

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
RAJYA SABHA UNSTARRED QUESTION NO.2294  
TO BE ANSWERED ON 21.03.2023

Demonetisation and its effect on our economy

2294: Shri Anil Desai:

Will the Minister of Finance be pleased to state:

- (a) whether Government has made any study of good or bad effect of demonetisation on our economy;
- (b) whether one of the targets of demonetisation, i.e., unearthing of black money, has also been achieved; and
- (c) if so, the unaccounted money detected and remitted to Government exchequer?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PANKAJ CHAUDHARY)

(a): No study on effect of withdrawal of legal tender character of the Specified Bank Notes (SBNs) on Indian economy has been published by the Government. Certain studies on related matter has been published by RBI which are available on the website of RBI.

(b) & (c): Withdrawal of legal tender character of the SBNs vide Notification S.O. 3407(E) dated 8th November, 2016, inter alia, led to detection of black money, increase in tax collection and widening of tax base.

i. During the period November 2016 to March 2017, the Income-tax Department conducted search and seizure actions in 900 groups leading to seizure of ₹ 900 crores, including cash of ₹ 636 crores and admission of undisclosed income of about ₹ 7961 crores.

ii. There was transfer of funds into formal channels due to significant improvement in tax compliance:

- a. Growth rate of 18% for F.Y. 2017-18 in net direct tax collections over F.Y.2016-17, which was highest in the preceding seven financial years.

- b. In 2017-18, Personal Income-tax (PIT) Advance Tax collections increased by 23.4% and PIT Self-Assessment Tax by 29.2% over those for F.Y. 2016-17.
- iii. A growth rate of 25% in the number of Income Tax Returns (ITRs) filed with the Income-tax Department during F.Y. 2017-18, the highest rate achieved in the preceding five years.
- iv. The new ITR filers was about 1 crore 7 lakhs as compared to 85.51 lakhs during F.Y. 2016-17. In earlier years, the number of new filers was between 50 lakhs and 66 lakhs.
- v. A growth rate of 17.2% was achieved in the number of returns filed by corporate tax payers during F.Y. 2017-18. It was more than 5 times the growth rate of 3% in F.Y. 2016-17 and 3.5% in F.Y. 2015-16.

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