



TESTBOOK PREMIUM
1 MONTH SUBSCRIPTION PLAN

1200+ MOCK TESTS
₹99/-



Important Questions & Facts about Demonetization in India for Bank and SSC

On the evening of 8th November 2016, the Prime Minister of India announced one of the boldest moves in the history of India's socio-economic scene – demonetization of old Rs. 500 notes and Rs. 1000. Soon after, new notes of Rs. 500 and Rs. 2000 notes were pumped into the economy. Since the concept of demonetization is relatively less common among the Indian masses, most of you are unaware of the effects, history, legality and technicalities related to demonetization. However, to tackle the expected questions on demonetization in Banking exams, you need to know important trivia and facts about demonetization. Read the article to help you prepare for various recruitment notification by taking [Online Mock Tests](#). This article will provide you information regarding:

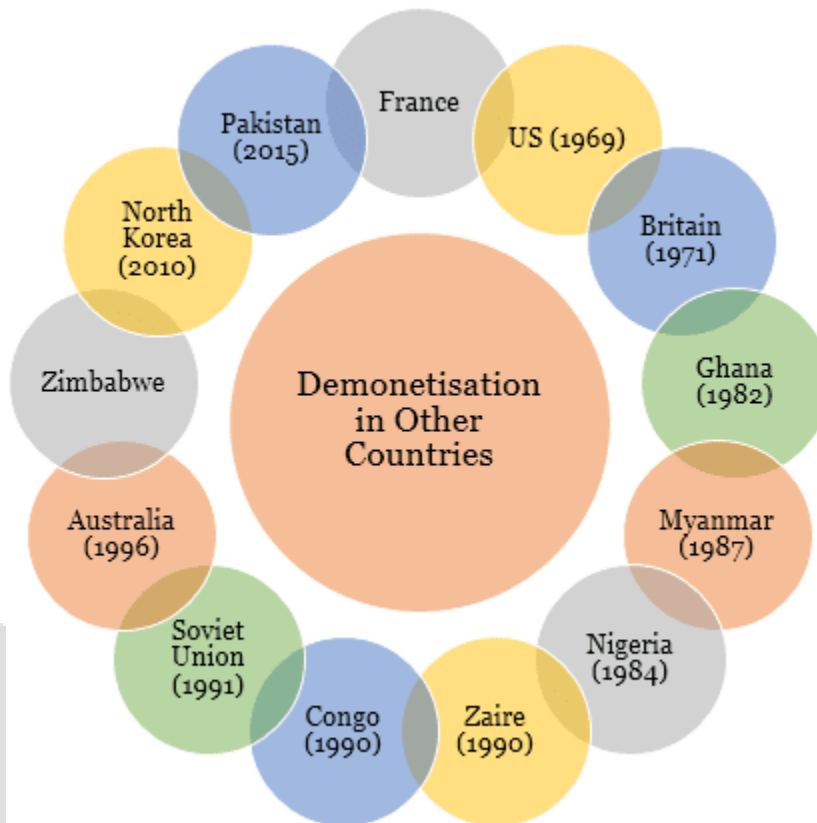
- History of demonetization in India
- Other countries where demonetization has taken place previously
- Articles and laws related to demonetization
- Role of political bodies, RBI and institutions in the process
- Other Important facts about demonetization

Read this article carefully and download it as PDF to revisit it in future.

Other countries where demonetization has taken place previously

Many countries have experimented with the process of demonetization in the past. Some countries benefited tremendously from the move while some terribly failed at it. Here is a list of some countries that have implemented the policy of demonetization:





Historical Facts about demonetization in India

Although the history of demonetization in India dates back to the time when various rulers ruled this country, the freshest and most significant instances of demonetization in India are:

1. On 12th January 1946, 500, Rs. 1,000 and Rs. 10,000 notes were declared invalid as legal tender.
2. New notes of Rs. 1000, Rs. 5000 and Rs. 10,000 came into economy in 1954.
3. On 16th January 1978, the Morarji Desai led-Janata Party demonetized banknotes of Rs. 1000, 5000 and 10000. Note that, the finance minister at that time was H.M. Patel.
4. RBI introduced a new banknote of Rs. 500 into the economy in 1987 to contain inflation.



TESTBOOK PREMIUM
1 MONTH SUBSCRIPTION PLAN

1200+ MOCK TESTS
₹99/-



5. On 8th November 2016, the old banknotes of Rs. 500 and Rs. 1000 were barred from being legal tender and new notes of Rs. 2000 were soon introduced.

Also, Denominations of 1, 2, 3, 5, 10, 20 & 25 paise were in circulation till June 30, 2011 but were then withdrawn. 50 paise coins are still in circulation and are called small coins. Other denominations called as rupee coins. Let us now review some legal facts about demonetization.

Legal Facts about Demonetization in India

Do you think the government is conjuring policies on its own? Well, it is not so. Like every economic and political measure, demonetization also has a valid place in the Indian law books.

The legal basis for the order demonetizing currency can be found in Section 26 of the Reserve Bank of India Act, 1934. Under sub-section (2) of this Section, the Union Government is given the power to declare that any notes issued by the Reserve Bank will no longer be legal tender.

The only procedural requirement is that the Board of the RBI recommends the same to the Union Government.

In fact, in 1978, demonetization was carried out under a special legislation, namely the [High Denomination Bank Notes \(Demonetisation\) Act, 1978](#).

Role of Government & RBI in Demonetization

The introduction of Pradhan Mantri Jan Dhan Yojana (PMJDY) and Income Disclosure Scheme (IDS) were done to ensure that everyone has a bank account and gets ample time to declare their incomes.





Before the Prime Minister issued an order to demonetize certain currency, he consulted the RBI and the Finance Minister. Here is a list of the rules set in place continuously over a time of 20 days since the PM announced demonetization:

Date	Events
8 th Nov	PM declares the Rs. 500 & Rs. 1,000 notes invalid. Exchange of cash up to Rs. 4,000 allowed at banks, ATM withdrawal limited to Rs. 2,000.
9 th Nov	Banks remain shut for a day.
10 th Nov	Banks open. Massive queues ensue as millions line up to exchange old currency or deposit their money.
12 th Nov	Reports come in that people died waiting in the queues. The Sensex registers the biggest single-day fall in 9 months.
13 th Nov	ATM withdrawal limit raised to Rs. 2,500. Cash exchange limit raised to Rs. 4,500.
15 th Nov	Banks are asked to apply indelible ink marks on people exchanging money. The election commission raises concerns regarding this.
16 th Nov	Parliament session begins; opposition parties up the ante against the government over the suffering of the poor.
17 th Nov	Currency exchange limit lowered to Rs. 2,000.



18 th Nov	India's Supreme Court says many are "frantic" over demonetisation.
22 nd Nov	RBI says banks have received Rs. 5.3 lakh crore in deposits since Nov.08.
24 th Nov	Old notes can now only be deposited at banks and not exchanged.
27 th Nov	RBI governor Urjit Patel justifies demonetisation, says the new notes are difficult to counterfeit.

Recently, the RBI announced that from now on, those who deposit an amount more than Rs. 5000 will have to explain themselves to at least 2 bank officials. However, it soon withdraws this stipulation for KYC compliant customers.

We hope this article will help you learn crucial facts about demonetization, from an exam point of view. If you liked this article on demonetization then do go through some other GK articles:

[Cabinet Ministers of India - Updated List](#)

[Famous Sites in India](#)

Engage in fruitful conversations about the Facts about Demonetization & get opinions from fellow aspirants.

[Take me to Testbook Discuss!](#)