

Different Perspectives of Currency Exchange



Introduction

NIIF is established by the Union government as a category II Alternate investment Fund (AIF)

Background of NIIF

- SEBI constituted the 21 member committee under the leadership of N R Narayan Murthy, Infosys Co-founder
- The committee was named Alternative Investment Policy Advisory Committee (AIPAC)
- On the recommendations of the committee, Alternate Investment Funds (AIF) were established as startup eco system in India
- AIFs are private equity and hedge funds defined in SEBI Regulations
- Any form of privately pooled investment both from foreign or India origin in the form of a company, trust, body, corporate or LLP are classified as AIF
- AIFs are established to raise capital to reach a size of as much as 2 % of the GDP
- NIIF is established as a Category II AIF

NIIF – Establishment

- NIIF will be established under SEBI regulations
- NIIF will be financed by GOI with 49% equity
- The rest of the funds will be done through foreign and domestic partners
- Initial corpus amount of NIIF is 40000 crore rupees
- The amount of NIIF will be changed from time to time

Objectives of NIIF

- To maximize economic impact through infrastructure development
- Investments made in brown field projects, green field projects, stalled projects and commercially viable projects
- NIIF would allow equity participation from anchor partners
- NIIF would also undertake nationally important projects

Tax Benefits of NIIF

- Investments made through NIIF enjoy certain tax benefits
- Exempted income of NIIF is not taxed withholding 10 percent
- Overseas investors investing in NIIF are not subject to indirect tax provisions of IT act
- FDI process made transparent through investment in NIIF
- Tax residence measures to be introduced in NIIF after making amendments to IT act, 1961
- NIIF will make tax procedures simplified for overseas investors to make their investments and establish their companies in India
- Tax policies are made consistent, clear and certain
- NIIF funds will have parity with public market funds considering the tax policies

Other Benefits

- NIIF is established to promote the “Make In India” flagship initiative of GOI to attract more FDI in a direct manner
- NIIF will help in infrastructure development of India as a whole in a more transparent manner compared to the old FIPB route suffering from Red Tapism
- NIIF is a measure towards good governance of India
- Ease of doing business is enhanced through NIIF
- Adoption of global best practices to increase transparency
- Cooperation among the various regulators

- Innovation of new business and investment practices

Recent MoU's made through NIIF

- India and UAE signed a MoU in March 2016 to mobilize long term investment into NIIF
- This will allow transparent mechanism between investment institutions of UAE in Indian Infrastructure through NIIF
- NIIF signed MoU with Russian investment firm RUSANO OJSC
- The Russian MoU will help set up a high end technology private equity fund
- The will enable joint implementation of investments into diverse projects in India
- This will establish a joint working group to develop cooperation between India and Russia
- NIIF will work on the development of the agreements signed in the MoU

Introduction

The current currency exchange regime has come under severe debate with the entire opposite parties opposing the move. Let's analyze the scenario from different perspectives

GOI perspective

- GOI stated that the currency exchange was introduced to curb the black money
- November 24, 2016 is the last date to exchange the old notes for new notes
- GOI aims to bring all the currency circulating in the economy under the formal banking sector to increase transparency
- GOI aims to collect the maximum possible tax revenue as a result of currency exchange
- GOI announced that old notes will be accepted in tax offices, EB bill centers, Petrol bunks etc.
- To ease the problem of change, all tolls were made free till 24th November 2016 for congestion free vehicle movement
- Sentimental speeches made by PM to curb black money
- GOI firm on the currency exchange and said there is no way of taking back the move

- The move was welcomed by Supreme Court of India and PIL filed against GOI has been stayed by it
- GOI seeks the support of all the stakeholders with banking, judiciary and executive offering full support

Banking Perspective

- RBI has taken initiatives to make easy the currency exchange process
- RBI provides full support to exchange the old currency with banks running even on Sundays and working over time
- Banks allowed customers to deposit their money in their bank accounts
- Initially Rs. 4000 was given per person, then it was reduced to Rs. 2000
- There are about 225000 ATMs across India
- Out of which 85000 ATMs have been upgraded to process the new currencies as on November 24, 2016
- Steps are on full swing to calibrate the rest of the ATMs by this month end
- Ms. Arundatti Bhattacharya addressed the media on 23rd November and welcomed the measure of currency exchange as a positive measure to curb black money

Opposition Parties Perspective

- Mr. Arvind Kejriwal and Ms. Mamta were the first to openly condemn GOI for their action
- All opposition parties take a negative stance for the problems caused to common people
- Both the houses of parliament are summoned continuously owing to the confusion prevailing over the currency exchange regime
- All the opposition MP's staged a mass demonstration against GOI on 23rd November, 2016 in Delhi

Common man perspective

- First to get affected was the common man
- There were long queues every where in Banks, Tax offices, EB centers etc. to exchange the old currency
- Marriages faced problems with people not accepting the old notes

- Business transactions have been reduced to a great extent as the common man is not transacting as usual
- People had to wait in long queue from morning to evening to get 4000
- Many of them put leave for their job to transact
- Second problem of money change arouse
- Common man got 2000 rupee notes from the banks but there was no change available in the local shops
- Severe money change problem with less circulation of 100 rupee notes
- Common man is still facing the problem doing only limited transactions
- There is a lot of curfew in some parts of the country with the public involving in road blockage and breaking open the ATM machines

Media Perspective

- Media reflected the common man to a great extent in this currency regime and exposed different methods taken to illegally exchange the black money
- Media accused the brokers for using poor people to transact again and again to exchange the black money
- Brokers charged a whopping 40 to 50 percent commission for exchanging the black money through the formal channel
- Poor people were given commission by the brokers
- Many Bank officials were corrupt and exchanged new currency in an illegal manner
- Transport corporations received money from common people in denomination of 10, 20, 50 and 100 but deposited 500 and 1000 in the bank openly revealing the corruption
- Misuse of Jan Dan Yojana accounts with deposits accumulating to 20000 crore in these accounts
- Investigation to be done by RBI on these accounts

Verdict as of now

- Majority of the people welcomed the measure as a means of developing India
- The recent Poll conducted by Modi App on November 23, 2016 states that 93 percent of Indians are favoring the currency exchange