



Magadh Mahila College
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M A Economics
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Paper: Indian Economics- Issues & Policies- (I) (CC 05)

Topic: Cashless Economy and Demonetisation (ii)

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Demonetisation

Meaning of Demonetisation

- “Demonetization is the withdrawal of a particular form of currency from circulation.”
- It is a process by which a series of currency will not be a legal tender.
- The series of currency will not acceptable as valid currency.

Introduction of Demonetisation

- On 8 November 2016, PM Narendra Modi announced the Demonetisation of currency in an unscheduled live televised address at 20:00.
- Modi declared that use of all Rs 500 and Rs 1000 banknotes would be invalid past midnight, and announced the issuance of new Rs 500 and Rs 2000 banknotes in exchange for the old banknotes.

Aim of Demonetisation

- **Towards a cashless economy**
 - While it is practically impossible, the proportion of hard cash in the economy will decrease and our economy will get more digitized.
 - This will result in greater transparency.
 - Now the government has put some limitation for cash withdrawal from bank accounts. People will go for online payments.
 - They will use PayTM or BHIM UPI or other online payment to companies for buying goods or making payments.
 - More use of debit and credit cards

Causes of Demonetisation

- There can be many causes of demonetisation in any economy such as:
 - Black Marketing
 - Currency Storage
 - Corruption
 - Fake currency in the economy etc.