

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
RAJYA SABHA UNSTARRED QUESTION NO.1496  
TO BE ANSWERED ON 15.03.2022

**Fake currency in RBI chest**

1496 Shri K.C. Venugopal:

Will the Minister of Finance be pleased to state:

- (a) whether it is a fact that Government has demonetised currency notes in the year 2016 specially stating that fake currency, illegal wealth and terrorism will be vanished;
- (b) if so, the details of purpose accomplished by demonetisation;
- (c) whether fake Indian currency was found in the Reserve Bank of India (RBI) chest recently; and
- (d) if so, the details thereof?

**ANSWER**

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

(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.

(b) The purpose accomplished by demonetisation on revenue collection and widening of tax base and the gains accrued thereon, include:

- (i) Robust growth rate of 18% for F.Y. 2017-18 in net direct tax collections over the F.Y. 2016-17, which was highest in the preceding seven financial years, indicated the positive impact of demonetisation on the level of tax compliance in the country.
- (ii) 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.
- (iii) A growth rate of 25% was achieved in the number of Income Tax Returns (ITRs) filed with the Income-tax Department during FY 2017-18. It is the highest rate achieved in the preceding five years.
- (iv) During FY 2017-18, the number of new ITR filers was about 1.07 crore as compared to 85.51 lakhs during FY 2016-17. In earlier years, the number of new filers was between 50 lakh and 66 lakh. There is, therefore, a clear upswing in the new tax filers during the period 2016-17 and 2017-18, which can be attributed to higher level of compliance due to transfer of cash into the formal channels as a result of demonetisation.
- (v) A growth rate of 17.2% was achieved in the number returns filed by corporate taxpayers during FY 2017-18. It is more than 5 times higher than the growth rate of 3% in 2016-17 and 3.5% in 2015-16.

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. Post demonetisation, the flow of high-quality FICN reduced considerably.

**(c) & (d)** Data regarding Counterfeit notes detected in the banking system during the last five years is given below:

	Denomination-wise Counterfeit Notes Detected in the Banking System (April-March)				
	(number of pieces)				
Denomination (Rs.)	2016-17	2017-18	2018-19	2019-20	2020-21
1	2	3	4	5	6
2 and 5	80	1	-	22	9
10	523	287	345	844	304
20	324	437	818	510	267
50	9222	23,447	36,875	47,454	24,802
100	1,77,195	2,39,182	2,21,218	1,68,739	1,10,736
200	-	79	12,728	31,969	24,245
500 (MG Series)	3,17,567	1,27,918	971	11	9
500 [MG (New) Series]	199	9,892	21,865	30,054	39,453
1,000	2,56,324	1,03,611	717	72	2
2,000	638	17,929	21,847	17,020	8,798
<b>Total</b>	<b>7,62,072</b>	<b>5,22,783</b>	<b>3,17,384</b>	<b>2,96,695</b>	<b>2,08,625</b>

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