

**GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS**

LOK SABHA UNSTARRED QUESTION NO. 2845
TO BE ANSWERED ON 2ND DECEMBER, 2016/11TH AGRAHAYANA, SAKA, 1938

Impact of Demonetization

2845. SHRI MD. BADARUDDOZA KHAN:
SHRI BHOLA SINGH:
SHRI C.N. JAYADEVAN:
SHRIMATI KOTHAPALLI GEETHA:
DR. BANSHILAL MAHATO:
SHRIMATI P.K.:
SHRIMATI TEACHER:
SHRI N.K. PREMACHANDRAN:
SHRI P.KARUNAKARAN:
DR. RATNA DE (NAG):
ADV. CHINTAMAN NAVASHA WANAGA:
SHRI V.PANNEERSELVAM:
SHRI PREM DAS RAI:

Will the Minister of Finance be pleased to state:

- (a) whether the Government is aware of the hardships being faced by common people due to demonetization of currency and acute shortage of new currency;
- (b) if so, the reaction of the Government in this regard and the steps taken in this regard;
- (c) whether the Government printed new currency notes anticipating the withdrawal of old five hundred and thousand rupees notes and if so, the details thereof and if not, the reasons therefor;
- (d) the main objective behind the said move;
- (e) the extent to which demonetization policy has impacted the various sectors of the economy and helped in detecting black/unaccounted money; and
- (f) the other steps taken/being taken by the Government to popularise cashless transactions?

ANSWER

**MINISTER OF STATE IN THE MINISTRY FOR FINANCE
(SHRI ARJUN RAM MEGHWAL)**

(a) & (b) Following the cancellation of legal tender character of old banknotes of high denomination, a number of measures have been announced by the Government,

taking into consideration the inconvenience caused to various sections of public due to demonetization. Information regarding measures taken by Government is available at finmin.nic.in.

(c) & (d) It is a prevalent practice to change design of notes from time to time and/or introduce/withdraw denominations of banknotes. Accordingly, in compliance of relevant provisions of RBI Act, 1934 the design of Rs. 500 was changed. The previous highest denomination of Rs. 1000 was introduced in the year 2000. Due to persistent moderate to high inflation since then, the value of the same has been progressively eroded in Purchasing Power Parity (PPP) terms. Simultaneously, disposable income levels and GDP also continued to grow. This factor along with rising requirement for banknotes was the reason for introduction of banknote of Rs. 2000 denomination which was done following provisions of RBI Act, 1934. In view of such circumstances, the introduction of Rs. 2000 denomination banknotes was found suitable to the need of currency demand persisting in the country.

(e) Cash transactions do not leave any audit trail and therefore act as conduit for black money, which cast a long shadow of the parallel economy on our real economy. Elimination of black money will eliminate the long shadow of the parallel economy on our real economy and will be very positive for India's growth outlook.

(f) Various steps have been taken to popularise cashless transactions viz., waiving the MDR charges till 31.12.2016 by the banks to promote greater use of Debit cards, reducing the USSD charges by TRAI from the current Rs. 1.50 per session to Rs. 0.50 per session for transactions relating to Banking and Payments and waiver of the same by the telecom companies until December 31, 2016, not to levy service charge of Rs. 20 for second class and Rs. 40 for upper classes on purchase of reserved E-tickets upto 31st December, 2016 and encouraging public to use balances in bank accounts to pay for their requirements by cheque or through electronic means of payments such as Internet banking, mobile wallets, IMPS, credit/debit cards etc. Further, all Government organizations, public sector undertakings and other Government authorities have been advised to promote the use of digital payment methods. Further details are available at finmin.nic.in.
