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The cash crunch arising out of demonetisation is expected to paralyse economic activity in the short-term, and the 2017-18 GDP growth is likely to be 5.8 per cent, says a report.

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From October-December 2016 until October-December 2019, Ambit Capital expects a strong 'formalisation effect' to play out as nearly half of the non-tax paying businesses in the informal sector (40 per cent share in GDP) become unviable and cede market share to their organised sector counterparts.

"We expect this dynamic to crimp GDP growth in India in FY18 as well and hence we cut our FY18 GDP growth estimate to 5.8 per cent (from 7.3 per cent)," the report said.

The demonetisation move is expected to disrupt economic activity in the short term, especially those segments where cash-based transactions are the norm like real estate, unsecured lending, real estate construction services and building materials.

Demonetisation: No Question Of Roll-Back, Says Arun Jaitley

"Whilst in the near-term, we expect these businesses to suffer, over the next couple of years the strongest players in these sectors will gain market share as competition from unscrupulous/unorganised players reduces," the report added.

The report said that in the light of negative effects of the recent steps taken by the NDA Government and with just four months to go before this fiscal year comes to a close, Ambit Capital scraped its current March 2017 Sensex target of 29,500 and has set a March 2018 Sensex target of 29,000.