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EMPIRICAL STUDY OF DEMONETISATION IMPACT ON RURAL PUBLIC

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CERTIFICATE

This is to certify that the Project entitled **“EMPIRICAL STUDY OF DEMONETISATION IMPACT ON RURAL PUBLIC”** is genuine and bonafide work done by **D.DHARANI LAVANYA**, under my guidance and supervision for the submission to **St.Theresas College for Women**, Eluru under RUSA 2.0.

Project Guide

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I convey my sincere thanks to all the people concerned who have helped me directly or indirectly in successful completion of this project.

DECLARATION BY THE CANDIDATE

I hereby declare that the project report entitled “**EMPIRICAL STUDY OF DEMONETISATION IMPACT ON RURAL PUBLIC**” submitted by me to **St. Theresa’s College** for Women, Eluru under RUSA 2.0 Scheme is a bonifide project work carried out by me under the guidance of **Mr. SHAIK ALISHA**, Lecturer in Commerce, Department of Commerce. I further declare that the work reported in this project has not been submitted either in part or in full, for the award of any any degree in any other institute or university.

Narsapur

Date :

Signature of Candidate

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DEMONETIZATION

Introduction

The hope and future of a nation doesn't depend in itself. It depends solely upon the people and the government in power to propel the future of the nation, and at the same time giving hope to the people for a better tomorrow. However this comes with a price, a price which is too costly for one and all. On 8th November 2016, Government of India had announced that from that day onwards rupees 500 and 1000 rupee note will not be a legal tender. This means that 500 and 1000 rupee note will not be accepted by anyone except the organizations (Banks and Post-Offices) declared by government till December 31st, 2016.

Definition of Demonetization

Demonetization is the withdrawal of a particular form of currency from circulation. Through demonetization the old currency is replaced by the new currency or a currency circulation is blocked. There are multiple reasons why a country demonetizes its currency; some reasons include checking the inflation, to curb the corruption and to promote the cashless transactions, thus bringing transparency within all the existing legal transaction modes in the country, giving boost the country's economic development.

On November 8, 2016, the Prime Minister Narendra Modi announced the demonetization of the currency notes of Rs. 500 and Rs, 1,000. Further, the government gave people a period of around 2 months to deposit all currency notes of the said denomination with any bank. Today, we will talk about demonetization and its benefits.

Demonetization is a process of stripping a currency unit of its status as a legal tender. In simple words, when

the Government demonetized the 500 and 1000 rupees notes, they were no longer valid as legal currency. Usually, a new currency replaces the old currency unit/s.

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency.

The opposite of demonetization is remonetization, in which a form of payment is restored as legal tender.

Demonetisation is an act of cancelling the legal tender status of a currency unit in circulation. Anticipating positive changes on the liquidity structure as a whole, nations often adopt Demonetisation policy as a measure to counterbalance the current economic condition. Countries across the globe have used Demonetisation at some or the other point to control situations such as inflation and to boost economy. In November, Indian government banned the high denomination notes of Rs.1000 and Rs.500 as move to curb counterfeiting and money laundering.

Objectives of the Study:

- To procure knowledge about Indian banking .
- To study the emerging technology in Indian Banking Sector.
- To know recent developments in Indian Banking.
- To explain the banking scenario in India.

Methodology of the Study

This study is based on the analysis E-commerce scenario in India and the recent trends and opportunities in the E-commerce with the help of secondary source of data.

The secondary source of data are...

- E-commerce books
- Research papers
- Journals and reports on trends
- News papers, Magazines
- Relevant websites

Frame work of the Study

- Chapter one comprises theoretical view of Demonetization, objectives of the study, Methodology, frame work and limitations.
- Chapter two consists of The History of Demonetization around the world
- Chapter three consists of History of Demonetization in India.
- Chapter four consists of Impact of Demonetization in India.
- Chapter five includes Impact of Demonetization in Rural Public, Conclusion, Suggestions & Bibliography.

Limitations of the Study

Though the project is completed successfully but with a few limitations.

It is easy to collect secondary data, however we need to be aware of the limitations.

- The study is based on secondary data and secondary data can be general and vague.
- Limited knowledge about the E-commerce in the initial stage.
- Inability to get full information from the books.
- It might be originally collected for other purpose.

THE HISTORY OF DEMONETIZATION AROUND THE WORLD

In the world history, one can see several instances of the demonetization which were implemented in various countries of the world. Many of these countries accepted the policy of demonetization which was targeted to make the country's failing economy strong. The following segment briefly discusses some of the countries which underwent the purge of demonetization.

In India, this is not the first instance of demonetization. In 1946, the Reserve Bank of India had demonetized Rs. 1,000 and Rs. 10,000 currency notes which were then under circulation. In 1954, the Government introduced new currency notes of Rs. 1,000, Rs. 5,000, and Rs. 10,000. Further, these notes were demonetized in 1978 when the Moraji Desai Government decided to curb illegal transactions and anti-social activities.

The Government made many claims with respect to the objectives and outcomes of the demonetization scheme in 2016. These were:

1. It will plug financing to terrorists
2. It will help unearth black money
3. The unearthed black money will also expand the fiscal space of the government
4. It will help reduce interest rates in the banking system
5. It will help formalize India's informal economy, reduce the extent of cash transactions, and help in the creation of a less-cash economy.

The government offered several incentives to induce people to use digital transactions too.

Britain

Before 1971, pound and penny currencies were used to be circulated in Britain but to bring uniformity in currency; the government

stopped circulation of old currency in 1971, and introduced coins of 5 and 10 pounds. Though, government was continuously working towards this big change from last 2 years in the meantime they also prepared the citizens in advance of this impending change. Though Britain underwent demonetization but it had little impact upon the people and economy as of such, as the government gave sufficient time to people to have their money exchanged and also money was made available in all banks to ensure a smooth functioning of the country's economy.

Congo

Dictator Mobutu Sese made some changes with currency of Congo for the smooth running of economy during 1990s. However, these changes didn't give any better result of it in economy, as Congo was strife with corruption and ethnic war which resulted in prices of necessity goods rise exorbitantly and share market saw a heavy downfall. This sudden call of demonetization also led to the downfall of the dictator and with it mean end to the demonetization.

Ghana

In 1982, Ghana demonetized their 50 cedis note to tackle tax evasion and empty excess liquidity. This made the people of the country support the black market and they started investing in physical assets which obviously made the economy weak.

Myanmar

In 1987, Myanmar's military invalidated around 80% value of money to curb black market. The decision led to economic disruption which paralyzed daily activities and inflation rose up with it commodities began to disappearing sooner from markets which in turn led to mass protests and clashes with the military government that killed thousands of people.

This call of demonetization by the Burmese government proved very costly for the country and many economist calls it a poor decision as small traders and common public were the worst affected during this demonetization implementation.

Nigeria

The process of demonetizing the currency in Nigeria was done during the government of Muhammadu Buhari in 1984; Nigeria introduced new currency and banned the old notes. However, the debt-ridden and inflation hit country did not take the change well and the economy collapsed.

North Korea

The demonetization that happened in North Korea in 2010 left people with no food and shelter. Kim -Jong Il introduced a reform that knocked the face value of the old currency in order to banish black market. This however, was poorly planned and created an acute shortage of cash and supplies and North Korea was also criticized for testing nuclear missiles as a show of strength when the country was grappling and struggling with the new reform which crippled its affairs completely and many people starved to death.

Russia (formerly U.S.S.R)

Mikhail Gorbachev ordered to withdraw large ruble bills from circulation to take over the black market. However this attempt to recall the notes didn't go well with the citizens resulted into a coup attempt which brought down his authority and further the leading to Soviet Union breakup.

Understanding Demonetization

Removing the legal tender status of a unit of currency is a drastic intervention into an economy because it directly effects the medium of exchange used in all economic transactions. It can help stabilize existing problems, or it can cause chaos in an economy, especially if undertaken suddenly or without warning. That said, demonetization is undertaken by nations for a number of reasons.

Demonetization has been used to stabilize the value of a currency or combat inflation. The Coinage Act of 1873 demonetized silver as the legal tender of the United States, in favor of fully adopting the gold standard, in order to stave off disruptive inflation as large new silver deposits were discovered in the American West. Several coins, including two-cent piece, three-cent piece, and half dime were discontinued. The withdrawal of silver from the economy resulted in a contraction of the money supply, which contributed to a recession throughout the country. In response to the recession and political pressure from farmers and from silver miners and refiners, the Bland-Allison Act remonetized silver as legal tender in 1878.

In a more modern example, the Zimbabwean government demonetized its dollar in 2015 as a way to combat the country's hyperinflation, which was recorded at 231,000,000 percent. The three-month process involved expunging the Zimbabwean dollar from the country's financial system and solidifying the U.S. dollar, the Botswana pula, and the South African rand as the country's legal tender in a bid to stabilize the economy.

Some countries have demonetized currencies in order to facilitate trade or form currency unions. An example of demonetization for trade purposes occurred when the nations of the European Union officially began to use the euro as their everyday currencies in 2002. When

the physical euro bills and coins were introduced, the old national currencies, such as the German mark, the French franc, and the Italian lira were demonetized. However, these varied currencies remained convertible into Euros at fixed exchange rates for a while to assure a smooth transition.

Lastly, demonetization has been tried as a tool to modernize a cash-dependent developing economy and to combat corruption and crime (counterfeiting, tax evasion). In 2016, the Indian government decided to demonetize the 500- and 1000- rupee notes, the two biggest denominations in its currency system; these notes accounted for 86 percent of the country's circulating cash. With little warning, India's Prime Minister Narendra Modi announced to the citizenry on Nov. 8, 2016 that those notes were worthless, effective immediately – and they had until the end of the year to deposit or exchange them for newly introduced 2000 rupee and 500 rupee bills.

Chaos ensued in the cash-dependent economy (some 78 percent of all Indian customer transactions are in cash), as long, snaking lines formed outside ATMs and banks, which had to shut down for a day. The new rupee notes have different specifications, including size and thickness, requiring re-calibration of ATMs: only 60 percent of the country's 200,000 ATMs were operational. Even those dispensing bills of lower denominations faced shortages. The government's restriction on daily withdrawal amounts added to the misery, though a waiver on transaction fees did help a bit.

Small businesses and households struggled to find cash and reports of daily wage workers not receiving their dues surfaced. The rupee fell sharply against the dollar.

The government's goal (and rationale for the abrupt announcement) was to combat India's thriving underground economy on

several fronts: eradicate counterfeit currency, fight tax evasion (only 1 percent of the population pays taxes), eliminate black money gotten from money laundering and terrorist-financing activities, and to promote a cashless economy. Individuals and entities with huge sums of black money gotten from parallel cash systems were forced to take their large-denomination notes to a bank, which was by law required to acquire tax information on them. If the owner could not provide proof of making any tax payments on the cash, a penalty of 200 percent of the owed amount was imposed.

The Impact of Demonetization around the world

As discussed within the previous section, various countries of the world underwent the purge of demonetization. Though in some countries the impact of demonetization was barely noticed as the government had adequate buffer stock of cash in place and also had prepared the common masses for this change, but some countries implemented demonetization without any proper safety checks in place, in views of a renewed strong economy, however this in turn became the worst nightmare for them and resulted in the decline of some governments and people were left grappling with little or no money which were not been circulated yet.

The move of demonetization was criticized by the global economists who argued that the implementation of such measures can be hazardous and potentially lethal to a country growth and economy for the next few years but if the government aims to brings transparency and curb malpractices within the country then it should reconsider alternatives and re-check and plug the existing flaws with the organized system.

HISTORY OF DEMONETIZATION IN INDIA

The first wave of demonetization occurred in the year 1946, on 12th January Rs.1000 and Rs. 10,000 which were in circulation were demonetized primarily to stop unaccounted money. The government through this drive collected Rs.134 crore of the total Rs.143 crore available in the market (according to RBI estimates), only Rs.9crore was not exchanged therefore demonetized.

It turned out to become more like a currency conversion drive as the government couldn't achieve much of profit in the cash-strapped economy at that time.

The second wave of demonetization happened in the year 1978, during the reign of Moraji Desai, when the Wanchoo Committee appointed by the government decided to recall the re-introduced Rs.1,000, Rs.5,000 and Rs.10,000 entirely from the cash system as the country was going through a difficult time. In 1965, despite India winning the Indo-Pak war, the military expenditure pushed inflation close to 7%.

The third wave of Demonetization occurred in the year 2016 on November 8th, the Modi-led government had controlled the inflation, made India more investment friendly, and getting strong leaders on board, we didn't have much of a problem like in 1946 and 1978. It was a kind of Swacch Bharat Abhiyan drive by the government to get more perspective points and reduce black money effect on the economy controlled by some powerful politician and businessmen. The master stroke of this demonetization was the announcement was done by Mr.PM at 8 pm IST rather by the RBI in the morning. Most of the businesses were shut for the day and people were wrapping up from their day's work. Banks remained closed for the next day paralyzing the country. Black money

hoarders couldn't find a way out to funnel the black money, making it a fool proof plan to nab all the hoarders under the tax radar.

In 2012, the Central Board of Direct Taxes recommended against demonetisation, saying in a report that "demonetisation may not be a solution for tackling black money or shadow economy, which is largely held in the form of benami properties, bullion and jewelry. According to data from income tax probes, black money holders kept only 6% or less of their wealth as cash, suggesting that targeting this cash would not be a successful strategy.

Demonetisation process

Preparation and announcement

The plan to demonetise the ₹500 and ₹1,000 banknotes was initiated between six and ten months before it was a report by the State Bank of India analysed possible strategies and effects of demonetisation. In May 2016, the Reserve Bank of India had started preparing for new banknotes and confirmed the design of ₹2,000 banknotes in August 2016. The printing of new banknotes started in October when the news stories of forthcoming new banknotes appeared in the media. On 27 October 2016, the Hindi daily Dainik Jagran published a report quoting RBI sources speaking of the forthcoming of ₹2,000 banknotes alongside withdrawal of ₹500 and ₹1,000 banknotes. On 21 October 2016, The Hindu Business Line had also published a report on forthcoming ₹2,000 banknote.

The Union cabinet was informed about the plan on 8 November 2016 in a meeting in the evening called by the Indian Prime Minister Narendra Modi. Soon after the meeting, Modi announced the demonetisation in an unscheduled live national televised address at

20:15 IST. He declared circulation of all ₹500 and ₹1,000 banknotes of the Mahatma Gandhi Series as invalid effective from the midnight of the same day, and announced the issuance of new ₹500 and ₹2,000 banknotes of the Mahatma Gandhi New Series in exchange for the demonetised banknotes.

Information leaks

Prominent businessmen stated after the announcement of demonetisation that they had received prior warning of the move, allowing them to convert their money into smaller denominations. A BJP MLA from Rajasthan, Bhawani Singh Rajawat, claimed in a video that wealthy businessmen were informed about the demonetisation before it occurred. He later denied making the comments.

Cash exchange and withdrawal

People gathered at ATM of Axis Bank on 16 November 2016 in Mehsana, Gujarat to withdraw cash following deposit of demonetised banknotes in bank.

The Reserve Bank of India stipulated that the demonetised banknotes could be deposited with banks over a period of fifty days until 30 December 2016. The banknotes could also be exchanged for legal tender over the counter at all banks. The limit for such exchange was ₹4,000 per person from 8 to 13 November, was increased to ₹4,500 from 14 to 17 November, and reduced to ₹2,000 from 18 to 25 November. The exchange of banknotes was stopped completely on 25 November, although the government had previously stated that the volume of exchange would be increased after that date. International airports also facilitated an exchange of banknotes for foreign tourists and out-bound travelers, amounting to a total value of ₹5,000 per person. Fuel

pumps, government hospitals, railway and airline booking counters, state-government recognised dairies and ration stores, and crematoriums were allowed to accept the demonetised banknotes until 2 December 2016.

Cash withdrawals from bank accounts were restricted to ₹10,000 per day and ₹20,000 per week per account from 10 to 13 November. This limit was increased to ₹24,000 per week from 14 November 2016. Limits on cash withdrawals from Current accounts/ Cash credit accounts/ Overdraft accounts were withdrawn later. RBI increased the withdrawal limit from Savings Bank account to ₹50,000 from the earlier ₹24,000 on 20 February 2017 and then on 13 March 2017, it removed all withdrawal limits from savings bank accounts.

A daily limit on withdrawals from ATMs was also imposed varying from ₹2,000 per day until 14 November,^[47] and ₹2,500 per day until 31 December. This limit was increased to ₹4,500 per day from 1 January,^[48] and again to ₹10,000 from 16 January 2017. From 17 November, families were allowed to withdraw ₹250,000 for wedding expenses. Farmers were permitted to withdraw ₹25,000 per week against crop loans.

Ordinance and Act

The Specified Bank Notes (Cessation of Liabilities) Ordinance, 2016 was issued on 28 December 2016, ending the liability of the government for the demonetised banknotes. The ordinance also imposed fines on people found carrying out transactions with them after 8 November 2016, or holding more than ten of them after 30 December 2016. It provided for the exchange of the banknotes after 30 December for people who had been outside India between 9 November and 30

December. The Specified Bank Notes (Cessation of Liabilities) Act, 2017 was notified on 1 March 2017, replacing the ordinance.

IMPACT OF DEMONETIZATION IN INDIA

The demonetization rule implemented in the year 1946 and 1978 had some significant impact on the country economy for quite a few years but the current government was adequately prepared to handle the situation and the government also introduced newly minted notes and coins to continue cash transactions which barely impacted the common people and the small time businesses alike.

However the rule of demonetization implemented by the current BJP (Bharatiya Janta Party) on the government 8th November, 2016 had an adverse effect on India as whole. This scourge of demonetization took everyone unprepared and everything changed instantly overnight, bring business and foreign exchange trade to a halt.

Business Sector

The third wave of demonetization in 2016 impacted the business sector tremendously. The traders who were closing down their businesses for the respective day on November 8th, 2016 were in for a rude shock of their entire lives. Though the traders had faith in government that the chaos would be resolved and normalcy would return within a week's time but however, that didn't happen. Traders began seeking ways to exchange their black money into smaller denominations in lieu of small processing fee, also known as "*Ghodsa*" where traders look out for each other and some traders indulge in lending/exchanging money for others in difficult times.

This demonetization ban came during the time of festivities where every business section of the society had hopes of making a profit, as Diwali, Christmas and New Year were round the corner.

The worst affected traders were the small traders and traders who did business on day to day basis. Instead of selling their wares, they were seen running to banks and standing for long hours in front of ATMS

which impacted their business and also without adequate cash coming into the market; they too were forced to reduce their prices for their wares thus adding additional burden to their living.

Though the newly introduced Rs.2, 000 was aimed to provide some relief to the common masses but lack of adequate change for the same amount left everyone fuming in rage. Traders from various markets around the country began to stir protests, rallies and dharnas, chanting “*Modi tere raj mein, katoraaagayahaathmein!*”(Modi, under your rule, we are now reduced to holding begging bowls in our hands).

The traders also protested against the use of Paytm and other mobile banking apps, where traders allege that they will not get even profit if they use paytm and other payment gateway options and in the small business such as clothes store and provision stores where 90% of the dealings are dealt with cash and small time traders who are not tech-savvy are in a fix whether to use this electronic gateway or just reduce to prices to get the business going till things return to normal. Other traders raised concerns on the safety and security/privacy of using online transactions and how far it will be safe as many gateways are unguarded and are private institutions where data breach and hacking issues persist.

However, majorities of the business community are happy with demonetization move and are willing to tough it out as they believe that by this move the country's economy will boost and the black money hoarders will be brought out to light.

Public Sector

The call of demonetization didn't spare the public sector units such as cash trading institutions, stock exchange, banks and post offices. Though the government announced that the common masses had time till December 31st to deposit their demonetized notes in various banks and post offices. But this also brought difficult challenges to the nationalized

and private banks who were not financially prepared to handle the surge of people who rushed in with hope to deposit their old demonetized notes and get hold of the new currency to make life easier, but banks were not having sufficient cash to disburse to people who kept pouring in.

Many people returned empty handed as ATMS across the country had run dry of money or ATMS were out of order. The finance minister in his address to media on the whole demonetization process said that it would take 3-4 weeks to recalibrate the entire ATMS to issue newly minted Rs.2,000 notes. The RBI too began to send money to various banks to ease the cash crunch in banks and ATMS but that too didn't help much either.

The more disturbing issue was when I-T department began to raid on certain people, business merchants and institutions, unaccounted money in new currency denominations of Rs.2000 were found.

The people began to raise questions on the motives of banks and on the government as to when the common man is not able to get money by standing in queue for long hours, then how these people who barely come to banks have already received money in new denominations.

Some crafty minded people also seized the moment and used the demonetization as an escape route to pay their pending interests on bank loans and other mortgages in the already demonetized notes and were seen as additional burden by the banks as the banks looked for smaller denominations which can be given to people immediately.

This plan of demonetization had hit hard on public sector has no one ever imagined the toll it would take on banks and other institutions and RBI too was found wanting and under pressure to issue new notes to various banks. The entire month of November and December were just too difficult for most people as many banks and ATMS still waited for adequate cash within their strong rooms and give the same to people.

Industrial Sector

This sector contributes the maximum economy to the country overall growth and development but this sector too came under the crunch of demonetization. Industries depend on daily cash transactions were the ones who were badly hit and the lack of adequate materials on site made production work slower, thus putting pressure on the industries who wanted to make a profit.

Many industries in a bid to get rid of black money employed their workers to stand in queues to get their cash deposited into their (workers) account in lieu of a small cash percentage and the same will be taken back when the scrutiny of I-T department goes cold. Thus losing out on a day's profit and business.

The entrepreneurs of small and tiny/micro industrial units in different parts of the country are apprehensive as to whether they can make cash payments to their workers between December 5 and 10- the usual disbursement period. They are facing a massive cash crunch in wake of demonetization. In particular as they have to pay the migrant workers and laborers from Bihar, Jharkhand, Odisha and West Bengal who don't have an identity proofs such as ration cards or Aadhar cards. And hence cannot open bank accounts. Their wages have to be paid in cash.

Many factory owners vehemently resented the imposed weekly cash withdrawals of Rs.50,000 from their current accounts. They have requested the center to increase the cash withdrawal limit to Rs.2 lakhs. Though some of the established industrial units made cheque payments to their employees but employees would face the same kind of inconvenience people were dealing with across the country; inability to withdraw cash and get change for higher denomination notes and long queues outside banks and ATMS. However every industry owner or association president made a similar comment that if the demonetization

had been planned in better way, then much of inconvenience would have been avoided in the first place.

Agricultural Sector

According to a survey of the National Sample Survey Office (NSSO) in 2012-2013, the average monthly income of an agricultural household was Rs.6,426. The average monthly consumption expenditure per agricultural household was Rs.6,223.

Demonetization has disrupted agricultural supply chains and hit even the meager incomes agricultural households earn. November is the month when kharif harvests reach the local wholesale markets (mandis). But the cash crunch has prevented the smooth sale of harvest by farmers. In some regions traders have not picked up farmer's harvest from fields and yards. In other regions throughout the country similar stories are emerging and farmers are forced to sell at a lower-than-market price to traders or sell in exchange of the demonetized currency of Rs.500 and Rs.1000. those producing perishable commodities and who do not have access to storage facilities are among the worst affected.

Cash crunch was more acute owing to near-shutting out of the cooperative bank network from the purview of cash exchange. Yet, after November 8, primary cooperative societies were not allowed to either exchange old notes for new notes or provide fresh crop loans with new notes or even accept repayments of outstanding debt in old notes. The primary societies were also not allowed to exchange their existing stock of old Rs.500 and Rs.1000 notes with either the Reserve Bank of India (RBI) or banks. In absence of cooperative credit, moneylenders are emerging as new sources of finance for rural households.

Demonetization decision has seriously hurt agriculture and its allied activities and the rural economy will take a long time to recover from the shock. The farmers and traders are forced to re consider other

options as most of them have given up hopes of having any harvest in the coming season owing to the lack of cash and good pedigree seeds which would yield a bumper crop.

Non Profit Organizations

Demonetization has also influenced several nonprofit agencies that depend on cash or kind transaction to maintain their institutions. The certain cash withdrawal limits imposed by the government agencies also have added to misery woes of these institutions that have to pay for basic necessities, utilities and other additional expenses.

Most of these organizations were seeing looking for viable options to brave it out for few days till cash normalcy resumed, whereas other organizationsthat were entirely depended on foreign funds were seenanxious as to what the outcome would be. SOS children's village, Lions Club, Rotary Club who engage in various philanthropic activities were concerned as how this move of demonetization by the government impact their activities and outreach programs.

The acute cash shortage and the lack of adequate sponsor to these organizations during these times were difficult and many sponsor aided programs were dropped or were merged with government's child and welfare committee who would then oversee the programme and would lead the project hereafter.

Many projects were left in the lurch and were uncertain of whether the trainers and the members of these certain projects would be paid

Religious Organizations

The scourge of demonetization of November 2016 didn't see caste or creed and even certain religious institutions came under it wrath. The Christian community in India and the churches around various parts of the country were gearing for the Christmas celebrations when the move of demonetization was called.

The church as institution was found in wanting as they had some petty cash in hand for church repairs and decorations in connection to the programs for Christmas , church anniversary and other requirements, but now those cash were already demonetized and church found it difficult to maintain a steady cash flow for the workers employed for some purpose.

Christian organizations also had a difficult time in managing their projects as all have had come adversely under demonetization as many sponsors (local and foreigners) deposit cash in their accounts directly and since these institutions are exempted under the I-T 80 G, 10 G/ 10 A, so they are not much impacted however, they are now unable to withdraw cash for their usage in paying utility bills or other things. Though demonetization hasn't impacted much the religious structures but it has definitely put brakes on certain religious celebrations by the people and has brought them to realize the importance of money. The Tirumala Devasthanam of Tirupathi provided relief for the devotees by still accepting old demonetized notes as offering and also making adequate arrangements for their cash to be converted into smaller denominations for their ease.

There were also reports of some churches in Mizoram, who didn't accept the already demonetized notes and some of the churches in Goa were raided by the Income Tax department. Churches in Kerala began to open up their offering boxes for people to have their notes exchanged into smaller denominations and once again the church also showed solidarity with people by standing with them during the pressing need of hour.

The Impact of demonetization on the Poor, Dalits and Tribals

The rude shock of demonetization has severely troubled the economically weaker section of the society. These people group are mostly daily wage workers, laborers and small time business persons who are bearing the brunt. Most of them have no or little access to government

facilities of opening a bank account as most of them are lacking identity proofs and if they have any bank accounts at all, then they are unable to withdraw or make an deposit owing to the ongoing tussle at the banks.

These people who are employed by farmers, factory owners, and are engaged for building construction have their payment wages in form of cash either by the end of day or by the end of the week, and they use this cash to buy provisions for the family. But most of these people who had old demonetized were able to exchange some of it through the local moneylenders and used them sparingly, however, when there is a need of cash and they rush to bank to withdraw the few hundred rupees but return dejected and frustrated as they are denied to access their own hard earned money.

Some of their employers were merciful and paid them either in form of crops (rice, dal) or in kind, but those who were involved in business within local village weekly bazzars and had brought huge amount of supplies eyeing a good sale on the occasion of festivities are faced with an uncertainty as they have nowhere to go and because of the demonetization many of the local traders of crockery, dress materials and other household items are forced to sell their items at a very low prices which is putting their business under the risk and their lives at stakes.

The Church's response towards demonetization

Many individuals and families in many countries have lost their faith and have insecurity feelings because of demonetization. The Christian mission is always challenged by secular governments and powers in charge of country's affairs. The presence of uncertainty and questions about the future of one's family and their well-being during these troubled time have made people broken hearted. The demonetization move was made by the government to bring smooth and

fair transparency in transactions across the country, and bring black money to India; however this demonetization has influenced one and all. God is still at work correcting the oppression of the poor and in the New Testament; Christians believe that God has revealed Himself in Jesus of Nazareth. His words in the Synagogue at Nazareth were completely for the poor. He read the scripture from the prophet Isaiah. The mission of the incarnation was to free the oppressed and to heal the blind. It was also to preach the gospel to the poor. Certainly the gospel He proclaimed was for all, but it was particularly concerned for the poor.

The church in these times of uncertainties and doubts should lead the people in having trust on their governments as Paul rightly puts in Romans Ch. 13 the Government are appointed by God and one should trust their decision in hopes of a better future. The church should also identify with others who are suffering without any cash or supplies and it should open her doors of mercy and offer the healing and restoration in the society during the troubled times.

In these troubled times, the church should provide counseling and provide some relief material to weaker section of the society and also the church can also assist them in helping their old currency exchanged at the banks.

The church should try to accommodate some Christian mission projects which have been affected by the demonetization drive and include them in its on-going Christian community development programs which focuses on spiritual & physical needs (food, health, sanitation, and education), and aims to bring a group to a place of self-sufficiency, spiritually & physically.

The church should work in close quarters with the government and help them to assess the situation and give them actual findings which would help the agencies involved in financial matters from the

government to get adequate help. The Gospel demands of the Christians to evolve a new social economic order, Stephen was appointed as a social worker but was also a great preacher that he became the first martyr. We find that social involvement is an integral part of the Christian Gospel. Thus Christian and the church ought to focus more on social action in order to have a peaceful and just society where everyone is treated equally.

Effects of Demonetisation on various sections of Indian Economy

Demonetisation, that sent a shockwave across the Indian economy, completes one month since its announcement on the midnight of November 9. To uproot the problems of corruption, black money, and counterfeiting, Prime Minister Narendra Modi orchestrated this master plan which has reportedly swept off a mammoth portion of India's monetary base. It is anticipated that this surgical strike on black money will also increase cashless transactions in the country and untie all knots in tax collection. But on the other hand, rural households and elder citizens have been worst hit due to the sudden monetary reform. The decision to scrap all Rs.1000 and Rs.500 notes have made it to headlines all over the world, attracting both positive and negative comments.

Demonetized currency and small savings schemes

Government has notified banks to not accept the discontinued currency notes for deposit in small saving schemes. However, no reasons have been specified for such a move by the competent authority. Small savings schemes are one of the most sustainable financial options which provide greater returns with low risk factor. Some of the popular savings schemes are KisanVikasPatra, SukanyaSamridhi, Post Office Savings Schemes, etc. For those without access to banks, cash transactions are the only practical means to meet their everyday requirements and for small

scale investments. The statement also mentions that Post Office accounts have been excluded from the rule imposed on small savings schemes.

Impact of Demonetisation on Indian economy

In a country where 85% of transactions take place by cash, cancelling the legal tender character of two high denomination banknotes arises a lot of questions. The service sector in the country that depends mostly on cash transactions will be adversely hit because of Demonetisation. Not to mention, the consumption activity of India has come to a screeching halt. This drop in economic activity could last for a few months and as a result, GDP could fall significantly from the previous year's values.

Even as country faces the greatest financial crunch of all times, some analysts predict the economic conditions to stabilize in a few quarters. Deutsche bank and Goldman Sachs expect India to join the list of the fastest growing economies by next fiscal year. An improved monsoon season in 2017 can favor agricultural economy of the nation, which in turn will add to the financial recovery as a whole. Economists also predict that the decision to scrap high-value currency notes will lead to GDP growth by 2%.

Effect of Demonetisation on bullion market

Demonetisation is expected to bring sharp changes in the prices of gold, and it is likely to start reflecting from the first quarter of 2017. At present, gold rates are not being announced by most of the jewelers due to dampening trade. Recently, government also announced the exemption limits on gold ornaments as the next giant move to curb black money. The notification comes within weeks after invalidation of Rs.500 and Rs.1000 notes. The following restrictions have been placed on the possession of gold:

- A married woman in India cannot keep more than 500 grams of gold in custody
- The limits for unmarried women are 250 grams
- Male members of the family can keep only 100 grams of gold.
- The rule is not applicable for legitimate gold belongings

Effects of Demonetisation on real estate

The unorganized sector will be largely affected by the invalidation of the higher denomination currency notes. However, there won't be much of a change in the primary real estate market as property buyers make purchases either in the form of cheques or through loans. The impact of Demonetisation may be felt in secondary markets where most of the property dealings happen through cash. The currency reform is likely to yield positive results in the real estate sector with increased transparency in dealings. More opportunities can be expected from debt investment, private equity, and FDIs as well.

Demonetisation impact on equity and mutual funds

The effect of Demonetisation on equity funds is expected to be positive with more money entering the organized system of financial transactions. If cash flow across the nation is fully tracked, equities will strengthen significantly, as more people will invest in equity linked savings schemes to save on taxes.

Tax to GDP ratio

In an economic survey conducted last year, the tax to GDP ratio of India was found to be at 16.6%, which is comparatively low when compared to emerging markets across the world. But with deposits drifting away from the unorganized zones and getting channelized to banks, the tax to GDP ratio is expected to rise drastically. Analysts also predict a significant rise in the tax collection percentage, as all financial

transactions will be under the scanner. Owing to the same reasons, government may also reduce tax rates.

Jan Dhan accounts

At present, the contribution of Jan Dhan accounts in terms of deposits has been significantly low in the overall banking domain. But post Demonetisation, these idle accounts are witnessing a steep surge in deposits. Another positive side of the Demonetisation is that government's financial inclusion plan will gain momentum with a large number of people—including those from rural areas—opting for bank-based transactions.

E-wallets getting a major push

With the cancellation of Rs.500 and Rs.1000 currency notes, e-wallet companies such as Paytm, PayU India, Mobikwik, etc. are witnessing a sudden rise in their daily transactions. Demonetisation will also have an impact on the hiring needs and other business functions of these companies. Even app-based cab companies are launching their promotional materials to encourage cashless transactions.

Pre-owned vehicles market

Sales activities in the in used vehicle market is expected to decline following the Demonetisation move. This can adversely affect the original manufacturers to a certain degree, as prospective buyers may not find it easy to discard their old vehicles and go for a new one.

Effect of Demonetisation on interest rates

As a result of increased liquidity, RBI is likely to cut down the rates of interests applicable on fixed deposits, recurring deposits, and the like. Since banks are sure to accumulate huge deposits in the months that follow, the borrowing cost for Banks will be reduced. This benefit will be

extended to customers in the form of lower interest rates on loan products.

Cement and steel industry

A temporary decline in sales can be observed in the cement and steel sectors which are closely linked to real estate. A closer look at the situation reveals sizeable impact of Demonetisation on construction industry—daily wage earners being the worst sufferers. However, with an increase in bank deposits complementing the savings rate, the short-term difficulties will be outstripped soon.

Short-term effect on GDP

Reduced consumer demands owing to dulled cash flow will trigger a considerable decline in GDP figures for a few quarters. The effect of Demonetisation on the above-mentioned industries such as construction, gold, and other secondary markets will be reflected in GDP. But, the situation will be under control once cash flow is normalized in these areas of business.

IMPACT ON DEMONETIZATION ON RURAL PUBLIC

India's 263 million farmers live mostly in the cash economy (Jadhao, 2017), Agriculture in India is dependent upon cash transaction. Marketing, Sale, transport, and distribution of ready produce to wholesale centers is dominantly cash-dependent. The decision to demonetize the high currencies came in such a time when the farming fraternity of the country was either engaged in the post-harvest operation of Kharif crops and sowing of Rabi crops. Both these operations require a huge amount of cash for its conduct. Thus, the decision to demonetize at this time has affected the farming community worst (Bisen et al.,2017) All farmers" even leading landholders faced issues like paying daily wages to labors, No cash available for purchasing agricultural requirements for growing crop sand selling harvested produce. Farmers were unable to purchase inputs like certified quality seeds from market. Farmers suffered a setback due to nationwide cash crunch and a collapse in the demand for vegetables in wholesale markets.

Fruit and vegetable farmers were badly hit. They need cash on a daily basis to purchase inputs like pesticides, fertilizers and hired labour for the harvest and also to transport and sell at urban centers. Insufficient cash with farmers leading to less than optimal use of inputs which resulted in reduced sales, higher wastage, lower yields, and lower price realization. The farmers who take loans to buy raw material for growing crops faced a big problem. Failure to get a reasonable price on their produce, made it worst for farmers. Small farmers suffered a cash-crunch due to demonetization, as many have crops lying around, but with no buyers whatsoever. The prices in consumer markets were higher, but in villages there were no buyers for the harvested crop.

Inventories of commodities were piling up due to lack of buyers in the village market (Reddy 2017).

Farmers generally depend on cooperative banks for formal financing but these banks were barred from exchange-deposit of demonetized currency. Interruptions in the supply chains feedback to farmers as sales fall, rising wastage of perishables, decrease in revenues that exhibits trade dues instead of cash in hand and when credited into bank accounts with restricted access affect the sector are other problems faced by farmers. Farmers were not able to withdraw the needed cash from their accounts, and not getting crop loans. Farmers don't PAN cards which was necessary for bank transactions above Rs.50,000. Hence all the transactions above Rs.50,000 were badly affected as farmers are unable to transact through cash. Most of the APMC markets (more than 50%) in the rural areas don't have banks and also ATMs. Incidence of delay in payment to the producers in the market was also reported.

Small and marginal farmers were most affected in contrast to large farmers in case of sowing, purchase of inputs and sale of agricultural commodities. Among commodities, farmers dealing with perishables were more affected than who dealt with grains. However, wholesalers were most affected in grain markets & retailers in fruits and vegetable markets. Consumers have used more than one mode of payment to deal with cash crunch situation but, the lower income class people and those who did not use alternative payment methods (e-payment) were affected most.

Bisen et al (2017) reported that farmers have faced the problems like delayed payment for produce, payment in parts, absence of aggregators in the village for a while, the absence of transportation,

bumper harvest and unavailability of adequate storage infrastructure. When the withdrawals from banks were limited the farmers were unable to draw cash to pay their labors which result on postponing their works and get the labors jobless for days or months. The small farmers did not have bank accounts, so such farmers were largely affected at the time of demonetization. Demonetization adversely affected agriculture sector and other industries which are dependent on agriculture. These impacts make the farmers to depend on illegal money lenders and black marketers to cater their transaction needs (Sumathy and Savitha 2017). Many farmers are illiterate or unaware regarding bank procedures so it was difficult for them to learn and do it in fast manner as per changing decisions of government about cash withdrawal limits from Banks. (Undale and Gaggad 2016).

Demonetisation has affected every Indian, but it has hit the agricultural sector badly. Agriculture in India accounts for 50 percent of the workforce. Farmers, who are the backbone of our economy, were severely affected by the note demonetization of 8 November 2016. Agriculture is impacted through the input output channels as well as price and output feedback effects. Sale, transport, marketing and distribution of ready produce to mand is is dominantly cash-dependent. Farmers suffered a setback due to nationwide cash shortage and a fall in the demand for vegetables in wholesale markets. . Farmers 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 have 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 consumers

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 exhaustive. However, the limit has been exceeded than before and government is taking other necessary formalities 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 Demonetisation would be very positive for farmers 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 mandies. 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 step of many steps in fighting corruption, black marketing, and financing insurgency. However preparation for demonetization was lop-sided, and its impact was terrible on Indian public. If 86% of cash is taken out, with a meagre amount available, all market transactions have been killed. The people, who were targeted, did not come on streets, but common folk are out from their work places as well as homes. , Somebody put a parable on social net. For killing ten crocodiles, government pumped out all water from the pond results killing ten thousand fish in pond but Crocodiles walked off on dry sand. With an intention to rid the country of black money and dig out tax defaulters and black money holders, government has taken step to demonetized Rs 500 and Rs 1000 notes. This move will have major impact on the parallel economy but sudden announcement and failure to prepare in advance has created temporary chaos and discomfort among the general public. Common 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.

Most of the people in rural areas were getting daily wages, so it was difficult for them to compromise their wages in order to stand in the queue to exchange/deposit the money in the bank. It was difficult for the people in the villages to buy some necessary goods because most of the people in the villages did not buy the goods in the wholesale channel and they used to buy frequently from their nearby shops, but now because of the less availability of the lower denomination currencies they were not able to buy those goods. For the farmers doing agriculture, it was difficult for them to buy seeds, seeds fertilizer and also to give wages to their workers (daily wages approximately 150 per day) and for selling the

crops they kept the difficulties on their head by accepting the payment in the form of old currencies in order to avoid the wastage of crops and the planters also facing the similar problem. In the poultry farm, they were doing the transactions in the form of cheque that too it is difficult for them to convert into the liquid cash from the banks. For the retail shop holders, it was difficult for them to buy the wholesale goods and for the vegetable/fruit seller it was difficult to buy the vegetables/fruits from the wholesale market. When comparing the sales data is between before and after demonetization in the retail shops, it was found that there was a huge decrease in the customers. As a result, the earnings also got affected badly. As per the survey, people in the rural areas got affected but they still supported the demonetization step taken by the government. In their perception, it is only a temporary issue and they believe that it will eradicate black money from the country and they are ready to struggle for it.

Suggestions and Recommendations:

- More ATM's Should be presented in rural areas because as per my Observation, there was only one ATM per village and even those were working twice or thrice a week.
- As per the study, ATMs were being refilled once weekly. This was insufficient and the refill frequency needs optimization.
- In rural area, it is difficult for the people to exchange Rs.2,000 currency in some shops. Therefore, government should try to increase the circulation of lower denomination currencies.
- In order to succeed in the demonetization process, the government should concentrate on rural areas by conducting more awareness programs on ATM usage and how to do online transactions through smart phones. Campaigns to be conducted for less educated and poor people in rural areas.
- The amount allotted by government to withdraw from banks in 1 week was Rs.24, 000 per person, but the banks were not even providing the allotted amount for people in rural area. Therefore, banks should be monitored so that they provide the allotted amount to the people. Banks must be supportive with people in rural areas in case of filling the forms, deposits, etc. and should provide all the services they need in current situation.
- Before announcing future demonetization, more 500 and 100 notes to be issued to banks and ATMs

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