, evaluate its impact and plan the subsequent moves for it to produce the desired effect of eliminating black money. It is impossible to totally eradicate black money” Mr. Gowda stated. However that during the 2 consecutive terms the UPA was in power, they had helped lift 140 million out of the poverty levels. However, this move is bound to push them back into the poverty trap, he asserted. “Most small vendors and people making small purchase transact in cash and this poorly planned move has already dented the confidence of the common man. Besides this, the poorly planned re-monetization move has created a new breed of corrupt people ... namely the bankers. Thus only people with black monies and their supporters / cohorts will benefit from this move” he stressed. He quoted Mahatma Gandhi to say that when in times of uncertainty, one has to ask if the move will benefit the common man. If the answer was in the affirmative, then one can proceed with the move” Mr. Gowda concluded.

“All corruption leads to black money.

but all black money is not necessarily corruption”

“A Good Move, More follow-through needed”: Prof. R Vaidyanathan

Dr. R Vaidyanathan, Professor of Finance and Control, IIM-Bangalore and author of several books on black monies and parallel economy, stated that this was definitely a welcome move. “It is taken for granted that 85% of all the currency in circulation is in the 2 denominations of Rs. 500 and Rs. 1000. But the earlier governments are responsible for this abhorrent move. During the year 2003, the denomination of Rs. 500 and Rs. 1000 was no more than 35% of the currencies in circulation. The UPA government through its inaction and negligence allowed this to climb to an astronomical 85% of monies in circulation. The former government needs to be hauled legally for this monumental lapse” asserted Prof. Vaidyanathan.

“Certainly the move has caused serious hardship to common man. There are nearly 2 lakh ATMs in the country and an estimated 25% of it is always faces issues in operation. The lack of working distribution channels has led to

serpentine queues at most bank branches and ATMs. This could have been avoided if the government had roped in reliable associates as short-term facilitators to help in the distribution ... like the distribution network of FMCG majors, recognized NBFCs, even distribution of large Mutual Fund houses etc.” said Prof. Vaidyanathan.

Mr. Vaidyanathan hoped that the government will educate the public on the benefits of digital payment. He also asserted that there would always be cash transactions in the system but hoped that the government would be able to keep this to minimal levels. He also hoped that the government would roll out other measures in quick succession to minimize the role of black money in the economy.

Earlier, Mr. T Shivaraman, Past President, Madras Management Association welcomed the gathering. Mr. Pankaj Madan, Head-Program, Konrad-Adenauer-Stiftung delivered Introductory Remarks, Mr. Sathiya Moorthy, Director, ORF, The Knowledge Partner for the Seminar delivered a Brief Overview and Gp Captain R Vijayakumar (Retd.), Executive Director, MMA proposed the Vote of Thanks.