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RESEARCH ARTICLE

HARDSHIPS FACED DUE TO DEMONETIZATION IN RURAL PUNJAB

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ABSTRACT

The Government of India implemented a drastic change in the economic environment on 8th November, 2016, by demonetizing the high currency notes of Rs 500 and Rs 1000. Demonetization was a step taken by the honourable Prime Minister to eradicate black money or in other words to get rid of corruption in some way and to flush out the fake currency being in circulation from the economy. The objective of this paper is to deeply go through the issue of demonetization and to study the hardships being faced by the rural people due to demonetization. Various websites, journals, articles, write ups of famous personalities, news in newspapers have been consulted to write this paper. This paper concludes that respondents suffered very bitter experience of demonetization. According to the respondents demonetization was not a good step as they had problem in operating digital economy and also this process failed to generate fruitful results.

INTRODUCTION

The term demonetization is related to the bank currency. Demonetization refers to the ban of old currency where old money is considered as an illegal tender. This practice is done to wipe out the illegal cash being accumulated over the period of time in the system. The main objectives of the demonetization are to eliminate the black money, corruption, terrorism and fake currencies (Bansal 2017). Demonetization was tried by some other countries in the world like Nigeria (1984), Ghana (1982), Zimbabwe (2010), North Korea (2010), Soviet Union (1991), Australia (1996), Myanmar (1987), Great Britain (1971), Pakistan (2015), Zaire (1997) and United States of America (1969) out of which only Australia and USA were successful in their attempts. The demonetization was enforced on 12th January 1946 for the first time in India and secondly, on 16th January, 1978. Recently, it was announced by the government of India on 8th November, 2016 and declared that the high denomination old Rs 500 and Rs 1000 notes as not legal tender in the country. The government of India has also introduced new notes of Rs 200 and Rs 2000 in the country. The process of demonetization was a historic event. It was one such decision which affected the lives of a billion people directly and all at once. The announcement of demonetization was made by none other than the head of the government, Mr. Narendra Modi, the Prime Minister of India in which he announced Rs 14.18 lakh crore (trillion) of

currency as invalid and as a result of which the entire society was emptied of cash with sudden announcement as it was believed that in India, there is a rampant black money largely in the shape of currency note and this was termed as the bottleneck in the development of the country. Further, it was also believed that many people had hoarded the currency note particularly of Rs 500 and Rs 1000 denomination, beside investing it in a real estate. It is also believed that the act of demonetization has made the entire economy paralyzed (Mohan 2016; Muruthy 2016). After few days of demonetization, people in India in general and in rural area in particular suffered due to non-availability of cash and waiting in the long queues for days together to get the very limited amount of money (Kotnal 2017 ; Kumar 2017). The issue of demonetization has affected the various sections of the society in various forms. Agriculture constitute a major part of Indian economy and a big source of employment to our population. The agricultural scientists and agricultural economists had divergent views regarding the impact of demonetization on the farming community of the country. Many economists believed that demonetization may destroy a tiny part of the black wealth but it would not stop black income generation (Muruthy 2016). Similarly the farmers have been affected negatively because their only source of transaction was cash (Mohan 2016). The farmers generally suffered in the forms of low price of the products particularly of vegetables. Similarly, the agricultural labourers also suffered a lot after the demonetization as some of them lost their job while some were insecure of losing their jobs.

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Objective of the paper: The ultimate objective of this paper is to have a detailed view of the hardships being faced by the rural people due to demonetization.

RESEARCH METHODOLOGY

- The study was conducted in Rural area of Ludhiana district by selecting six villages from two blocks namely Ludhiana – II and Machhiwara.
- Three village from each block were taken for data collection. Data was collected from 30 farmers and 5 labourers from each selected village .
- The farmers of various categories i.e, Large, Marginal and Small were covered under the study.
- The total sample of the study was 210.
- Data was collected personally with the help of structured schedule.

Review of literature: Kotnal (2017) discussed about a descriptive study on the impact of demonetization on the Indian economy. According to him, with this sudden announcement made by PM, Mr. Modi, the common man has faced much hardship as more than 85 per cent of currency has been announced as illegal/invalid. Demonetization has surely hampered the current economy. According to the writer, demonetization will have positive long lasting effects and will strongly impact India's growth. The study was concluded with the question: Was the time of demonetization right? Jayasudha and Thangavel (2016) conducted a study to assess how the cash based retail business in India has been hit hard by demonetization as 500/ 1000 rupee currency notes were banned by the government. Facing huge decline in sale, small traders have been adversely affected. No doubt, demonetization was considered as a great move for the welfare of the society but it has created chaos all around but after the proper circulation of currency notes, the economy is expected to recover soon. It was made clear that, most of small retailers have faced many difficulties while dealing with the banks due to demonetization.

Bansal (2017) in his paper on the impact of demonetization on Indian Economy says that the reason behind the announcement of demonetization was simple as according to India's Ministry of Finance Rs 500 and Rs 1000 notes are being used for terrorism fundings and other illegal activities. Due to back to back draughts, agricultural growth was stagnant and was expected that it will grow in 2016, but due to demonetization, it could not as farmers were running out of cash to buy seeds, fertilizers etc. Daily supply transport system was also affected due to lack of cash as a result there was 25 to 50% reduction in sales. Demonetization also disrupted real estate market to a large extent. Narain and Asha (2016) analyzed the impact of demonetization of high denomination currency notes (HDCNs) i.e of Rs 500 and Rs 1000 respectively on the stability of Indian stock market. The current central government announced this sudden move to curb black money from the Indian economy by making Rs. 500 and Rs. 1000 currency as invalid and as only a piece of paper from 9th November, 2016 which resulted into short-term contraction of money supply in the economy. Therefore it can be said that this step taken by Modi government will have both short-term and long-term implication for the investors' wealth. Marriappan (2016) said that though demonetization has happened twice in India, but it was practiced on a large scale on 8th November, 2016.

Last two demonetizations happened before independence and as only higher class people had access to Rs 500, Rs 1000 and Rs 10,000 notes so it didn't had much impact on poor, middle or upper class people. According to him, demonetization has been the most necessary step for strengthening the entire Indian economy. It is an urgent implementation in Indian economy because Rs 500 and rs 1000 are calculated to be 13.5 lakhs of crores of circulation.

RESULTS AND DISCUSSION

Hardships faced by the farmers and labourers due to demonetization: The execution of demonetization could not have been as easy as its announcement on 8th November, 2016 by the central government. The people across the various parts of the country had experienced very bitter experience during the process of demonetization. The farmers and labourers are the two major segments of the rural masses; therefore, these segments of rural masses faced a variety of hardships during the process of demonetization. This section of the chapter highlights the various issues and hardships being faced by the farmers and labourers during the process of demonetization. The farmers and labourers were asked about the different types of hardships faced during demonetization like immediate reaction on announcement of demonetization, banking activities of the households, hardships in acquiring cash after demonetization etc. and the results are discussed under the following heads:

Awareness level of the respondents regarding demonetization: Awareness level of respondents were almost negligible before the announcement of demonetization, but all the respondents were well known about demonetization after its announcement on 8th November, 2016 and village fellow was the main source of information.

Immediate reaction on announcement of demonetization on household activities: After the announcement of demonetization, the main and immediate objective was to dispose-off the old currency. The people across the country followed many practices in this regard.

Panicness and incidence of depression among respondents after listening about demonetization: The announcement of demonetization spread panicness and depression among respondents and results presented above table indicated that more than half i.e. 56.67 per cent of the respondents in case of farmers and about third-fourth i.e. 76.67 per cent of respondents in case labourers reported panicness on the hearing of demonetization. It is evident that nearly eight per cent of the farmers and ten per cent of the labourers reported the incidence of depression among nears and dears due to demonetization.

Effect of demonetization process on banking activities of the households: As discussed earlier that disposing-off old currency and arranging of new currency was the major issue after the announcement of demonetization. Therefore, the banking activities of the households were observed to be badly affected during period.

Hardships faced by the respondents in acquiring cash after demonetization: Exchanging old currency and acquiring new currency was very different task during the period of demonetization.

Particulars	Farmers (n=180)	Labourers (n=30)
	Number	Number
Awareness about demonetization before 8th November, 2016		
Yes	2 (1.11)	- (-)
No	178 (98.89)	30 (100.00)
Awareness about demonetization after 8th November, 2016		
Yes	180 (100.00)	30 (100.00)
No	- (-)	- (-)
Source of awareness		
Radio	- (-)	1 (3.33)
TV	57 (31.67)	1 (3.33)
Village Fellow	73 (40.56)	23 (76.67)
Neighbours	48 (26.67)	4 (13.33)
Any Other (Friends)	2 (1.11)	1 (3.33)

Particulars	Farmers	Labourers
	Number	Number
Purchased households good (utensils, furniture, eatable goods etc.)	24 (13.33)	12 (40.00)
Durables goods (Refrigerator, TV, computers, car etc.)	11 (6.11)	1 (3.33)
Deposited in banks	121 (67.22)	17 (56.67)
Got petrol or diesel	9 (5.00)	- (-)
Bought gold	2 (1.11)	- (-)
Others (handed over to relatives, friends etc.)	13 (7.22)	- (-)
Total	180	30

Particulars	Farmers	Labourers
	Number	Number
Panicness among respondents on heard of demonetization		
Yes	102 (56.67)	23 (76.67)
No	79 (43.33)	7 (23.33)
Incidence of any depression reported by the respondents among near and dear ones		
Yes	14 (7.78)	3 (10.00)
No	166 (92.32)	27 (90.00)

Particulars	Farmers	Labourers
	Number	Number
Holding of old currency at the time of demonetization		
Less than Rs. 5000	67 (37.22)	15 (50)
Rs. 5000-10000	22 (12.22)	14 (46.67)
Rs. 10000-20000	23 (12.78)	1 (3.33)
Rs. 20000-40000	18 (10)	- (-)
Rs. 40000-60000	23 (12.78)	- (-)
Rs. 60000-80000	18 (10)	- (-)
> Rs. 80000	9 (5)	- (-)
Method of disposing off the old currency		
Deposited in banks	121 (67.22)	17 (56.67)
Purchased households good (utensils, furniture, eatable goods etc.)	24 (13.33)	12 (40)
Durables goods (Refrigerator, TV, computers, car etc.)	11 (6.11)	1 (3.33)
Got petrol or diesel	9 (5)	- (-)
Bought gold	2 (1.11)	- (-)
Others (handed over to relatives, friends etc.)	13 (7.22)	- (-)
Nature of your transaction these days		
Cash	128 (71.11)	28 (93.33)
Online/ATM	23 (12.78)	2 (6.67)
Cheque	29 (16.11)	- (-)

Particulars	Farmers	Labourers
	Number	Number
Days in getting cash from banks		
Four	40 (22.22)	- (-)
Five	10 (5.56)	4 (13.33)
Ten	13 (7.22)	26 (86.67)
>/ Ten	117 (65.00)	- (-)
Practices followed		
Standing in queues	153 (85.00)	28 (93.33)
link in banks	5 (2.78)	- (-)
Took from relatives	21 (11.67)	2 (6.67)
Any other	1 (0.56)	0 - (-)
Experience of demonetization		
Bad	29 (16.11)	3 (10.00)
Very bad	46 (25.56)	1 (3.33)
Worst	105 (58.33)	26 (86.67)
Perception about demonetization		
Yes	70 (38.89)	4 (13.33)
No	110 (61.11)	26 (86.67)

Particulars	Farmers	Labourers
	Number	Number
Response of the respondents regarding the scarcity of money being faced by them because of lack of cash		
Yes	44 (24.44)	25 (83.33)
No	136 (75.56)	5 (16.67)
Ability of the respondents to purchase two important items among the household food and non-food items		
FOOD ITEMS		
Vegetables	42 (95.45)	2 (8.00)
Cereals	-(-)	23 (92.00)
Fruits	2 (4.55)	-(-)
Pulses	-(-)	6(24.00)
NON FOOD ITEMS		
Clothes	2 (4.55)	-(-)
Medicines	7 (15.91)	2 (6.67)
Furniture	-(-)	-(-)
Electronics	-(-)	-(-)

Particulars	Number
Number of daily wager	29 (96.67)
Wages paid in time	4 (13.33)
Lost job	3 (10.00)
Discontinued from job	3 (10.00)
Felt threat to lose job	28 (93.33)
Problem to commute for	29 (96.67)
Access to ATM/credit/debit card	2 (6.67)
Bank access with in greater than 2 km	20 (6.67)
Bank access with in 1-2 km	10 (33.33)

Particulars	Farmers	Labourers
	Number	Number
Inadequacy of fertilizer	92 (51.11)	3 (50.00)
Untimely purchase of seed	83 (46.11)	3 (50.00)
Paying old bills	48 (26.67)	2 (33.33)
Paying salary to the servants	22 (12.22)	-(-)
Problem of selling animals	14 (7.78)	-(-)
Purchasing oil/petrol	54 (30.00)	-(-)
Selling of Kharif crops	23 (12.78)	-(-)
Decline in production of various crops	9 (5.00)	1 (16.67)

Particulars	Farmers	Labourers
	Number	Number
Delay in sowing	52 (28.89)	4 (66.67)
purchased poor quality of seed	48 (26.67)	2 (33.33)
Purchased poor quality of fertilizers	45 (25.00)	1 (16.67)
Less production of wheat	41 (22.78)	2 (33.33)
Non selling of green fodder	25 (13.89)	-(-)
Borrowed insecticides, pesticides etc. on higher prices and interests	47 (26.11)	2 (33.33)
Less production of milk from animals	42 (23.33)	1 (16.67)
Worked by self	49 (27.22)	1 (16.67)
Hiring of implements	50 (27.78)	3 (50.00)
Increased tension in the family	53 (29.44)	3 (50.00)
Engaged children in agriculture	13 (7.22)	2 (33.33)

Particulars	Farmers	Labourers
	Number	Number
No change	66 (36.67)	5 (83.33)
Suffered a lot	111 (61.67)	1 (16.67)
Able to purchased a property	1 (0.56)	-(-)
Able to sell a propertys	2 (1.11)	-(-)

Particulars	Farmers	Labourers
	Number	Number
Loan	96 (53.33)	-(-)
Used old currency	45 (25.00)	1 (16.67)
Borrowing from friends or relatives	27 (15.00)	5 (83.33)
Did not buy	6 (3.33)	-(-)
Any other	6 (3.33)	-(-)

Particulars	Farmers	Labourers
	Number	Number
Institutional sector		
Cooperative banks	120 (66.67)	2 (33.33)
Commercial banks	5 (2.78)	-(-)
Agricultural banks	26 (14.44)	-(-)
No response	29 (16.11)	4 (66.67)
Non-institutional sector		
Money lenders/commission agents	95(52.78)	1(16.67)
Relatives	22(12.22)	3(50.00)
Friends	9(5.00)	2(33.33)
Neighbours	8(4.44)	-(-)
No response	46(25.56)	-(-)

The above table represents the different types of hardships faced by the sampled respondents with respect to different practices on account of acquiring new currency. The sampled respondent reported that getting of cash or new currency was like the winning of war type situation during the period of demonetization.

Hardships faced by the respondents with regard to scarcity of money in acquiring food and non-food items: On the whole, the labourer's households were more sufferers in terms of scarcity of foods than that of farmers. This was due to the fact that the farmer households used to store cereals and pulses in every year as per their family requirement. Therefore, the level of hardships with regard to scarcity of food items was more among labourer households.

Hardships faced by the labourer with respect to livelihood earnings: Compared to farmers, the level of hardships was more among labourer households during the period of demonetization.

Demonetization and agriculture: Agriculture was the main occupation of the rural population. Most of the transactions with respect to agriculture were based on cash and farmers used to handle liquid cash for their day to day transactions. Therefore, it is very important to assess the impact of demonetization on various agricultural activities and this section of the chapter was focussed to explore the various problems faced by the farmers with respect to different aspects of the agriculture. The results are discussed as under:

Problem faced by the respondents with respect to agricultural operation after demonetization: In agriculture, sowing and harvesting of crop was the important operations. These two operations are labour as well as capital intensive and farmer need cash for the purchase of inputs and to pay out the services of labour used. It was noted that at the time of announcement of demonetization, the paddy crop was almost harvested and sowing of wheat crop (Rabi season crop) was in progress in the Punjab state. The sampled respondents had faced many problems and reported multiple responses in this regard..

Demonetization and problems in agriculture operation

Impact of demonetization on economic priorities with regard to agriculture (Multiple Response): As reported by the sampled respondents, the economic priorities were adversely affected due to demonetization.

Demonetization and mode of payment used to buy agricultural inputs, machines and implements: The method of payment to buy agricultural inputs, machines and implements during the period of demonetization was another important issue.

Approach of farmers for seeking help from institutional and non-institutional sources/agencies: Farmers needed genuine support to meet the financial requirements for operating farm operations in time. In general farmers used to approach two main sources namely institutional and non-institutional sources to meet their financial needs. The role of these two institutions during the period of demonetization on account of extending help to the farmers was very crucial and the results in this regard are presented in above table. It is indicated that co-operative banks among institutional sources, was the main source of extending help to the farmers during the period of demonetization.

Conclusion

The demonetization process was initiated with the aim to curb black money, corruption, terrorism, fake currencies and to promote digitalization of banking transactions. In India, large part of the population living in the rural areas and most of them used liquid cash for making all transactions. Therefore, the life of this section of the society was observed to be affected considerably during the period of demonetization. As perceived by the sampled respondents, the step of demonetization was fairly good in terms of curbing out the black money in the country. It was also presumed by the sampled respondents that digitization of banking operation was not easy and demonetization could not generate fruitful results at the end.

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