

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF ECONOMIC AFFAIRS
LOK SABHA STARRED QUESTION NO.173
TO BE ANSWERED ON 13.03.2023

Cash Circulation and Demonetization

*173. SHRI UTTAM KUMAR REDDY NALAMADA:

Will the Minister of FINANCE be pleased to state:

- (a) the quantity and the ratio of cash in circulation to the GDP of the country during each of the last ten years;
- (b) the value and the volume of bank notes in circulation during the same period;
- (c) whether the demonetization was implemented in 2016 to reduce the amount of relative cash in circulation in the country and if so, the details thereof and if not, the objective of demonetization undertaken in 2016;
- (d) whether the Government is aware of the fact that there exists a link between the amount of cash in circulation and the level of corruption and inflation in the country and if so, the details thereof and the reaction of the Government thereto; and
- (e) the reasons for the increase of cash in circulation in the country?

ANSWER

FINANCE MINISTER
(SMT. NIRMALA SITHARAMAN)

(a) to (e) : A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO. 173# RAISED BY SHRI UTTAM KUMAR REDDY NALAMADA, HON'BLE MEMBER OF PARLIAMENT TO BE ANSWERED ON 13.03.2023 REGARDING 'CASH CIRCULATION AND DEMONETIZATION'

(a) As per the data published in Reserve Bank of India's Annual Reports, currency (Bank Notes & Coins) in circulation (CiC) and ratio of CiC to GDP of the country for each of the last ten years are given as under:

Year	CiC Value (in crores)	CiC-GDP Ratio ^{\$} (%)
March, 2013	11,80,100	12.0
March, 2014	13,00,200	11.6
March, 2015	14,48,300	11.6
March, 2016	16,63,300	12.1
March, 2017	13,35,200	8.7*
March, 2018	18,29,318	10.7
March, 2019	21,36,736	11.3
March, 2020	24,47,280	12.2
March, 2021	28,53,733	14.4
March, 2022	31,33,691	13.7**

\$: GDP figures used in this table are on 2011-12 base, which are the latest available estimates. GDP refers to GDP at Current Market Prices.

*: March 31, 2017, over April 1, 2016, barring Reserve Money (RM) and its components.

** : Data pertain to March 25, 2022

(b) As per the data published in Reserve Bank of India's Annual Reports, volume and value of Notes in Circulation (NiC) for last ten years are given as under:

Year	Volume (in lakhs)	Value (in crores)
March, 2013	7,35,170	11,64,800
March, 2014	7,73,300	12,82,900
March, 2015	8,35,790	14,28,900
March, 2016	9,02,660	16,41,500
March, 2017	10,02,930	13,10,200
March, 2018	10,23,951	18,03,709
March, 2019	10,87,594	21,10,892
March, 2020	11,59,768	24,20,975
March, 2021	12,43,671	28,26,863
March, 2022	13,05,326	31,05,721

(c) 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.

(d) Inflation is influenced by several factors including cash in circulation. Reserve Bank of India, through its Monetary Policy Committee, takes necessary steps to keep the inflation within tolerance band of 2% to 6%.

(e) The volume and value of banknotes to be printed each year is decided for meeting the demand for banknotes due to GDP growth, inflation, replacement of soiled banknotes; reserve stock requirements; growth in non-cash modes of payment, etc.
