

Anti Land-Grabbing Action Committee

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Sub: Regarding measures to be taken to tackle the problem of Black money within India.

Hon'ble Prime Minister,

I am an ex-MLA from Karnataka and the Convener of the Anti-Land Grabbing Action Committee.

In June 2006, the Karnataka government set up a Joint Legislature Committee to investigate and report on the encroachment/grabbing of government lands in Bangalore city/Bangalore Urban District. As Chairman of that Committee, I was exposed to the dark side of land dealings which involved thousands of crores of Black Money. Grabbing of government lands by creating fictitious documents in connivance with officers/officials is by far the biggest scam in the country, more serious than the Coalgate or 2G scam. But the fact that most of the land grabbers are powerful people occupying important positions has made the concerned authorities to turn a blind eye to this problem. Having observed the havoc of black money in real estate from close quarters, and being concerned about the problem of black money generation and circulation going from bad to worse, I am addressing this letter directly to Your Honour with a sincere hope that the problem would be genuinely tackled.

Black money is both an economic and a social problem. In the social context, it is perceived as a problem with adverse sociological effects on society, like social

inequalities, social deprivations, etc.; in the economic context, it is perceived as a parallel economy, an underground economy or an unofficial economy that is the consequence of the economic policies of the government and has damaging effects on country's economy and nation's planning development. Unlike the problem of poverty which affects the poor, unemployment which affects the unemployed, addiction to alcohol and drugs affects those who consume them and their dear ones, the problem of black money which is a problem with a difference affects the common man and not the man who possesses black money. In fact, it destroys the very fabric of democracy as not only the person contesting elections buys votes with black money and after winning elections generates more black money.

While there is a hue and cry about getting back the black money stashed abroad, there is a deafening silence about the black money which is in circulation within India. Black Money in India, in Indian banks and invested in real estate sector, educational institutions, hospitals, hotels, religious institutions etc., is many times greater than the total black money parked in various foreign banks, including the Swiss Bank. The complexities and the delay in getting back black money stashed abroad is understandable as international regulations have to be addressed. But it should not be difficult to strengthen control mechanism on financial transactions to stop continuous escalation in black money racket within India by unearthing black money which is in circulation in India and punish the real perpetrators of black money. The black money which is in circulation in India is far more damaging to the economy than the black money stashed abroad. Hence the menace of black money within India and abroad needs to be addressed simultaneously to get the desired effect.

I need not emphasize the close connection between real estate and black money. While working on the issue of land grabbing, I have observed very closely black money changing

hands. It is a well-known fact that 90 % of the land/houses are sold are registered at a lower rate, thereby cheating the government with less stamp duty. Further, the difference in the rates are paid in black money which keeps on circulating. Recently, in Bangalore, I was surprised to hear that in some real estate transactions, the amount paid in black is more than 80% of the market value.

The Global Financial Integrity in its latest report has stated that India stands fourth in the world with 51 billion dollars black money stashed abroad between 2004 and 2013. We fully appreciate the efforts being made by your government in getting back the black money stashed abroad. But the more dangerous black money being generated in India and being circulated in India running a parallel economy needs to be tackled urgently. Vice-chairman of special investigation team (SIT) Justice (retired) Arijit Pasayat has stated very recently on 17th October 2015 in a High Level Meeting that the volume of black money stashed inside India is much more than that kept abroad. "The volume of black money stashed in India is much more than it is now in the foreign countries. If the generation of black money is stopped, its flow to the foreign countries will be substantially reduced," Pasayat said.

The problem needs to be attacked in a two pronged approach – curbing the black money in circulation and preventing further generation of black money. The team of economic experts at your disposal may come out with much more effective methods. But, having observed the menace of black money, we put forward the following measures for your kind consideration and action:

1. Demonetization of 1000 and 500 Rupee Notes: According to the Socio economic and caste census for rural India, 75 per cent of 17.9 crore households in rural India, the monthly income of the highest-earning member is less than

Rs.5,000. Considering this, majority of the Indian population do not need currency of higher denomination for their day to day transactions. Thus, by demonetizing Notes of Rs. 1000 and Rs. 500, the black money stashed in the basement of the fraudsters, realtors, betting , so-called Swiss Banks of India which include religious institutions, educational institutions etc., can be made worthless in one go. The ceiling limit fixed should be such that exchange of the Notes without revealing their source becomes difficult thereby putting an end to the circulation of most of the unaccounted money.

2. The voluntary disclosure schemes of illegal money of 1951, 1965, 1975, 1991 and the latest in 1997 have not yielded the desired results. In such a scenario, the solution to this massive problem lies in tax reforms to encourage more people not to hide their income, transparency and reforms in administration of Income tax departments to identify tax defaulters and evaders , better fast track Courts to prosecute them thereby sending a strong message to other evaders and person who conceal their income etc.,
3. Controlling the cash transactions and enforcing transactions through banks only. At present huge bogus cash transactions happen in unorganised sectors giving scope for the generation of black money. The payments to employees in unorganised sector need to be done through banks only, so that any fraud can be easily traced. The Jan Dhan Scheme presently introduced by the Government could be made use of to open bank accounts for all the employees in unorganised sector. Huge withdrawals and deposits should be strictly monitored. Transactions through banks can also be helpful in detecting fake currency which in circulation which in turn reduces the generation of black money.

4. Electoral processes and black money are directly related in India. Even though the Election Commissions fixes the maximum amount to be spent by candidates who contest elections, in reality the money spent exceeds many more times than the stipulated amount. The Election Commissions has never taken stringent action against those who violate this. Black money is invariably used to buy votes and this money stays in circulation. Electoral reforms and strict monitoring of money spent by each candidate can reduce the pumping of black money into the economy during elections. More importantly assets declared year after year show astronomical increase in the wealth of elected representatives. What is missed is the fact that even the best companies hiring the best people are unable to show such a growth.
5. Despite the efforts of the intelligence agencies to unravel the fake currency notes nexus in the country, the unabated circulation of fake notes is severely damaging economic growth and boosting the black money circulation. The combined havoc of fake currency and black money is devastating for any economy, especially in India where the physical money in circulation is very huge. Fake currency circulation is one of reasons for inflation which has serious impact on economic growth. People betraying the nation by illegally printing and circulating fake currency are continuing to do so unabated as there is absolutely no punishment to them even in cases where they have been caught . Unless the problem of fake currency is addressed at its roots, the huge black money generated due to circulation of fake money cannot be controlled.
6. Strict regulations should be enforced on foreign investors investing in India through Participatory Notes. The source of those funds should be verified as

often it is the case that black money stashed abroad finds its way to India through benami foreign investors through Participatory Notes through SEBI.

7. Recent efforts to weaken most of the anti-corruption laws unfortunately only protects the corrupt who are the main culprits in generation and circulation of black money. In Karnataka it has been taken to an abysmal level and the very institution of Lokayukta has been destroyed by corrupt public servants. The simple measure of making public all decisions taken on corruption cases closed against public servants certainly goes a long way. The corrupt who get protected by the very institutions (including the Governments) that should be punishing them must stop immediately and transparency is the only solution to prevent such extreme abuse of authority. The All India Service officers should possess integrity and honesty for clean and effective administration. But in recent times, majority of them are corrupt with absolutely no accountability whatsoever. Indian bureaucracy is rated as one of the worst in the world year after year. No measures have been taken to improve their efficiency and accountability. Of late, all key positions in the government are literally '*bought*' thereby corrupting the system at the highest level which will have a cascading effect down the line. Therefore, identifying and posting officers having integrity, honesty and capacity to key positions is of utmost importance for effective implementation of laws.

8. Corruption in judiciary which were hither to spoken in a hush-hush manner is becoming clearly audible now a days. The blog of a former Justice of the Supreme Court gave details of illegal assets purchased by the family member of a sitting Chief Justice and he pleaded all those fighting corruption to take up the case. The very fact that that Chief Justice retired and nothing happened to

him makes ordinary people to shudder as even today common man has full faith in the Judiciary. The Committee headed by me in its 2007 Report had given in detail for the first time in the country as to how a very large number of sitting Justices (some have retired) got land in violation of Law. If at all a Special Investigation Team is to be constituted then this is the fit case.

The amount of black money stashed both inside and outside the country may even exceed our GDP and proper tackling it certainly helps solve a lot many problems plaguing India currently. Hence, one step alone cannot eradicate black economy, what is needed is a joint effort at numerous levels. We sincerely hope that You Sir, will consider the aforesaid measures to curb the domestic black money menace and use the offices at your disposal to come out with an effective way to tackle the problem.

Thanking you,

Yours sincerely,

(A.T. Ramaswamy)
Convener

Sri Narendra Modi
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Copy to:

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2. Dr. Raghuram G. Rajan, Governor , Reserve Bank of India, RBI Main Building, Shahid Bhagat Singh Road, Fort, Mumbai – 400 001.