

Demonetization: An Overview

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Abstract

Demonetization is a tool of Government to eliminate the currency. It is used in very adverse situations. It has a great significant and immediate impact on the state of the Indian economy. This paper discusses about the move of demonetization taken by Central Government of India on 8th November, 2016 with respect to its reasons and effects on different sectors in India. The sectors cover are Micro Businesses, E-Wallet businesses, online retail stores and so on. This paper is based on secondary data collected from different newspapers and online sources, mentioned in references.

KEYWORDS: Demonetization, reasons of demonetization, sectors in India

Introduction:

Demonetization is the act of stripping a currency unit of its status as legal tender. It is a process of removing a currency from general usage or circulation of money in a country. Demonetization is an act where the old unit of currency gets retired and replaced with a new currency unit. It can also be considered as withdrawal of a specific currency from market.

History of Demonetization in India

The first currency ban was announced on 12th January, 1946(Saturday) by RBI headquarter. At that time currency notes of 1000 and 10,000 were totally removed from the economy. Both the notes were re-introduced in the year 1954. At that time people were given 10 days time to exchange their notes. Further that was extended to 15 days more. It had not created much effect at that time. By the end of 1947 out of Rs.143.97 crores, notes of only Rs. 134.9 crores were exchanged. Thus notes worth Rs. 9.07 were perhaps "Demonetized".

The second currency ban was announced on 16th January, 1978(Monday), by R. Janaki Raman a senior official of RBI. At that time currency notes of 1000, 5000 and 10,000 were removed from circulation. That time the people were given only 3 days to exchange their notes. This time around 73.1 crore was demonetized.

On 8th November, 2016 Prime Minister Narendra Modi announced the third demonetization. This time the currency of 500 and 1000 notes were demonetized from economy. The Government has instructed the hospitals, petrol pumps, airports etc to accept the old denomination notes till 11th November, 2016. The following table shows the volume and value of currency notes in India.