

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF ECONOMIC AFFAIRS

LOK SABHA UNSTARRED QUESTION NO.1319

TO BE ANSWERED ON MONDAY, 8th DECEMBER 2025 / AGRAHYAN 17, 1947 (SAKA)

Impact and Outcomes of Demonetisation

1319. Ms Sayani Ghosh

Will the Minister of FINANCE be pleased to state:

- (a) the main objectives of the demonetisation policy implemented in November 2016;
- (b) whether the Government has conducted any post-facto assessment to determine the extent to which the intended goals, such as curbing black money, reducing counterfeit currency and promoting digital transactions have been achieved, if so, the details thereof and if not, the reasons therefor;
- (c) whether it is true that despite demonetisation, currency with the public has more than doubled in 2025, if so, the details thereof;
- (d) whether any study or report has been undertaken to evaluate the economic impact of demonetisation on employment, the informal sector and small enterprises, particularly during the years immediately after implementation of the said policy, if so, the details thereof; and
- (e) whether the Government acknowledges any short-term or long-term disruptions caused to economic growth or liquidity due to demonetisation, if so, the details thereof?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

- (a) 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. As stated in the Gazette notification S.O. 3407 (E) dated November 08, 2016, issued by Government of India, the objectives of withdrawal of legal tender character of specified bank notes 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.
 - (iii) to contain the rising level of using fake currency for financing subversive activities like drug trafficking and terrorism.

(b) to (d) No study on effect of withdrawal of legal tender character of the Specified Bank Notes (SBNs) on Indian economy has been done by the Government. However, RBI has published a Study titled 'Macroeconomic Impact of Demonetization – A Preliminary Assessment' in March, 2017, which is available on the website of RBI.

<https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/MID10031760E85BD4FEFD497193995BB1B6DBE602.PDF>)

As per RBI the Currency in Circulation (CiC), which stood at ₹17.97 lakh crore on November 4, 2016, and had declined to ₹10.7 lakh crore on January 27, 2017, soon after demonetisation, has now increased to ₹38.29 lakh crore as on October 17, 2025. This includes Banknotes in circulation, ₹ and Coins. The currency supplied by RBI is a function of demand from the public/economy. The demand for currency also depends upon several macroeconomic factors including economic growth and level of interest rates.

(e) The National Accounts data released by the Ministry of Statistics and Programme Implementation shows that the real GDP growth averaged about 7.1 per cent in the immediate years after demonetisation (2016-17 and 2017-18), indicating that economic momentum remained robust. Over a longer horizon, India's real GDP has grown at an average rate of 7.3 per cent between 2016-17 and 2024-25 (excluding the pandemic-affected years 2020-21 and 2021-22), reflecting continued domestic demand and the impact of structural reforms. India has therefore remained one of the fastest-growing major economies in the post-demonetisation period.

Liquidity conditions also remained stable in the years after 2016-17. Broad Money (M3), a key indicator of liquidity, grew at an average rate of 8.0 per cent during 2016-17 and 2017-18, and at about 9.6 per cent on average between 2016-17 and 2024-25. Further, the rapid expansion of digital payments since 2016-17 is evident from the rise in average monthly UPI transactions from ₹579 crore in 2016-17 to over ₹25.2 lakh crore in 2025-26 (up to November 2025).
