



KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalaivar Kamarajar"

9 years of Demonetization

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On 8th November 2016, the Government of India announced demonetization of ₹500 and ₹1000 notes, which constituted about 86% of the total currency in circulation.

About Demonetization:

Demonetization is the withdrawal of a currency unit's legal tender status by the government, meaning the specified denomination ceases to be valid for financial transactions.

Provisions: Under Section 26(2) of the RBI Act, 1934.

Objectives: To curb black money, fake currency, terror funding, and promote digital payments and formalization of the economy.

Led to cash shortage, fall in informal sector activity, and temporary dip in GDP growth (2016–17).

Digital Payment Boost: Massive rise in UPI and digital transactions; UPI crossed ₹20 lakh crore/month in 2025.

RBI Findings: Over 99% of demonetized currency returned to banks (RBI Annual Report 2018) — showing limited success in uncovering black money.