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## **CAUSES OF DEMONETIZATION IN INDIA AND ITS EFFECTS**

### **Abstract:**

India is facing a lot of problems due to corruption, Counterfeit currency. And to fight these two problems the government of India did Demonetization. The process of demonetization involves introducing new notes, coins of the same currency or completely replacing the old currency with new currency.

The objective behind this research paper is to learn about the need of Demonetization, reasons behind it, steps taken to implement it, post effects of Demonetization on the citizens, new policies that the government will form to fight corruption and other problems. This paper contains secondary data and descriptive statistical data.

On November 8, 2016, the Prime Minister of India announced the demonetization of the 500- and 1000- rupee notes. These notes accounted for 86% of the country's cash supply. The government's goal behind this was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, political parties funding, money kept in Hundis in temple and promote a cashless economy. With the announcement of the larger denomination notes being worthless, all the individuals and entities with huge sums of black money gotten from parallel cash systems were forced to convert the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200% of the tax owed was imposed. The first time demonetization happened in India 1946 and the second in 1978 when an ordinance was passed to phase out notes with denomination of Rs 1,000, Rs 5,000 and Rs 10,000.

### **Keywords:**

Demonetization, Black Money, Corruption, Counterfeit Currency