

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:702
ANSWERED ON:25.02.2011
EXCESS CIRCULATION OF MONEY
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Will the Minister of FINANCE be pleased to state:

- (a) whether the prices of essential commodities are soaring because of excess circulation of money;
- (b) if so, the details thereof;
- (c) whether counterfeit currency is also circulating in the country;
- (d) if so, the details thereof; and
- (e) the steps being taken by the Government to check the circulation of counterfeit currency?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) and (b) : According to Reserve Bank of India (RBI), the essential commodities inflation with weight of 14.4 per cent in Wholesale Price Index (WPI), moderated and was placed at 4.1 per cent in January, 2011. High inflation of essential commodities during 2009 and first half of 2010 was mainly due to supply side factors, particularly, high food prices, both primary as well as manufactured food products such as sugar.

(c), (d) and (e): The problem of smuggling and circulation of counterfeit Indian currency notes has gained significance over the past few years. As per the information furnished by National Crime Record Bureau (NCRB), the value of counterfeit currency (seized and recovered) during the last three years is as follows:

(in Rs.)

Denomination	2008	2009	2010
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1000	5,97,46,000	5,30,01,000	7,22,16,000
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500	17,52,44,000	15,38,01,500	17,18,64,000
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100	2,22,64,000	2,16,43,600	1,33,80,800
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50	16,11,000	15,91,650	7,92,750
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Others	14,722	59,617	19,339
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Total	25,88,79,722	23,00,97,367	25,82,72,889
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The steps taken by the Government to curb circulation of Fake Indian Currency Notes (FICN) in the country include stepping up of vigilance by the Border Security Force and Custom authorities to prevent smuggling of fake notes; dissemination of information on security features through print and electronic media and formation of Forged Note Vigilance Cells in all the Head Offices of the banks. Additional security features have also been incorporated in the bank notes in 2005 and further strengthening of security of bank notes

is underway. A High Level Committee headed by the Union Home Secretary comprising officials from central agencies and other senior police officials has been constituted to monitor and draw a comprehensive strategy to combat FICN. Similar bodies have also been set up in the States. In addition, Government of India have nominated the Central Bureau of Investigation as the Nodal Agency to monitor investigation of fake currency note cases. The RBI has also strengthened the mechanism for detection of counterfeit notes by the Banks.