

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

**RAJYA SABHA
UNSTARRED QUESTION NO.2315
TO BE ANSWERED ON 6TH DECEMBER 2016/15TH AGRAHAYANA SAKA, 1938**

PROPORTION OF COUNTER FEIT NOTES IN CIRCULATION

2315. SHRI KAPIL SIBAL:

QUESTION

Will the Minister of FINANCE be pleased to state:

- (a) whether it is a fact that the decision to replace the notes of ₹ 500 and ₹ 1000 has been taken mainly due to heavy circulation of counterfeit notes, if not, the manner in which the old notes had become a threat to the economy of the Country;
- (b) if so, the proportion of counterfeit notes and its value out of nearly 16.5 lakh crore rupees of 500/1000 rupees notes which was in circulation; and
- (c) whether Government has made any estimation regarding the amount of black money that can be eliminated by replacing currency?

ANSWER

MINISTER OF STATE IN THE MINISTRY FOR FINANCE

(SHRI ARJUN RAM MEGHWAL)

(a): With a view to curbing financing of terrorism through the proceeds of Fake Indian Currency Notes (FICN) and use of such funds for subversive activities such as espionage, smuggling of arms, drugs and other contraband into India, and for eliminating Black Money which casts a long shadow of parallel economy on our real economy, it was decided to cancel the legal tender character of the High Denomination bank notes of ₹500 and ₹1000 denominations.

(b): A recent study by the Indian Statistical Institute in 2016, commissioned by Government has estimated that there is a steady infusion of FICN into the economy. There are reports of Fake Indian Currency Notes (FICN) being estimated to be about Rs 400 crores, which is being used towards terrorist financing has a hugely disproportionate impact on the economy.

(c): The World Bank in July, 2010 estimated the size of the shadow economy for India at 20.7% of the GDP in 1999 and rising to 23.2% in 2007. There are similar estimates made by other Indian and international agencies.
