

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
**RAJYA SABHA**  
**STARRED QUESTION NO. 234**  
TO BE ANSWERED ON 10.12.2019

ACHIEVEMENTS FROM DEMONETISATION

\*234. SHRI VISHAMBHAR PRASAD NISHAD:

Will the Minister of FINANCE be pleased to state:

- (a) the details of targets achieved from demonetisation done on 8<sup>th</sup> November, 2016;
- (b) whether it is a fact that the economy got ruined after demonetisation; and
- (c) the number of times when Moody's dropped the rating of the Indian economy after the year 2016, the details thereof?

**ANSWER**

FINANCE MINISTER

(SMT. NIRMALA SITHARAMAN)

(a) to (c) : A statement is laid on the table of the House.

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**STATEMENT REFERRED TO IN REPLY TO RAJYA SABHA STARRED QUESTION NO. 234 RAISED BY SHRI VISHAMBHAR PRASAD NISHAD, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 10.12.2019 REGARDING 'ACHIEVEMENTS FROM DEMONETISATION'**

(a): The Government of India decided to cancel the legal tender status of Rs.1000 and Rs.500 denomination currency notes on 8<sup>th</sup> November 2016 with several objectives: (i) flushing out black money, (ii) eliminate Fake Indian Currency Notes (FICN), (iii) to strike at the root of financing of terrorism and left-wing extremism, (iv) to convert non-formal economy to a formal economy to expand tax base and employment and (v) to give a big boost to digitalization of payments to make India a less cash economy.

The notes in circulation (NIC) as on November 4, 2016 were Rs.17,741.87 billion which have now increased to Rs.22,356.48 billion as on December 2, 2019. NIC had grown at an average growth rate of 14.51 % year on year wise since October 2014 till October 2016. At this rate, NIC would have increased to Rs 25,402.53 billion as on December 2, 2019. As actual NIC on 25<sup>th</sup> November 2019 are only Rs. 22,356.48 billion, the demonetisation, followed by digitalisation and reduction of cash use in informal economy has succeeded in reducing NIC by as much as Rs. 3046.05 billion rupees.

As reported by RBI, 762,072 pieces of counterfeit bank notes were detected in the Banking system during 2016-17, 522,783 pcs. in 2017-18 and 317,389 pcs. in 2018-19. Hence, demonetisation resulted in curbing of the counterfeit currency.

The demonetisation of bank notes of Rs.500 and Rs.1000 denomination resulted in significant positive impact on most theatres of violence in the country. Since illegally held cash forms the major chunk of terrorist funding, after the demonetisation, most of the cash held with the terrorists turned worthless. Demonetisation led to instant extinguishment of high quality fake Indian currency notes.

During the period November, 2016 to March, 2017, the Income-tax Department conducted search and seizure actions in 900 groups leading to seizure of Rs. 900 crore, including cash of Rs. 636 crores and admission of undisclosed income of about Rs.7961 crore. Further, a dedicated campaign was launched to take focused action on non-filers who had deposited large value of cash during the demonetization period. The cash deposit data was analyzed to identify those persons whose cash transactions did not appear in line with their profile. Notices under the Income-tax Act, 1961 were issued to those persons who had deposited large amount of cash in their bank accounts during demonetisation but had not filed their corresponding returns of income. These exercises promoted compliance, which has resulted in increase of Income tax returns filer base and direct tax collections also.

The provisional Annual Survey of Industries for fiscal year ending March, 2018 (Provisional) issued by Ministry of Statistics and Programme Implementation (MOSPI) shows an increase in jobs in organized manufacturing sector. During 2014-15 to 2017-18, total number of persons engaged in organized manufacturing sector has increased by 17.33 lakh. Apart from this, as per press release of MOSPI dated 25<sup>th</sup> November, 2019, 285.3 lakh new subscribers joined the Employees' Provident

Funds (EPF) Scheme, 310.3 lakh joined the Employees' State Insurance (ESI) Scheme and 15.7 lakh joined the National Pension Scheme (NPS) during September, 2017 - September, 2019.

Digital payments transactions have been steadily increasing since last few years. The total transaction volume increased from 2071 crore in FY 2017-18 to 3134 crore for the year FY 2018-19, which corresponds to a growth rate of 51%.

(b): The overall economic growth of a country is dependent on several factors including structural, external, fiscal and monetary and thus it is difficult to pinpoint the impact of any one particular factor on the growth rate of GDP.

(c): Moody's has not downgraded the rating of India after 2016.

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