



Impact of Demonetisation on Rural India

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Abstract

Demonetization implies the demonstration of stripping a money unit of its status as lawful delicate. There are various reasons why countries demonetize their neighbourhood units of cash. A few reasons incorporate to forget about expansion, to dismiss debasement, and to unsettle a money framework. The procedure of demonetization includes either presenting new notes of similar money or totally supplanting the old cash with new money. Indian government received demonetization on 08 November 2016 to handle with dark cash and make India a cashless advanced economy. According to the yearly report of Reserve Bank of India of 31 March 2016 that absolute cash notes available for use is 16.42 lac core of old Rs. 500 and Rs.1000 banknotes. According to the report of RBI dated on 14-12-2016, the aggregate sum of old notes of estimation of Rs. 12.44 lac crore has been kept by the clients till 10-12-2016. Banks began tolerating stores from 10 November yet inside a time of 15 days roughly half cash has been gotten by the banks. This paper focuses on various issues related with the demonetisation.

Keywords: *Demonetization, Cashless Transactions, Digital Economy.*

Introduction

The 'demon' in demonetization is before all else. Any Government pulls back the lawful delicate privileges of any section of cash, it is known as demonetization. On November 8, Indian Prime Minister Mr. Narandar Modi declared in a communicate to the country that Rs. 500 and Rs. 1000 cash notes would never again be perceived legitimately as money. The complete cash available for use in India was Rs. 16.42 lac crore (US\$240 billion) of Rs. 1000 and Rs. 500 notes. The administration accept that this demonetization is required for the four principle reasons first explanation is for halting the financing of fear mongering, second purpose behind confronting the issue of phony Currency, third purpose behind profiting useless and fourth explanation behind diminishing the defilement, and so on. The requirement for the administration to keep the move a mystery in light of the fact that the expense dodgers would not know before the declaration of demonetization occurred. For Modi, this is work in progress. In his discourse to the country, he features what his administration has done as such far. Narandar Modi has incited it will take 50 days for individuals to acclimate to the change. This declaration has all the earmarks of being the most significant change made by the Narandar Modi's legislature to date, says Girish Vanvari, accomplice and head KPMG in India. A choice like this can bring about the broad up of a framework for which many trusts that it wasn't possible, as prior endeavours didn't have rich effect. Notwithstanding, the choice by Prime Minister Mr. Narandar Modi is one the most chronicled steps in India. A choice like this can help control swelling, recapitalize banks, limiting the loan costs and making the economy dynamic, with capital inflows. India is the second most populated nation on the planet with about a fifth of the total populace. Out of the all-out 121 crore Indians of Indian populace, 83.3 crore of populace live in rustic zones while 37.7 crore remain in urban territories, said the Census of India 2011. As a provincial populated nation, the greater part of the rustic populace are occupied with horticultural exercises as the greater part of the number of inhabitants in country territories relies upon farming.

Farming structures the foundation of the nation's economy. The agrarian part like ranger service, logging and angling represented 17% of the GDP contributes most to the general financial improvement of India. It is the biggest work source and a significant bit of the general financial advancement of India the conditions of Uttar Pradesh, Haryana, Punjab, Madhya Pradesh, Telangana, Andhra Pradesh, Bihar, West Bengal, Gujarat and Maharashtra are key supporters of Indian agribusiness.



Objectives

- To study the impact of demonetization on common person of India
- To study the impact of demonetization on agricultural sector, economy and farmers of rural India and some key factors,

Research Methodology

The paper is based on secondary data. The data has been collected from internet, articles newspapers etc.

Impact of demonetisation on Key sector

Employment

According to Labor Bureau's Sixth Annual Employment – Unemployment Survey, the unemployment **rate** rose to a four-year high in 2016-17, when the government demonetized old currency notes. In 2017-18, the **country's** unemployment **rate** stood at a 45-year-high of 6.1 per cent, according to the National Sample Survey Office's (NSSO's) periodic labour force survey (PLFS). Moreover, demonetization caused a 2-3-percentage-point **reduction in jobs and national economic activity** in November and December 2016, according to a research. Between 2016 and 2018, **five million people lost their jobs** and the labor force participation started declining suddenly between September and December 2016 for both urban and rural men. The rate of decline slowed down by the second half of 2017, but the general trend had continued and there had been no recovery.

Income taxpayers

As many as 8.80 million taxpayers **did not file tax returns** in the financial year 2016-17 - the year Modi government demonetized high-value currency notes. Records accessed by The Indian Express reveal a massive spike in the number of “stop filers” in the same year, reversing a four-year trend. In 2016-17, the number of stop filers jumped 10-fold to 8.80 million from 856,000 in 2015-16, the highest increase since 2000-2001. During 2017-18, there was some positive impact of demonetisation on the **widening of the tax base**. The Income Tax department said it added 1.07 crore new taxpayers while the number of dropped filers' came down to 25.22 lakh. The Central Board Of Direct Taxes (CBDT) said 6.87 crore Income Tax Returns (ITRs) were filed during FY 2017-18 as compared to 5.48 crore ITRs filed during FY 2016-17, translating into a growth of 25 per cent. Also, during FY 2017-18, the number of new ITR filers increased to 1.07 crore as compared to 86.16 lakh new ITR filers added during FY 2016-17.

Real Estate

The total **number of developers** in the top nine Indian cities shrunk by over 50 per cent by 2017-18. While Gurugram witnessed a decline of 76.8 per cent in the number of developers from 82 in 2011-12 to 19 in 2017-18, Noida registered a plunge of 73.2 per cent – from 41 to 11. Financial distress of small developers, lack of execution capability and over-supply of inventory played a key role in the downturn. According to analysts, a large number of fly-by-night developers were forced to leave the market after demonetization. All major cities with significant potential for real estate development – Mumbai, Pune, Thane, Kolkata, Bangalore and Hyderabad – saw a decline in the number of developers.

Farm income and wages

Both farmers' incomes from crop cultivation as well as **wages of farm laborers contracted** in 2016-17 despite the above-normal monsoon season. On the positive side in agriculture as a whole, output from fishing and livestock grew the fastest in 2016-17. The growth was nearly 10 per cent over the previous year. In a period of low supply of cash, input suppliers demanded higher prices. Demonetization was carried out briefly after the harvest of the kharif season entered the markets, and when the entire rabi output was yet on the fields. On the other hand, agriculture had grown (gross value added) the fastest since 2012 in the demonetization year due to a bumper crop.



Factory investment

In the year when the demonetization was implemented, **investment in the country's factories** contracted 10.3 per cent over 2016-17, showing their worst performance since 2002-03. In the year immediately after the note ban exercise, even as factories in the organized sector witnessed job growth and wage rise consistent with previous years, their ability to channel funds in productive capital was severely dented in 2017-18.

Spending on milk and milk products

In 2017-18, the amount spent on **milk and milk products (M&MP)** dropped 10 per cent. Households, hotels, and halwai shops spent Rs 6 trillion on M&MP in 2016-17, consumption expenditure reduced to Rs 5.4 trillion in 2017-18, the data released by the National Statistical Office (NSO) showed.

Consumer Products

The overall performance of the consumer goods sector will be adversely impacted by demonetization as consumers curtailed spending following lesser currency notes in circulation, JM Financial said in its report. "The quarter began on a promising note for most businesses, aided by good festive demand, but as is now well-known, the move to demonetize high denomination currency notes in the country from November 8 would make third quarter (October-December) 2016-17, a likely washout quarter for most businesses," the financial services company said in the report. "Companies we spoke to sounded more sanguine at December-end than they did in mid-November immediately after the demonetization announcement, though," it said. So the key to watch from the earnings-season, the report said, would be "whether the quarter in fact turns out as bad as earlier envisaged (sales expected to be down 20-25 per cent for November and 10-12 per cent for December)," it said.

Effect of demonetization on normal individual of India.

Demonetization is an age's significant encounter and will be one the financial occasions within recent memory. Its effect is felt by each Indian resident. As the nation bids farewell to the old Rs. 500 and Rs. 1,000 rupee notes and with limitations on trading cash and tax assessment on high measures of stores, Indian economy had looked through some genuine agitates. In any case, how is this going to influence the normal individual of India in the short run just as the since a long time ago run. At first, there was a gigantic clamour about the thought, individuals needed to hold up in truly long lines just to pull back the vital cash they required. The open questioned executive's arrangement and rebelled against the terrible readiness they looked right now. The progressions invited a ton of difficulty to the general population .

before all else however everything appeared to merit that, undoubtedly. There was a breaking point to the per-capita withdrawal and that was a gigantic issue for some individuals, mostly as a result of their own necessities which included marriage, wellbeing, and property and so on. During the time spent controlling dark cash the blameless everyday citizens and poor had appeared to be most endured like, those individuals who don't approach post workplaces and banks had appeared freezing for trading notes. Those families who had weddings and other unique events are discouraged because of absence of cash a huge number of weddings have been dropped which affected the sellers who supply for those weddings. Likewise, ranchers have confronted parcel of issues since they could never again stand to sell their collect from Kharif yield or sow Rabi crops. Additionally Many road sellers have loosed their business on the grounds that would prefer not to leave behind money or can't make change. Individuals have decreased going through in light of the fact that the banks are proportioning money. Numerous Daily compensation labourers can't look for some kind of employment. Additionally Demonetization directly affects parts managing money—merchants, auto rickshaw proprietors, cab drivers, day by day workers and little brokers. The Indian framework for the most part works on money, thus, less money implies disturbance in the stream. In this way, the administration's progression to control dark cash and phony money has hit hard to needy individuals the most. Yet, as the time passed the things hindered a piece. The lines in the banks abbreviated,



ATMs were loaded up with cash, new money coursed and all these standardized the circumstance. In any case, this change will huge affect the economy. It will require some investment for things to become ordinary again and until further notice, it is only a play of time till we find a workable pace it was a great choice or a misrepresented ramifications.

- The demonetization of Indian cash has made various hardships to normal individual yet in long manner it has parcel of favourable circumstances.
- To the extent of penalties imposed by the Income Tax department on the illegal conversion of black money into white money, the revenue to the government will increase in the immediate future.
- Unaccounted monies held as cash which was not productive will become productive as it enters the legal system.
- Counterfeit money in circulation which was an ongoing menace all over India will cease to exist with immediate effect.
- Funding of terrorist and other illegal activities will be curtailed as they generally are funded by black/counterfeit money.
- To the extent the black money held by the political parties is flushed out, the elections in the near future will be clear and more transparent.
- With huge cash at the disposal of the banks, the borrowing of money will get cheaper providing impetus to economic growth.
- Government can avail finances at lower rates and speed up the infrastructural spending creating huge job opportunities.

So far, it can be said that this is a historical step and must be supported by everyone. We should look at the bigger picture which will definitely fetch results in the future. This is what the whole country has been asking for a long time which has finally happened. Agriculture plays an important role in the Indian economy. Over 70 % of the rural households depend on agriculture. Agriculture is the backbone of Indian economy as it contributes about 17% to the total GDP and provides employment to over 60% of the population. It also provides raw materials to leading industries such as cotton textiles and sugar industries. The number of various agricultural commodities like tea, coffee, spices and tobacco constitutes our main items of exports. This amounts to almost 15% of India's total exports. Hence agriculture provides foreign exchange which helps us to purchase machines from abroad. It also maintains a balance of payments and makes our country self-sufficient. Agriculture has brought fame to the country. India holds first position in the world for the production of tea and groundnuts, Indian agriculture has registered speedy growth over last few decades.

Demonetisation has influenced each Indian; however it has hit the horticultural part gravely. Horticulture in India represents 50 percent of the workforce. Ranchers, who are the foundation of our economy, were seriously influenced by the note demonetization of 8 November 2016. Farming is affected through the info yield channels just as cost and yield criticism impacts. Deal, transport, showcasing and dispersion of prepared produce to mandis are overwhelmingly money subordinate. Ranchers endured a difficulty because of across the country money deficiency and a fall in the interest for vegetables in discount markets. . Ranchers were not ready to buy inputs like seeds from showcase. They were utilizing old seeds from the most recent year gather and not obtaining new quality seeds from showcase. In northern Indian expresses, the yield of rice was readied. A portion of the ranchers have sold their harvests, and a few was all the while. The facts confirm that nearly crops are sold in real money the exchange which has been done is money is to be saved in the banks and can be pulled back as needs be. The buyers of rustic rancher isn't as advance as the urban white collar class, which can be effectively dealt with a next



to no measure of money. The issue of the demonetization is generally connected with the rustic zones of the nation have lesser number of banks and ATMs contrasted with the urban regions and semi-urban territories. The issue was not the unavailability of the banks and ATMs, yet the point of confinement on money which can be pulled back. A rancher can take a day out from his bustling timetable and figure out how to go to bank and recover the money, anyway the cut-off on the sum withdrawal compels him to do that over and over and the banks in country territories are approximately 20 or 30 kilometres the streets in provincial zones can make it look like 50 kms. Rehashing that 4 or multiple times in seven days can be thorough. Notwithstanding, the utmost has been surpassed than previously and government is taking other fundamental conventions which would guarantee that the rancher doesn't need to end it all. In the event that the pay of peon working in taxpayer driven organizations and ranchers of our nation is analyzed since 1964, the salary of peon has expanded 1000 % and that of ranchers by small 19%. Other than those negative impacts of demonetization there is additionally any desire for each Indian rancher upon demonetization that this verifiable advance will concrete our economy and furthermore productive for our nation in future. The different impact of the Demonetisation would be extremely positive for ranchers are:

- With plentiful money, the government become able to complete the incomplete irrigation projects so that more land comes under irrigation and two crops instead of one crop in a season can be taken by farmers. This will double up their income as our Prime Minister Mr Narandar Modi has promised to do.
- The interest rates of banks started falling which could reduce the capital cost and farmers can now go for farm mechanisation.
- Government can build cold storage chain thereby minimize the wastage which are 80, 000 cr annually.
- The intermediaries and commission agents blooming on black money will be minimized and farmers can directly deal with consumers and they can credit instant payments to their bank account.
- The owners of essential commodities like pulses, grains, potatoes onion etc will run out of cash and will not be able to rig the prices. The farmers and also consumers will be benefitted as the price would remain stable.
- The quality of fertilizers will improve in that the nutrients contents will not be depreciated.
- The Government can conclude the pending electricity generating projects so that the farmers who are suffering by lack of proper electricity will get more electricity so that he can run their drip irrigation system and save water.
- The national portal made for farmers of the country will be more effective as the farmers will have wider market instead of local and District man dies. They will get more prices for their production with payment directly in their bank accounts.
- Farming becomes more viable and there will be reverse migration to villages from cities. The smart phone holder children of farmers will not now shy from working on farm in future.

Conclusion

Demonetization is a one stage of numerous means in battling defilement, dark advertising, and financing uprising. Anyway groundwork for demonetization was hacking sided, and its effects were awful on Indian open. In the event that 86% of money is taken out, with a pitiful sum accessible, all market exchanges have been murdered. The individuals, who were focused on, didn't come on roads, yet basic people are out from their work puts just as homes. Somebody put a story on social net. For murdering ten crocodiles, government siphoned out all water from the lake results executing ten thousand fish in lake however Crocodiles strolled off on dry sand. With an expectation to free the nation of dark cash and uncover charge defaulters and dark cash holders, Government has made move to demonetized Rs 500 and Rs 1000 notes. This move will have significant effect on the equal economy yet abrupt declaration and inability to get ready ahead of time has made transitory disorder and uneasiness among the overall population. Basic Men are thinking that it's hard to purchase with no cash in pocket, squandering hours in lines which despite the fact that could have been stayed away from whenever arranged ahead of time.



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