

FICCI Members Suggest Steps to Ease the Transition Following Demonetisation

New Delhi, 28 November 2016: FICCI has received feedback from its members on the subject of demonetisation and the impact of the same on industry. The industry feels that the demonetisation move of the government is a positive measure, which will have a major impact in reducing the parallel economy and moving the informal economy into the main stream. This would result in larger revenues to the exchequer, consequently increased public spending, which would boost the economy. This would also lead to increased bank deposits, lower borrowing rates giving a boost to investments and further strengthening the economic development of our country.

Further, risk rating of India will improve that will have a positive impact on FDI in key sectors. Industry feels that this is a healthy move towards 'cashless economy' that will not only help curb the 'black money' accumulated from several years but also ultimately help in lowering of tax rates and widening of tax brackets.

According to the feedback received, members indicated that during the transition period there will be some impact felt on their performance.

The industry members have provided some specific suggestions to ease the transition following demonetisation. The same has been shared by FICCI with PMO, Secretary - Economic Affairs and Secretary DIPP today.

S.no	Sector	Issue	Suggestions
1	Healthcare	Private hospitals cannot accept old high denomination notes and several patients are suffering due to this. Many high-end healthcare facilities are not available with government hospitals and are generally outsourced to private healthcare providers.	<ul style="list-style-type: none"> • Allowance given to government hospitals and government healthcare providers of accepting old high denomination notes should be extended to private healthcare providers • Mobile banking vans should also be set up by banks at private hospitals
2	Tourism	Foreign tourists are troubled due to inadequate availability of local currency and even medical value travel is affected. The limit of Rs 5000 for exchange of currency for foreign nationals is insufficient given the low penetration of digitisation and plastic money in the country.	<ul style="list-style-type: none"> • Immediate measures to be taken so that forex dealers have enough liquidity to meet the requirements of foreign visitors • Review the limit of Rs. 5000/- for exchange to reduce the inconvenience being caused to the visiting foreign nationals • The entry into monuments for foreign nationals be made free till such time when the currency in circulation reaches the normal level
3	FMCG	Currency shortage is disrupting the supply chain that includes wholesalers, stockists and retailers of companies and thereby impacting production.	<ul style="list-style-type: none"> • RBI should issue guidelines to Banks to raise the overdraft limits of current accounts (currently Rs. 50,000/-), to help businesses tide over the currency shortage. Links in the supply chain can use the credit available from enhanced OD limits to meet their payment obligation through the banking system.
		Systemically important NBFCs have a large base of existing farm	<ul style="list-style-type: none"> • Government should consider leveraging the greater network of systematically

4	NBFCs	equipment loans that have been disbursed to registered farmers. Under the present circumstances, the farming community is unable to repay EMI in case the borrower does not have cheques. The time involved in queuing up at banks is also hurting the farming community as this is the time when they need to sow the fields for next crop.	important NBFCs in rural markets to withdraw the demonetized currency with KYC documents, for pre-existing loans of duly registered farm equipment loans.
5	Micro Finance Institutions	With the imposition of a cap of Rs 50,000 per week on MFIs, fresh Micro Finance loan disbursements have been adversely affected.	<ul style="list-style-type: none"> Lift the cap on cash withdrawal for MFIs and leverage the MFI network for withdrawal of the demonetized currency / issue of fresh currency in the sector.
6	Agriculture/ livestock export	The livestock meat export industry has been affected by demonetisation since the raw material in the pipeline has already been consumed and the livestock aggregators are unable to pay to the farmers due to restriction on cash withdrawal.	<ul style="list-style-type: none"> The cash withdrawal limit for this crucial agro based sector be enhanced to enable the supply chain to restart and restore the economic activity.
7	General - Corporates	Given the pressure on banks, normal services to corporate clients have also been hampered and companies are finding it difficult to carry out day to day banking operations.	<ul style="list-style-type: none"> Normal services to corporate clients to be restored so that they can carry out day to day banking operations.
8	General	The demand for new currency notes is high in public and meeting the demand is critical.	<ul style="list-style-type: none"> Extend banking hours on working days
9	General	A large section of the society is not technology savvy and does not utilise digital means for day to day transactions	<ul style="list-style-type: none"> A massive drive to educate people on use of digital means for payments across the country is needed. Banks and IBA must lead this effort and strongly promote the digital channels for payments just as they did for the Jan Dhan accounts
10	General	Various surcharges and taxes levied on the usage of debit/ credit card discourage wider usage of plastic money	<ul style="list-style-type: none"> To promote use of plastic money, all surcharges and taxes on use of debit / credit card should be done away with immediately
11	General	There has been an impact on demand in the economy on account of liquidity squeeze.	<ul style="list-style-type: none"> RBI should consider bringing down the interest rates that could help stabilise the demand in the economy. An immediate 50 basis points cut in repo rate should be considered by RBI's MPC as well as some measures may be introduced to provide easy finance for sectors like housing, automobiles and consumer durables. Greater focus on infrastructure projects

			and stepping up outlays in this area could also be considered by the government to counterbalance the reduction in demand.
12	General	To ensure long-term benefit from demonetisation, the exercise needs to be followed up with other actions and initiatives to discourage tax evasion and generation of black money in the future.	<ul style="list-style-type: none"> • There should be a reduction in direct taxes and widening of income tax brackets and the upcoming budget is being keenly looked at from this perspective.