

Good Morning Students

This lesson is for class 10th for the subject of 'Economics'. The topic for today is 'Demonetisation in India' which is covered in chapter 8 titled 'Central Bank' of your book.

This lesson is being submitted to you on 21/10/24.

All the students now please open page number 153 of your book.

Demonetisation in India

On November 8, 2016, Prime Minister Shri Narendra Modi announced a historic measure, with serious implications for the economy. The two largest denomination notes, ₹500 and ₹1,000 were demonetised. These notes of largest denomination were suspended for future transactions except for a few specific purposes. At one stroke 86% of cash in circulation was thereby rendered invalid.

These notes were to be deposited in the banks by December 30, 2016 while restrictions were placed on cash withdrawals.

"When a currency note or notes of a particular denomination ceases (suspended) to be a legal tender, it is termed as Demonetisation."

Under demonetisation, the status of legal tender currency is withdrawn by the government. Demonetised currency is withdrawn by the government. Demonetised currency is no longer accepted as a medium of exchange.

Objectives of Demonetisation.

1. Elimination of Black Money:-

Black money refers to unaccounted money. This kind of money is accumulated by people by not paying the due amount of tax and by indulging in illegal activities. The main aim of the government was to eliminate black money from the economy.

2. To Curb Corruption:-

Illegal transactions (e.g. bribery, smuggling etc.) are commonly carried out through high value notes. The government wanted to eliminate the root cause of corruption through demonetisation.

3. To Eliminate Counterfeit Currency:-

Another objective of demonetisation was to eliminate counterfeit currency. There was a huge amount of fake currency in circulation. This counterfeit currency

was causing inflationary pressure in the economy.

4. To Check Terror Funding :-

Demonetisation was also aimed at elimination of terror funding. High denomination notes were being used for terror activities. Terror activities would automatically come to an end in the absence of finance.

Implications of Demonetisation :-

Demonetisation has resulted in serious implications on the economy. The short term costs of demonetisation are as follows :-

1. Inconvenience and Hardships to people
2. Adverse Effects on Economic Activities
3. Difficulty in Implementation.
4. Impact on GDP.

For explanation refer to page number 154 of your book

With this, I am ending my topic here. Write the answers of following questions in your note-book.

Q 1. What is Demonetisation?

2. What are the objectives of Demonetisation?

3. On what date, demonetisation has been done?

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