

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF ECONOMIC AFFAIRS  
LOK SABHA UNSTARRED QUESTION NO. 32  
TO BE ANSWERED ON 04.12.2023

**WITHDRAWAL OF Rs. 2000 DENOMINATION NOTES**

32. SHRI MANISH TEWARI:

Will the Minister of FINANCE be pleased to state:

- (a) the effectiveness of two rounds of demonetization in achieving a “less cash society”, considering the current substantial rise in cash circulation to Rs. 32.01 lakh crore, a 78 per cent increase since November 4, 2016;
- (b) the rationale behind Reserve Bank of India / Government’s decision to withdraw Rs. 2,000 denomination notes in May 2023 given that the earlier Demonetization of November 2016 had hopelessly failed to meet its stated objectives; and
- (c) considering the rise in cash in the system, the manner in which the Government responds to the perception that demonetization failed to create a sustained shift towards digital payments, especially when the currency with the public has risen by 251 per cent since the withdrawal of Rs. 500 and Rs. 1,000 notes?

**ANSWER**

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

(a) to (c): The objectives of withdrawal of legal tender character of specified bank notes as stated in the Gazette notification S.O. 3407 (E) dated November 08, 2016, issued by Government of India , are as under:-

- (i) to contain the rising incidence of fake currency notes of the specified banknotes which were largely in circulation,
- (ii) to limit the usage of high denomination banknotes for storage of unaccounted wealth, and
- (iii) to contain the rising level of using fake currency for financing subversive activities like drug trafficking and terrorism.

The growth in Notes in Circulation (NiC) depends on various factors such as expected macro-economic factors like growth in Gross Domestic Product (GDP), inflation, interest rates, growth in non-cash modes of payment, etc. As per Reserve Bank of India (RBI), ratio of NiC as on

November 4, 2016 to GDP (at current prices) for FY 2015-16 was 12.88% and ratio of NiC as on November 10, 2023 and to GDP (at current prices) for FY 2022-23 was 12.22% which are of similar order.

The withdrawal of ₹ 2000 denomination banknotes from circulation, announced vide RBI's Press Release dated 19.05.2023, was a currency management operation and was planned keeping in view the Clean Note Policy of RBI. About 89% of ₹2000 denomination notes were issued prior to March 2017 and are close to the end of their useful life which spans from 4-5 years. Further, the stock of banknotes in other denominations continues to be adequate to meet the currency requirement of the public.

The mission of the Government is to move towards a less cash economy to reduce generation and circulation of black money and to promote digital economy. Digital payments have significantly increased in recent years, as a result of coordinated efforts of the Government with all stakeholders. Citizens of the country have access to numerous easy and convenient digital payment modes such as Bharat Interface for Money - Unified Payments Interface (BHIM-UPI), debit/ credit cards, Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), Real Time Gross Settlement (RTGS), Aadhaar Enabled Payment System (AEPS), National Electronic Toll Collection (NETC), Prepaid Payment Instruments (PPIs) which have helped in transforming the digital payment ecosystem increasing person-to-person and person-to-merchant payments.

The total digital payment transactions volume increased from 2,071 crore in FY 2017-18 to 13,462 crore in FY 2022-23 at a Compound Annual Growth Rate (CAGR) of 45 per cent.

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