

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA  
UNSTARRED QUESTION NO. 1069  
TO BE ANSWERED ON 08<sup>th</sup> FEBRUARY, 2019/*Magha 19, 1940 (Saka)*

**Demonetisation**  
**QUESTION**

**1069. SHRI ARVIND SAWANT:**

**Will the Minister of FINANCE be pleased to state:**

- (a) the main objectives of the Government behind demonetisation and the extent to which the said objectives have been fulfilled;
- (b) whether there has been a decline in GDP growth after demonetisation, if so, the details thereof; and
- (c) the measures taken by the Government to increase the GDP?

**ANSWER**

**MINISTER OF STATE IN THE MINISTRY OF FINANCE**  
**(SHRI P. RADHAKRISHNAN)**

- (a) The main objectives of the Government for demonetisation and achievements thereof are tabulated as below:

S. No.	Objectives	Achievements
i	Fake currency notes of the specified bank notes had been largely in circulation and it was found to be difficult to easily identify genuine bank notes from the fake ones and that the use of fake currency notes is causing adverse effect to the economy of the country;	As per RBI's Annual Report 2017-18, 632,926 pieces of counterfeit bank notes were detected in the Banking system during 2015-16, 762,072 pieces in 2016-17 and 522,783 pcs. in 2017-18. The detection of counterfeit notes increased in 2016-17 due to demonetisation and then sharply decreased in 2017-18. Hence, demonetisation resulted in curbing of the counterfeit currency.



ii	<p>High denomination bank notes were used for storage of unaccounted wealth as evident from the large cash recoveries made by law enforcement agencies. Elimination of black money is one of the objectives of Demonetisation.</p>	<p>(a) The Department of Revenue launched 'Operation Clean Money' on 31st January 2017 after demonetization, with respect to about 17.92 lakh persons whose cash transactions did not appear in line with their tax profile. High risk cases were made available to the field formation for effective monitoring and follow up.</p> <p>(b) During the period from November 2016 to March 2017, the ITD conducted searches on around 900 groups, wherein, assets worth over Rs. 900 crore were seized and undisclosed income of over Rs. 7,900 crore was admitted. Further, during the period from April 2017 to November 2017, around 360 groups were searched by the ITD, where assets worth over Rs. 700 crore were seized and a disclosure of over Rs. 10100 crore was made.</p> <p>(c) Robust growth rate of 18% for F.Y. 2017-18 in net direct tax collections which is highest in last seven financial years, is indicative of the positive impact of demonetisation on the level of tax compliance in the country.</p> <p>(d) 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 2016-17, corroborating the premise that demonetisation and the subsequent use of bank deposit data by the Income-tax Department had a major impact on voluntary tax payments by the non-corporate/ individual taxpayers.</p>
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		<p>(e) A growth rate of 25% has been achieved in the number of Income Tax Returns(ITRs) filed with the Income-tax Department during F.Y. 2017-18. It has been the highest rate achieved in last five years.</p> <p>(f) A clear upswing in the new tax filers after F.Y. 2015-16 has been observed which can be attributed to higher level of compliance due to transfer of cash into the formal channels as a result of demonetisation. In F.Y. 2017-18 there was an addition of 1.07 crore new filers.</p> <p>(g) The Registrar of Companies (ROCs) removed the names of 2,26,166 'shell companies' as on 19.12.2017 from the register of companies by following the due process under section 248 of Companies Act 2013.</p>
iii	Fake currency was used for financing subversive activities such as drug trafficking and terrorism, causing damage to the economy and security of the country.	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.

(b) The overall economic growth of an economy is dependent on several factors that, *inter-alia*, including structural, external, fiscal and monetary factors and it is difficult to pinpoint the impact of any one particular factor on the growth rate of GDP. As per the estimates available from Central Statistics Office (CSO), Growth of real Gross Domestic Product (GDP) was 8.0 percent (3<sup>rd</sup> Revised Estimates) in 2015-16, 8.2 percent (2<sup>nd</sup> Revised Estimate) in 2016-17 and 7.2



percent (1<sup>st</sup> Revised estimates) in 2017-18. As per the first advance estimates, the growth of real GDP in 2018-19 is estimated to be 7.2 percent.

(c) Promoting growth of Gross Domestic Product (GDP) is top priority of the Government's economic policy. Government has taken various steps to further strengthen the country's economic position. These, *inter-alia*, include; fillip to manufacturing sector via schemes like Make in India, concrete measures for transport, railways, renewable energy sectors, urban and rural infrastructure, comprehensive reforms in the foreign direct investment policy. The introduction of the Goods and Services Tax (GST) has provided a significant opportunity to improve growth momentum by reducing barriers to trade, business and related economic activities. There has been an increase in the Minimum Support Prices (MSPs) for all 22 crops at minimum 50 percent more than the cost, in order to provide major boost to farmer's income. The Government launched a support and outreach program for helping the growth, expansion and facilitation Micro, Small and Medium Enterprises (MSME) sector. Government has invested Rs 2.6 lakh crore for bank recapitalization of the public sector banks. The Insolvency and Bankruptcy Code was enacted to achieve insolvency resolution in a time bound manner. Budget 2019-20 also included various measures to provide a push to the economy, which among others, providing affordable loans to farmers, direct income support to farmers, promotion of renewable energy to reduce the dependence on crude oil and natural gas, reduction in GST rate from 18 percent to 6 percent for small service providers (with turnover up to Rs. 50 Lakhs) and reduction of the tax burden on middle class by giving full tax rebate to individual taxpayers having taxable annual income up to Rs. 5 lakhs. The government also proposed a mega pension yojana namely 'Pradhan MantriShram-Yogi Maandhan unorganised sector workers in the Budget.

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