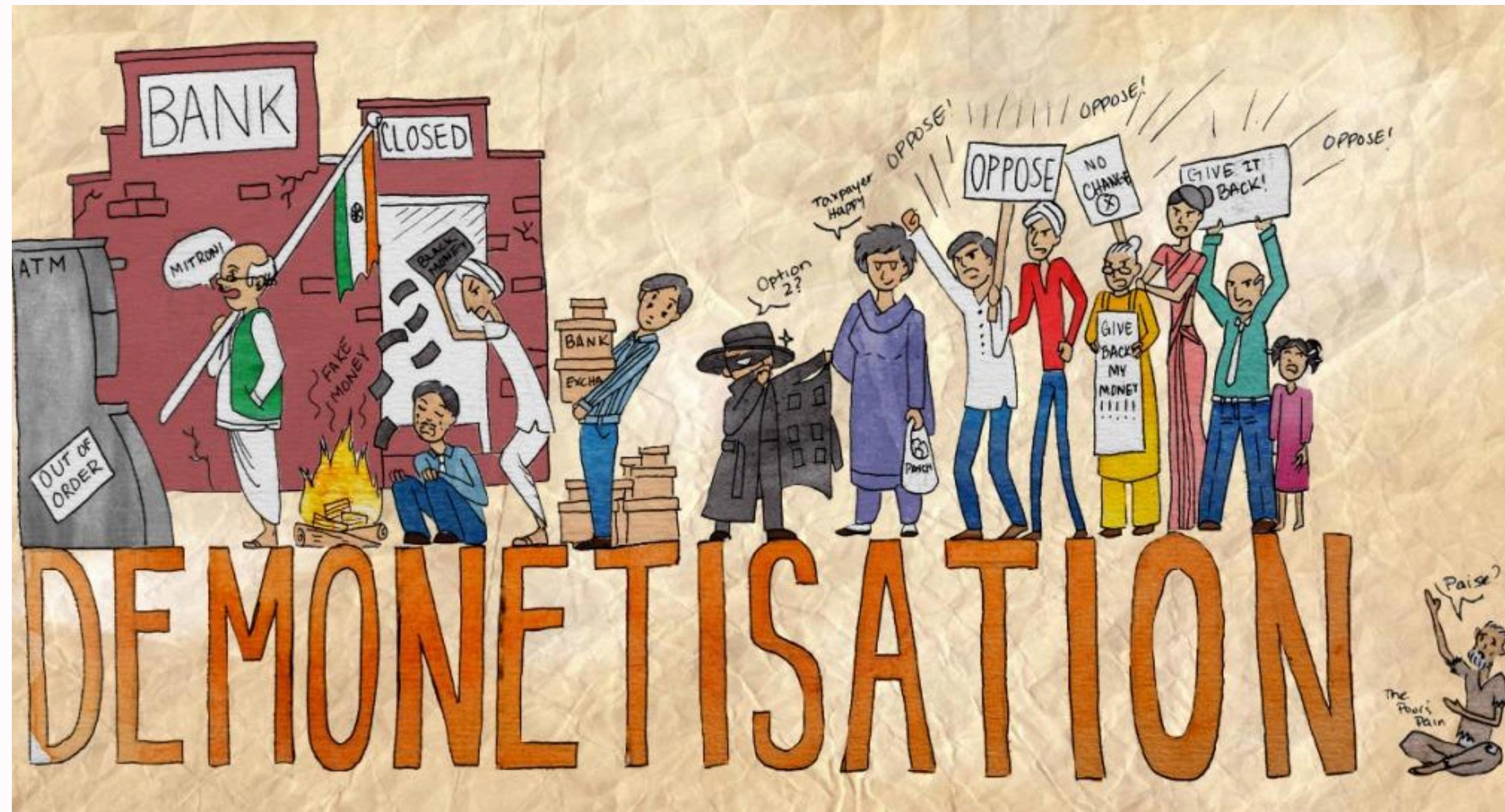


# DEMONETIZATION IN INDIA (ECONOMIC REFORMS)



# THE 2016 DEMONETIZATION

- On November 8, 2016, Prime Minister Narendra Modi announced the demonetization of 500 and 1000 notes.
- Government aimed to eliminate black money and boost digital transactions.
- People faced long lines and cash shortages as old notes became invalid overnight.
- The suddenness raised concerns and led to widespread debate among citizens.



# Impact on Black Money and Corruption

## 1 Curbing Parallel Economy

Demonetization aimed to unearth and bring unaccounted wealth into the formal financial system, reducing the flow of black money.

## 2 Combating Corruption

The move was expected to disrupt corrupt practices by rendering large cash holdings worthless, forcing individuals to declare their assets.

## 3 Promoting Digital Payments

Demonetization incentivized the use of digital payment methods, which are more transparent and leave a digital trail.



Image Source: Business Standard



# Cashless Economy: Global Examples

## Sweden

Sweden has emerged as a global leader in the transition to a cashless society, with over 95% of all payments made electronically.

## China

China's mobile payment market is the largest in the world, with platforms like Alipay and WeChat Pay dominating the landscape.

## Kenya

The success of M-Pesa, a mobile money transfer service, has made Kenya one of the most cash-light economies in the world.



# Advantages of Demonetization

## Curbing Inflation

Demonetization can help reduce inflationary pressures by limiting the amount of cash in circulation.

## Increased Tax Compliance

The move encourages individuals and businesses to declare their income and assets, leading to higher tax revenues.

## Promoting Financial Inclusion

Demonetization can drive more people to open bank accounts and engage with the formal financial system.

## Technological Advancements

The transition towards a cashless economy can spur innovation and the adoption of digital payment technologies.

# Disadvantages of Demonetization



## Disruption of Economic Activity

Demonetization can lead to a temporary slowdown in economic growth, as the limited cash supply disrupts business operations and consumer spending.

## Burden on the Unbanked

The move can disproportionately affect the unbanked and underprivileged populations, who rely heavily on cash transactions.

## Increased Hardship for the Poor

The sudden withdrawal of cash can make it difficult for low-income households to access essential goods and services.



## CHALLENGES FOR DEMONETIZATION IN INDIA (2016)

# Challenges in Implementing Demonetization

- 1 Logistics  
The massive scale of the exercise and the limited capacity of banks and ATMs to handle the influx of people exchanging notes posed significant logistical challenges.
- 2 Public Inconvenience  
The sudden withdrawal of cash led to long queues at banks and ATMs, causing immense inconvenience and hardship for the public.
- 3 Political Backlash  
The decision was met with criticism and opposition from various political parties, who accused the government of poor planning and execution.

# The Road Ahead: Towards a Cashless India



## Mobile Wallets

The proliferation of mobile wallets and UPI-based payment systems can accelerate the transition towards a cashless economy.



## Digital Banking

Increased access to banking services and the expansion of digital banking infrastructure can promote financial inclusion.



## Technological Innovations

Emerging technologies, such as the Internet of Things (IoT) and blockchain, can further enhance the security and efficiency of digital payments.



# Conclusion and Key Takeaways

1

## Lessons Learned

Demonetization has highlighted the need for better planning, coordination, and communication when implementing major economic reforms.

2

## Towards a Cashless Future

The move has accelerated the adoption of digital payment methods and set the stage for a more transparent, efficient, and inclusive financial system.

3

## Ongoing Challenges

While the long-term benefits of demonetization are debated, addressing the short-term challenges and mitigating the adverse impacts remains a key priority.





# THANK YOU

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