

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
RAJYA SABHA
UNSTARRED QUESTION NO. 2100
TO BE ANSWERED ON 01ST JANUARY, 2019 / 11TH PAUSHA, SAKA, 1940.

Positive and negative impacts of demonetisation

QUESTION

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?

ANSWER

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

(a) & (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 Rs. 2.8 lakh crores less cash (1.8 percent of GDP) and about Rs. 3.8 lakh crores less high denomination notes (2.5 percent 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.
