

- (iv) During FY 2017-18, the number of new ITR filers has also increased to 1.07 crore as compared to 85.5 lakh new ITR filers added during FY 2016-17. This indicates a clear upswing in the new tax filers with a growth of 25%. In earlier years, the new filers were between 50 lakh and 66 lakhs. This upswing can be attributed to higher level of compliance due to transfer of cash into the formal channels as a result of demonetization.

#### **Positive and negative impacts of demonetisation**

2100. SHRI VAYALAR RAVI: Will the Minister of FINANCE be pleased to state:

(a) the assessment of Government after two years of demonetisation on its positive as well as negative impacts on the economy; and

(b) whether it is a fact that the above controversial decision is responsible for the crisis in the Banking, Industrial, employment and other sectors of the economy?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RADHAKRISHNAN P.): (a) and (b) The overall economic growth of the Indian economy is dependent on many factors that, *inter alia*, include the rate of capital formation and savings, utilization of technology, availability of infrastructure, efficiency of resource allocation, quality of institutions, governance and the policy framework in place, money supply and degree of financial development. It is difficult to pin-point the impact of demonetization on the economy *via* its impact on the aforesaid factors.

The Economic Survey 2017-18 indicated that implementation of GST and demonetization lead to increase in number of new taxpayers (income tax), increase in voluntary registrations in the indirect tax. The Economic Survey 2017-18 Volume 1 noted that there was around ₹ 2.8 lakh crores less cash (1.8 per cent of GDP) and about ₹ 3.8 lakh crores less high denomination notes (2.5 per cent of GDP) in circulation post-demonetisation, as of 19th January 2018. The Survey observed that there has been a substantial increase in digitalization across all categories. And even though the immediate post-demonetization surge, has moderated in some cases, the level and pace of digitalization are still substantially greater than before demonetization.

#### **Anomaly of inflation in urban and rural areas**

2101. SHRI RAJMANI PATEL: Will the Minister of FINANCE be pleased to state:

(a) whether Government is aware that inflation is higher in rural areas, in respect of fuel, transportation and food items compared to urban areas;

(b) if so, the reasons therefor;

(c) whether the present economic system is biased in favour of urban areas and against rural areas; and

(d) if so, whether Government will adopt measures to remove this anomaly?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RADHAKRISHNAN P.): (a) and (b) Group-wise CPI inflation in rural and urban areas during the current financial year for Fuel & light, Transport and communication and Food and beverages is presented in Table 1. It is seen that since July, 2018, inflation for all groups based on Consumer Price Index (CPI) in rural areas has been lower than in urban areas.

Item basket and weighing diagrams of CPI have been prepared using the results of Consumer Expenditure Survey (2011-12) conducted by National Sample Survey Office of Ministry of Statistics and Programme Implementation. Accordingly, the item-wise weights are different in the basket of CPI (Rural) with those of CPI (Urban). Further, specifications of items have been fixed market wise depending upon popular variety being consumed and frequent buying behaviour of the consumers in the concerned area. Therefore, specifications are different in CPI (Rural) to those of CPI (Urban). Different specifications (having different price dynamics) and different weighing diagrams result in different inflation numbers in CPI (Rural) as compared to those of CPI (Urban) in different sub-groups/category of items, including the aforementioned sub-groups/category. Technically, there is no bias in the CPI compiled by the Central Statistics Office (CSO) for any sector.

*Table 1: Inflation based on Consumer Price Index (CPI) for Rural and Urban areas (in per cent)*

Description	Weights	April, 2018	May, 2018	June, 2018	July, 2018	Aug., 2018	Sep., 2018	Oct., 2018	Nov., 2018(P)
1	2	3	4	5	6	7	8	9	10
<b>Rural</b>									
All Groups	100.0	4.7	4.9	4.9	4.1	3.4	3.3	2.8	1.7
CFPI	47.3	3.6	3.8	3.7	2.2	1.1	0.9	-0.6	-2.3
Food and beverages	54.2	3.8	4.0	3.8	2.5	1.5	1.2	-0.1	-1.6
Fuel and light	7.9	6.5	6.9	7.6	8.5	8.3	8.4	8.4	6.7
Transport and Communication	7.6	5.1	5.9	6.7	7.1	6.7	7.2	8.1	7.1
<b>Urban</b>									
All Groups	100.0	4.4	4.7	4.8	4.3	4.0	4.3	4.0	3.1

1	2	3	4	5	6	7	8	9	10
CFPI	29.6	1.3	1.7	1.6	-0.4	-1.2	-0.2	-1.2	-3.0
Food and beverages	36.3	1.7	2.1	2.0	0.4	-0.3	0.7	-0.2	-1.7
Fuel and light	5.6	2.6	3.8	6.3	7.0	9.2	8.8	8.8	8.8
Transport and Communication	9.7	4.0	4.8	5.7	6.1	5.3	5.9	7.2	5.1

Note: P - Provisional, CFPI - Consumer Food Price Index Source: Central Statistics Office (CSO).

(c) No Sir.

(d) Question does not arise.

### **Gains and pains from demonetisation**

2102. SHRI VAYALAR RAVI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government claimed long term gain and expected short term pain due to demonetisation; and

(b) what are the short term pains experienced and what are the long term gains achieved two years after this action?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RADHAKRISHNAN P.): (a) and (b) The Government of India decided to cancel the Legal Tender Status of ₹ 1000 and ₹ 500 denomination currency notes on 8th 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 into 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 Economic Survey 2016-17 stated that that Demonetisation has been an unprecedented step with short term costs and long term benefits. There may have been some short term costs of demonetization in terms of inconvenience and hardship, especially for the cash intensive sectors. In the short-run, economic activity may be affected, temporarily, by demonetisation on account of formalisation of economy; the economy is now growing at a robust pace.

The Economic Survey 2017-18 indicated that implementation of GST and demonetization led to increase in number of new taxpayers (income tax), increase in voluntary registrations in the indirect tax. The Economic Survey 2017-18 Volume 1 noted that there was around ₹ 2.8 lakh crores less cash (1.8 per cent of GDP)