

Demonetisation Will Yield Several Benefits To The Economy In The Medium And Long Term

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New Delhi, 15 November 2016: “The demonetisation move of the Government is an extremely progressive step and will yield several benefits for the economy in the medium to long term. The decision to replace the existing currency notes of Rs. 500 and Rs. 1000 with new notes will ensure that the perpetrators of terror financing, drug financing and other anti-national activities will be severely restricted in their activities. Additionally, this will help in bringing a major transition towards a cashless economy that has its own merits. FICCI whole heartedly welcomes this move of the government and urges all its constituents to proliferate the positives of this measure taken by the government”, said **Mr. Harshavardhan Neotia, President, FICCI**.

“We do understand that in the immediate term the process of replacement of currency notes will lead to some inconvenience for the people. Given the scale and size of this effort, one cannot expect a transition that happens overnight. Government of RBI are continuously monitoring the situation and taking several positive measures to ease the situation for the people of our country”, **he added**.

The historic nature of the change of the kind we are witnessing requires complete support of every citizen of the nation. Each one of us will see the benefits of this change in the coming years. Rooting out black money from the economy will make it stronger and help us promote growth in an efficient and inclusive manner.

“Given the change underway, there could be some squeeze of liquidity for a while before things normalise. This is expected. However, to counter any downside impact on the level of economic activity, FICCI would urge the Government and RBI to consider bringing down the interest rates that could help stabilise the demand in the economy. A 50 basis points cut in repo rate should be considered by RBI as well as some measures may be introduced to provide easy finance for sectors like housing, automobiles and consumer durables. Greater focus on infrastructure projects and stepping up outlays in this area could also be considered by the government”, **he added**.

“Additionally, there is a need to undertake a massive campaign throughout the country to promote the use of digital means of payments. This should be accompanied by a series of incentives for the people, banks and retail merchants to adopt the digital mode for transactions”, **said Mr. Neotia**.

FICCI MEDIA DIVISION