

UGC Journal Details

Name of the Journal :	Research Journey
ISSN Number :	
e-ISSN Number :	23487143
Source:	UNIV
Subject:	Marathi
Publisher:	Swatidhan International Publication
Country of Publication:	India
Broad Subject Category:	Multidisciplinary

Print




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Impact of Demonetization on Rural India

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Abstract:

Demonetization is defined as a process by which currency units will not remain legal tender. The currency notes will not be taken as legal currency. Demonetization is a basic condition to change national currency. In other words, demonetization can be said a change of currency where new units of currency replace the old one. It may involve the introduction of new notes or coins of the same denomination or completely new denomination. The currency has been demonetized thrice in India. The first demonetization was on 12th January 1946 (Saturday), second on 16th January 1978 (Monday) and the third was on 8th November 2016 (Tuesday). The positive and negative impact of demonetization on rural India is given in this research paper.

Key words: Demonetization, Cashless Transactions, Cash Crunch, Digital Money, Rural area

Objectives of Research Paper:

1. To study the impact of demonetization on agricultural area and agriculturalists of rural India.
2. To study the impact of demonetization on rural India.

Introduction:

To eliminate the currency the government uses demonetization as a device. It is used in various adverse circumstances. There are multiple reasons why nations demonetize their local units of currency. To brush-off inflation, to brushoff corruption, and to dispirit a cash system are some reasons for demonetization. The process of demonetization includes either introducing new notes of the same currency or completely changing the old currency with new currency. Indian government adopted demonetization on 08 November 2016 to tackle with black money and make India a cashless digital economy.

Impact of demonetization on agricultural producer:

Demonetization has affected each Indian, but it has hit the farming sector badly. Agriculture in India accounts for 50 percent of the workforce. Farmers, who are the spine of our economy, were severely affected by the note demonetization of 8 November 2016. Agronomy is impacted through the input output channels as well as price and output feedback effects. Sale, transport, marketing and distribution of ready produce to mandis is dominantly cash-dependent. Agriculturalists suffered a setback due to national cash shortage and a fall in the demand for vegetables in wholesale markets. . Growers were not able to purchase inputs like seeds from market. They were using old seeds from the last year harvest and not purchasing new quality seeds from market.

In northern Indian states, the crop of rice was prepared. Some of the farmers had sold their crops, and some was in the process. It is true that almost crops are sold in cash the transaction which has been done is cash is to be deposited in the banks and can be withdrawn accordingly. The customers of rural farmer is not as advance as the urban middle class, which



can be easily managed with a very little amount of cash. The problem of the demonetization is largely associated with the rural areas of the country have lesser number of banks and ATMs compared to the urban areas and semi-urban areas. The problem was not the inaccessibility of the banks and ATMs, but the limit on cash which can be withdrawn. A farmer can take a day out from his busy schedule and manage to go to bank and get the cash back, however the limit on the amount withdrawal forces him to do that again and again and the banks in rural areas are some 20 or 30 kilometres the roads in rural areas can make it look like 50 kms. Repeating that 4 or 5 times in a week can be complete.

The impact of demonetization in rural world of India:

70 percent of Indian people are Rural Indians, who depend on cash. And so are daily wage workers, whether rural and urban areas are their workplace. So a large no. of people depended on cash money. And in the times of cash crisis, which unfortunately happened due to a surprise decision taken by the government of those people were hit very critically. All of a sudden their earning stopped, they couldn't trade with the old currency notes and people stopped hiring daily wage laborers, as they were unable to pay them. Purchasing power of people went down unprecedentedly. Daily wage earners didn't have a chance to eat twice daily. The monetary activities of middle lower class people almost stopped. A big hit to them. And the best part is they were innocent, they didn't have black money but they had suffering.

The impact of demonetization on farming sector and farmers of rural India:

In the Indian economy Farming plays an important role. Over 70 % of the rural households are depend on farming. 17% to the total GDP and employment to over 60% of the population is provided by farming. Thus, Farming is the spine of Indian economy. Raw materials for industries such as cotton textiles and sugar industries is provided by farming. The number of various agricultural commodities like tea, coffee, spices and tobacco constitute our main items of exports which account of 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. Farming has brought fame to the country. India holds first position in the world for the production of tea and groundnuts, Indian farming has registered speedy growth over last few decades.

Other necessary formalities are undertaken by the government which would ensure that the farmer does not have to commit suicide. If the income of peon working in government services and farmers of our country is compared since 1964, the income of peon has increased 1000 % and that of farmers by meagre 19%. Besides those negative effects of demonetization there is also hope of every Indian farmer upon demonetization that this historical step will concrete our economy and also fruitful for our country in future

The Various Effect Of The Demonetization On Farmers Are:

The various effect of the Demonetization would be positive for farmers are:

- The falling interest rates of banks started to decrease the capital cost and farm automation could be approached by the farmers.
- The mediators and commission agents blooming on black money will be minimized and farmers can directly deal with customers 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.
- Nutrients content will not be depreciated as quality of manure will be improved.
- 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 mandis. 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.

Future Challenges:

Agrarian sector is still lacking behind in terms of innovation and irrigation. It is often seen that innocent farmers are exploited by the mediators. It is to be seen in future government has in place for farmers in the future. Some of the impacts on guesswork would be:

- The government can invest in the agrarian structure as the recovery of black money is in billions.
- The rates of interest on loans are likely to fall. It will depend on how much the government does make recovery.
- Out of the money, the irrigation project can be funded. The government should try to reach out to the farmers of rural areas also. Otherwise, we might see rise in prices of the commodities. So, in a nutshell, the farmers in rural areas being distantly linked with banking channels will be hit hard.

Digital Banking For Financial Inclusion:

There is a continuing need for opening more branches in under-banked districts. As smaller towns and rural areas become part of the organized banking sector, it will lead to larger financial inclusion of all in the India's digital growth. With this digital linking, the banks will be able to cater to the increasing customer base not only in municipal cities but in rural area also.

Conclusion:

In fighting corruption, black marketing, and financing insurgency demonetization is a step of many other steps. However preparation for demonetization was lop-sided, and its impacts was terrible on Indian public. If 86% of cash is taken out, with a meagre amount available, all market transactions have been killed. Government has taken step to demonetized Rs 500 and Rs 1000 notes with an intention to rid the country of black money and dig out tax defaulters and black money holders. This move have major impact on the parallel economy but sudden announcement and failure to prepare in advance has created temporary anarchy and discomfort among the general public. Rural Men are finding it difficult to buy with no money in pocket, wasting hours in queues which although could have been avoided if planned in advance. Demonetization has affected every Indian, but the major effect is on the agrarian sector. The government should try to reach out to the farmers of rural areas also to come out from the various issues. It is more likely that the government would come up with solutions.

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