

# Politics of demonetization: its effect on the village economy in India

## Abstract<sup>1</sup>

The Government of India's call for demonetization on 8<sup>th</sup> November 2016 banning Rs500/-and Rs1000/- notes was originally accepted as a positive step to discourage the black marketers and the rackets in hoarding to rule over the society. Unfortunately the long term effect of such a hurried decision became a boom to the agri-business based on soft cash. The agribusiness chain became the worst effected group. The chain included non-formal agricultural sector small earners in the agricultural field the farmers as the fragmented land holder and the producers thriving on the instant sale of their products and also those depending on middleman for the disbursement of funds and purchase of products for storage and dispersal of the same to the consumers' market for constant supply. Demonetization discouraged the middleman to put cash in the producing and disbursement. Thereby demonetization dismantled the overall economic chain of production and distribution resulting havoc in agro business market. The small farmers became the main victims of the circumstances. The banning of money economy on the one hand created scarcity in the families based on ancillary agro-production and it also hampered the family income of the rural farmers. Considering the boom in the village economy as an outcome of demonetization the present article makes an effort to gather firsthand information on the position of rural farmers and other non-formal rural occupation group as an outcome of demonetization announced by the Prime Minister of India.

The focused area of the study include the selected villages in the northern part of West Bengal. They are rich in agro-based products run by the self-contained but marginal women farmers group thriving on export of their products to the Nepal Market. Their family males are involved in other ancillary employment like pendal making for marriages and other social gatherings running grocery shops and hawkers selling garments and cloths. The women in their families are involved in the varieties of occupation like working as Anganwari preparing mid-day mill working in the road side motels run by the Government (Pother Sathi) and also working as a liaison of the Government Agriculture Department of the District through their Farmers' Club. The region marked as the second best agro-production area in West Bengal but their business thrives on cash transaction. Keeping in mind the PM's speech on November 8<sup>th</sup> 2016 as a pro-poor program the present study focuses on the effect of demonetization on the poor women farmers by reaching out to the farmers families. The survey was done on December 2017 to observe the post demonetization effect in the reality scenario. Interestingly a similar survey was carried out by the researcher in 2015- 2016 and the field survey report was presented in the form of a research paper entitled 'the Role of Women in Agriculture' in University of Vienna Austria under the International Sociological Forum in July 2016. This has enabled the researcher to gather knowledge on the economy of women community in the rural areas of North Bengal and a part of the West Bengal State. The life and living of these enthusiastic women community gave an impetus to the researcher to visit them and to learn the effect of demonetization in their life.<sup>2</sup> The present paper is the outcome of the survey made by the researcher for the second phase in December 2017 during the post demonetization period.

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## Introduction<sup>3</sup>

On November 8<sup>th</sup> 2016 the Prime Minister of India made a public announcement that all the big denominations in the form of Rupees five hundred and Rupees one thousand would be banned

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from the mid night of the 8<sup>th</sup> November 2016. Additional information contained in his speech included; 1. The stage wise implementation of financial transaction through Bank to be initiated from 10<sup>th</sup> November 2016. 2. The deposit of big denominators under the private possession within the country was proposed to be accepted by the Bank up to a target period 31<sup>st</sup> December 2016 (but extended later on till 31<sup>st</sup> March 2017). 3. For emergency reasons the old denominators could be used to meet up urgent medical expenses in hospitals Petrol pumps and also in buying train and the airplane tickets to meet the unforeseen circumstances as may arise within the next 50 days i.e till 31<sup>st</sup> December 2016. 4. Limited withdrawal of money from the Bank would be made operative till the replacement of old stock by new denominators like Rs500/- and Rs2000/ is done. 5. Those who were

out of India at the time of the announcement extra time was proposed to be allotted to them to exchange the old denominators with the prior permission for the RBI. The reason for such an abrupt announcement of demonetization in the words of the Prime Minister if mentioned categorically to understand the issues more distinctly the speech in include the following information; 1.To free the country (India) from illegal hoarding of non-circulated cash. 2 to stop the flow of shadow currency against the country` s financial rule. (The hidden agenda of the speech); 1.To discourage the untoward incidences that hamper the country`s security (terrorist activities). 2. To stop excessive expenditure in the forth coming election in UP. The matter was not known to the public even to the last minute of the announcement but News Paper Akila of Gujrat on 1<sup>st</sup> April 2018 made the announcement of expected demonetization though later on announced the same as a step to April fool the civil society. Can` t we look to this as a news to indirectly aware the big business persons of the area to take preventive measure on the expected demonetization? However the reason for such an abrupt decisions (I would prefer to call this as an abrupt decision of the Prime Minister because the truth behind the Akila Story has not yet been proved or interrogated yet) as narrated by the Prime Minister was to convince the public about the urgency of the situation in India that demanded the step. The issues raised by the Prime Minister of India if piled up categorically by compiling them serially it will cover a long list of agendas expected to be covered by him through demonetization The author while elaborating the effect of demonetization from PM Mr. Modi`s speech the issues considered important for reference purposes are mentioned hereunder after referring the excerpts of PM`s speech.

### Excerpt from prime minister`s speech

‘Once again let me invite you to make your contribution to this grand sacrifice for cleansing our country just as you cleaned up your surroundings during Diwali. 1. Let us ignore the temporary hardship. 2. Let us join this festival of integrity and credibility. 3. Let us enable coming generations to live their lives with dignity. 4. Let us fight corruption and black money. 5. Let us ensure that the nation`s wealth benefits the poor. 6. Let us enable law-abiding citizens to get their due share. 7. I am confident in the 125 crores people of India and I am sure country will get success.

In the words of Prime Minister of India the steps taken to protect the poor people of the country from all form of exploitation and through the adoption of diversified pro-poor policies for the protection of the poor population involved in the non formal economy of the country (defined as Poor). The very idea of demonetization in the words of the Prime Minister of India is dedicated to the poor people of the country. To him they were expected to have a happy future ahead.

### Aim of the paper

Considering the vibrant speech of our Prime Minister as a positive message to the poor people of the country the present paper tries to record the stage wise steps taken by Government to meet up the Prime Minister Mr. Modi`s commitments towards the poor people of the country and to observe the truth of the conviction to the reality scenario. The present paper while trying to gather information on the effect of demonetization in the reality scenario attempted to observe the effect of it through an overall analysis of the situation of the rural poor on selected villages of West Bengal. The overall aim of the present article is to demonstrate the demonetization effect from the reality scenario instead of entrusting the onus for any positive and negative reaction of demonetization to the Prime Minister of India or to his colleagues or to officials involved in the administration of

the country. The present article aims to observe the direct effect of demonetization on the rural people of the country and intensity of loss incurred by them due to demonetization.

### Methodology

Based on Prime Minister`s announcement the author of the article likes to concentrate on rural Poor and the socio-economic consequence of the promise made by the PM in reality. To his own words it is for poor people of the country for whose welfare the step for demonetization was made. Considering this as the main issue behind the field survey the present study is mainly based on a mixed methods including both secondary as well as primary data. However main emphasis is placed on field survey and analysis.

Based on Prime Minister`s announcement the author of the article likes to concentrate on rural Poor and the socio-economic consequence of the promise made by the PM in reality. To his own words it is for poor people of the country for whose welfare the step for demonetization was made. Considering this as the motto behind the field survey the present study is based on mixed methods including both secondary as well as primary data. However main emphasis was placed on field survey and analysis. The secondary data is mainly collected from information both in print media as well as from the academic publications the collection of primary data is made possible from a field survey in the villages of sub-himalayan region falling under Darjeeling district of Siliguri subdivision in West Bengal The dwellers of the rural villages thrive on agriculture as the main source of earning the other ancillary mode of income is also associated with agricultural production. They may also be considered as the important source of earning to the villagers Women are the main earners from the family agricultural lands and decision for management of the families rest on them. The male members of the surveyed villages are absorbed in other sources of earning. Production of decorative pieces making pendal for marriages running grocery shops hawking clothes etc while the women other than farming work are also involved in self-help group selling puffed rice milk and working as Anganwari in the health sector preparing mid-day meal in the School making school dresses for the locality schools are their occupation. The women community have a strong community feeling among them offering employment to all in the group and taking care of the children of the community and sending them to the schools are done through the involvement of all members of the community. Thuds the whole idea behind this community activities are to encourage them to be the soul decision maker of the families and also in locality. The surveyed villages included Tarbandha village Karibari Village and Nakshalbari Village under Darjeeling subdivision of Siliguri District. Considering the proactive community development role of the village women the researcher aimed to propose the village community to supervise and learn about the effect of demonetization on these vibrant multipurpose economic management group during the post demonetization era.

### What is demonetization and how it has been defined

The term demonetization as its dictionary terminology means `divest the value of the money or to withdraw them from use to deprive of its capacity as a monetary standard. However the devaluation of the coin or denominators is not expected to create a scarcity of usable denominators if it would have been replaced instantly (which was a possible means of exchange or demonetization. Thus demonetization in reality means replacement of a denominator by the new denominator of equivalent weightage. The Prime Minister of India on the contrary planned demonetization to ban their instant supply. This is the politics of demonetization in India. The reason behind such an action was to

measure the amount of Black money in public possession (hoarding of cash) and evaluate the same and to collect taxes on the same (amount of tax collected as of now is not yet known to us as of now). Thus instead of calling the decision of the PM as demonetization we may call it as the banning of big denominators and replacement by the production of the new. The process was expected to convert the black money into white money because discarded or devalued denominators were expected to be deposited in the Bank which means converting these into taxable cash and therefore the whole process was expected to expose the possessor of the cash hence the very idea behind demonetization was to get a clear picture of the taxable income (how much effective the plan was to the country is not yet known because the way the hoarded cash came to light i.e. through Janadhan Pralpa Bank account cannot fetch tax to the country) of Indian citizens but the way the demonetization had been handled by the original hoarder by depositing the cash in Janadhan Pralpa we could claim that the hoarded fund have been exposed but not the hoarder. Considering the demonetization as an effective step to get back the demonetized denominators the present paper tries to observe the impact of the interim vacuum (I would prefer to use the term interim vacuum because the report say the whole amount of denominators discarded has returned back to the Government exchequer which is quite acceptable) on the poor people depending thriving on the rural economy of the country. The present paper aims to look to the issue of demonetization as the outcome of a political decision and thereby entitled the article as the Politics of Demonetization because the consequences of demonetization is the basic look out of the present article. However while critically analyzing the reality scenario we would prefer to concentrate on the effect of the promise made by the Prime Minister Mr Modi towards the poor people of the country.

### Demonetization outcome in reality

Before entering into the main theme of the study it is essential to discuss the effect of instant demonetization to the country people. To the urban educated population demonetization was originally looked up as a positive reinforcement from the Prime Minister of India. In reality the continuous increase of the hardship of the people regarding collection and spending created an adverse attitude among the masses towards the demonetization policy in practice. The sufferings witnessed by the common masses thriving on their daily earning was relatively more as compared to those involved in the formal sector of the economy. However the negative impact of demonetization became evident with the news of 36 death in the city of Kolkata within two weeks of demonetization. Hence it created public displeasure at large over and above mental agony and physical hardship faced by the people during the interim period. In the urban centres hardship was more to the aged people who are not acquitted on online transaction and limited disbursement of cash from their own Bank and also their own money. The situation is diametrically opposite in case of rural population of India. To the majority population they are not used to keeping money in the Bank. They have opened a Bank account of their own due to the introduction of Janadhan Pralpa (a cashless Bank Account) with the hope of receiving some fund from the Government. The farmers availing of Kisan Card of the Chief Minister Mamata Banerjee in West Bengal the farmers' Bank account for collection and disbursement of fund for agricultural development purposes was quite likely but regular transaction or savings are so unlikely that digital operation of Bank transaction for family management is unthinkable to them. Thus to them the cash transaction was the only means of family financial management. To this population group demonetization is a night mare even today. Survival to them was so severe that the effect of the same resulted in increasing distress in the families. To the poor

rural communities the implications of demonetization as such was obviously negative. Thus considering the economic implications of demonetization the author of the article made an effort to interact with the people of the rural communities in Darjeeling District of Sub-Himalayan Region to evaluate their opinion regarding demonetization in reality scenario.

The rural peoples' economy though veers round income from the sale of products and the expenditure with the production only. In the journey from expenditure to production and income the other persons involved included the spending middlemen on whose contribution the management of production from seedling to the production and hoarding is followed. Thus the village economy keeps on rolling based on the involvement of the middle men and also their procurement of agro-based products keeps on rolling the tie up between the money lenders and the products are therefore the most important means for disbursement holding and disposing of product. Hence the failure of any one from the channel means the breakdown of the chain. Under the demonetization the most powerful person in the chain lost the disbursement power this result to the total breakdown of agro business from the rural market. The sufferings of the rural people in West Bengal became socio-economically so intense that after almost two years of demonetization the condition of poor people have not improved. Those involved in the rural sector of the economy including agricultural and in non-formal sectors their condition became much worse at the initial stage while production of Ravi crops indicated a normal outcome but demonetization discouraged the buyers to buy. Thus Demonetization came as an instant blow to common people. 2. The management of family expenditure for daily living in the rural sector became a tough job. 3. Standing in ATM counter or queuing the bank counter for withdrawal or deposit money of cash or exchange of old denominators had snatched away their daily living. The death toll rose to 36 within two weeks of demonetization. 4. The mental agonies of masses (though not measured) shoot up. 5. For the village community the practice of cashless transaction became an additional burden to those whose livelihood depended on daily transaction.

### Politico-Economic analysis of the demonetization journey

To understand the socio-political impact of demonetization one has to be clear about the causes and consequences of demonetization and its politico-economic effect to the reality scenario. Interestingly the first question that arises at this instance (at least after six months of demonetization declaration) it pushes us to find out a substantive answer to the question; Why this sudden declaration of demonetization? 2. How much the country people have achieved by this? I would prefer to answer the same from two different angles. 1. The effect of demonetization from the economists concept. 2. The effect of demonetization to the grass root level people's concept (reality scenario) To answer the first question let us look to the issue the economists concept. The RBI's first press release on demonetization indicated that demonetization was "necessitated to tackle counterfeiting Indian banknotes to effectively nullify black money hoarded in cash and curb funding of terrorism with fake notes" (RBI 2016b). Hence RBI's declaration left no indication to establish the anti corruption credentials of demonetization. To Noble laureate Amartya Sen and eminent economists Mon Mohon Singh the then Prime Minister of India and the brain behind the liberalized economic policy in India spoke aggressively on demonetization issue While commenting on demonetization the then Prime Minister Monmohon Singh's commented on demonetization as an organized loot. While Arun Shouri the former economist of World Bank discarded the issue

of demonetization as a total ill planned management concept. while expressing his own observation. To him the hoarder of money do not hold back money in the form of cash. However the time is not yet ripe to talk on the long term effect of demonetization on the economy of the country. But referring Amarta Sen in his meeting on book launching commented on the economic situation of the country. In his opinion ` India has taken a quantum jump on the wrong direction. He also mentioned that the country is getting backward. Twenty years ago India was the second best after Sri Lanka among the six countries of the region` now it is the second worst ...we are getting backwards in the world`s fastest growing economy` (A speech by Amarta Sen`s comment in book launch. (Times of India 9<sup>th</sup> July 2018). A small front page information in a local news paper displayed a news disclosing the fact that the Government had to spend Rs29 4100000/- (Rupees twenty nine crores and forty one lakhs) in hiring an Air Force carrier for dispersing Rs500/ and Rs1000/- discarded notes. The information was dispatched as an outcome of the legal proceeding caused under the Right to Information Act (Ebela a Bengali daily 9<sup>th</sup> July 2018). Thus for a country like India why can`t we plan inequality issues on priority basis in economic distribution as an important crisis of the day. However Prime Minister Mr. Modi`s interview on demonetization held for the first time in December 2016. To establish his point on the positive effect of demonetization he reoffered to four important economists like Asked about the reasoning behind demonetization the Prime Minister quoted four economists: James Henry the former chief economist of the consulting firm McKinsey; Kenneth Rogoff a professor at Harvard University and author of book `The Curse of Cash` in 2016 book argued that in "advanced" economies like the US a large proportion of high-denomination notes is used in illegal transactions; Larry Summers the Harvard Professor and former World Bank chief economist also the former HSBC CEO Peter Sands (Chengappa2016). The Prime Minister also cited the European Central Bank`s decision in 2016 to phase out 500Euro notes (following concerns that they were primarily facilitating illegal activities) and an Indian Government report from 1971 by the so-called Wanchoo Committee as evidence that that "experts across the world have advocated demonetization over the years". Modi chose to implement the policy only. But the question still remained unanswered to us the citizens of a democratic country is Why the time was chosen by him? As a representative of the democratic country did he consulted his Cabinet colleagues before taking such a bold step. The parliamentary winter session of 2017 in which our respected Prime Minister refused to attend gives a clear indication that Our Prime Minister was not ready to face the opposition members of the Parliament because they were not taken into confidence by our country leader while taking such a decision for demonetization. His argument in favour of demonetization in his own words in the December 2016 interview had been as follows `because the Indian economy was in "good shape" and could shoulder the unavoidable "disruption" the policy was causing.` To the educated citizens of India and for those who had been nurturing the constitution of India the argument so not substantiate the cause of demonetization and the very step- was against the constitutional provisions.

Since our discussion is expected to be concentrated on the issue of demonetization effect to the poor people of the country I would prefer to concentrate on the same to substantially evaluate the causation and the effect of demonetization to the rural poor. Since the paper aims to concentrate more on the short term effect of demonetization to the rural people of the country (for whom the demonetization was dedicated according to PM Modi). It is time to listen to them about their position after the stand. The question that remained unanswered to the common public even today is the after effect of

demonetization. The poor people of India sympathetically accepted the message of the Prime Minister on 8<sup>th</sup> November 2016 and they did not receive the message of positivity To them demonetization means compulsory imposition of minimum cash deposit to the Bank. To them Demonetization means payment of daily labour by cheque. To the common people of rural India demonetization is bad. To the urban educated masses demonetization is the outcome of international game politics to keep India away from competing with the first world as one of the leading countries of Asian region making an effort to occupy her position to the world power politics as a leading powers in the world and the Prime Minister of the country had been made instrumental in the game of politics played by the world leaders.

## Author`s perception

### What we expected and how much we gained? form rural economic perspective

Virtually the declaration of demonetization was initiated with the aim (as per PM) to stop the incidences like; 1. Illegal money laundering 2 illegally printing duplicate notes 3. Illegal hoarding of notes 4 Recalculation of circulated notes by accumulating it to the market 5.To stop terrorist movements and to focus on national security issues. 6 To put an embargo on the illegal financial transaction during the 17<sup>th</sup> Legislative Assembly election in Uttar Pradesh expected to be held on and from 11<sup>th</sup> February to 8<sup>th</sup> March 2017 and 7.To stop exploitation of the poor people residing in the country.

Unfortunately if we could get the answer to all the questions the answer to the 7<sup>th</sup> point i.e. to stop exploitation of the poor people residing in the country is still remained unanswered. Through the field survey report the author tried to answer the question but failed in her effort to answer the same because the condition of the area after demonetization was severe because the cash transaction in agricultural field was stopped due to demonetization as a result the small farmers suffered utmost A bird`s eye view of the economy of the subdivision is capable of giving a overall picture of the economy of the villages of the area (Out of the total 3149 sq.km area there are 4 subdivisions and 52 Bank branches in the rural area. The villages surveyed under demonetization study falls under Siliguri Subdivision with 382 villages and 22 Gram Panchayats. The geographical area of the subdivision spread over 837.45 Sq.k.m. and the rural population is around 5 33 979 with 4 Community Development Block. The overall productions in the areas include paddy maize ginger pulses potato and vegetables. The total PLP Projection for the year 2016-17 is worked out Rs.184004.54/- crop loan total farm credit at 62577.73 lakhs agricultural infrastructure at Rs2586.52 lakhs and ancillary activities 675.20 lakhs). Keeping an eye view of the socio-economy of the subdivision an attempt is made by the researcher to analyze the socio-economic status of the village poor in the selected villages of Sub-Himalayan region of Darjeeling District of Siliguri Subdivision.

The small farmers as the owners of fragmented lands in West Bengal survive on two important business rules 1. Production: Borrowing money from the middlemen for farm management like buying seeds chemical fertilizer and involving expert opinion for high grade production (the deliverer of the inputs may be a business person or business industry Known as middlemen). The farmers also borrow cash for the management of farming like application of fertilizer chemicals and other ancillary support services like armament of the supply of water are managed by the middlemen`s funding the form of loan. 2 Disposal: Disposing off the production as per the market demands also becomes the responsibility of the middlemen for their own interest i.e. collection of loan amount from the farmers with

requisite profit as the interest of the loan amount. The overall survival and livelihood of the farmer families are depended upon the market price and investment of the middlemen. Hence the breakdown of the channels becomes a curse for the farmers in the management of the families and the middlemen his business. The demonetization effect on the whole process thus resulted in the breakdown of the channel involving production consumption and distribution. The demonetization has dismantled the survival chain in the agro based rural families. The farm management has been heavily affected for the last two years as an outcome of demonetization. During the first year i.e. in 2016 end the production was not affected because of the eagerness of the middlemen to disburse old denominators had encouraged them to offered cash to the farmers for early disposal of fund.(the target date for the disposal was December 31<sup>st</sup> 2016) but while collecting the fund the response became poor. This resulted in the loss of the whole agro based chain. The farmers failed to sale their products at a requisite price hence incurred a heavy loss therefore they could not return the loan amount to the lender. Therefore rolling of loan stopped and in the next year i.e. in 2017 production was affected because of the shortage of funds. Also due to the absence of prospective buyers the small amount produced had to be sold out in a through away price. The Nepal market on the contrary aerated pressure for paying the original price of the agro products in Indian market i.e. payment made as per Indian market rate no profit done. The hope for earning cash from potato market also became dim expected price of potato is not offered in the market as a result those in potato business stored the production in the cold storage but due to the low profit rate they did not collect the potato from the cold storage. Thereby the whole chain involved in the potato market starting from the owners of cold storage to the businessmen and the framers also incurred unexpected loss from the production even in 2018 kharip season.

The farmers based on cash transaction in the rural villages are also inexperience in the art of Bank management in the digitalized era as a result they are not exposed to the system of savings and transaction. Many families expressed their inability to maintain transaction through card their main earning is spend for the family maintenance. However the women interrogated for the purpose of the study expressed that they developed Banking habits for managing the self help group fund. However the concept of saving money through LIC is more popular to the women community. Among the women group some expressed their interest in buying gold for the family by saving money from their earning. In the words of women group the Prime Minister Janadhan Prakaalpa was originally considered attractive for the villagers but the provisions for compulsory deposit of Rupees two thousand and the imposition of fine for not keeping the stipulated amount has imbibed public apathy for the Prakaalpa. Thus the information shows that the banking habit was never encouraged by the community; hence it was almost missing among the village communities.<sup>4</sup>

### Geographical location of the villages in the present study

The focused area of the present study involves the rural women communities marked as the agro-producers in sub Himalayan villages in Tarbanda under Phansidewa sub-district and also the villages falling under Kharibari Block of Siliguri subdivision in Darjeeling District. Since the agricultural economy of the areas are mainly taken care of the women community in the villages the present study aims to look to the issue of demonetization from the women's perspective. The strategic positions of the villages and their closeness to the international border have enabled the village women to determine

their socio-economic situation accordingly. The village communities interacted under the present study involved exclusively the women who are the land owners and are involved in agriculture and other associated occupation associated with agriculture. A research survey in 2016 had indicated that the women in the surveyed villages were economically better off position.<sup>5</sup> The main source of earning of the village community was from selling seasonal agro products like vegetables maize rice and potato. The main attraction of the business to the producers is the Nepal market located in the bordering area of Siliguri subdivision. The village community thus produces all types of vegetables for all seasons and also potato rice and maize on seasonal basis. The strategic importance of the villages have enabled the women community to involve in the determined economic activities successfully. The currency value of Nepal is much lower as compared to India (Taka 100 in Nepal is equivalent to Rs60/- in India) as a result produced vegetables sold out to Nepalese market could fetch enormous profits to the producers. Under the present research the researcher preferred to interact with the same women group to observe their position during post –demonetization on their earning.

Interaction was mainly done with the all women farmer' Club of Tarbandha Village of Panshidewa and Nakshal Bari Block consisting of 'Radha Farmer's Club 'Annapurna All Women Farmer's Club Moheswari All Women Farmer's Club Lakshmi All Women Farmer's Club' developed under the supervision of the Department of Agricultural and sponsored by NABARD and the women group in the Farmer's Club acted as a liaison between the community and the Government for distribution of seeds and overall supervision of the scientific mode of production and distribution on behalf of the Government thus the active participation of the women group in policy decision of the Government accrued some benefits to them too. According to considered important to the researcher to involve in the cause and effect study of demonetization in the villages. The Kharibari village women group on the other hand are reputed not only for the production of vegetables alone the self help activities of the village women in a way enabled them to involve in other source of earning along with the agro farming. The women group have also occupied an important position due to their community activities. They were not only involved in agro business their involvement in the community activities which were common to the locality gave them an important position in the locality. The most important among them were homemade skilled products and the attitude of income generation through skilled work is a source of extra income to the women community. Besides this the social welfare activities of the women group of the villages in Kharibari and Phansidewa block (steps against teasing and abusing women by the community boys abuse of husbands or family members) the women group of the villages are interrogated to observe their attitude towards demonetization in reality. The present survey aimed to observe the effect of demonetization on the economy of these village women communities where the women based economy played a pivotal role in the villages. The main issues lodged by the members of the Clubs are mentioned hereunder:

1 The most significant effect of demonetization as mentioned by the women community is the provision for cashless transaction. Since all payments (other than agro products) are made by cheque encashment became time consuming and complicated. Absence of instant cash payment family management becomes difficult. Dolly Barman of Radha Farmers' Club is of the opinion that her husband is involved in Pandal business but he is unable to run his business because those renting pandal from him makes the payment in cheque as a result it takes lot of time to get it exchanged from the Bank and in most

<sup>4</sup>How demonetization affected Indian economy in 10 charts. Livemint. 8.30 a.m. IST by Amit Bhattacharya. 2017.

<sup>5</sup>Darjeeling District is considered as the second successful District in agro production while Kolkata being the first.

cases he fails to gather pandals from his supplier due to his failure to make instant cash payment. Sudden declaration of demonetization incapacitated them to continue their business any more the overall economy of the group thus suffered a direct blow. The group members on the contrary are of the opinion that they are not habituated to cashless transaction so handling money becomes difficult to them. To Sarifa Barnan of Kharibari Block under Prime Minister Janadhan Prkalpa we opened cashless account at the initial stage but with the introduction of the rule for keeping Rs2000/- (two thousand rupees) as a constant deposit imposed an extra burden on us. If we don't keep the minimum amount at the time of deposit of cash to the Bank the amount is deducted as fine. Thus we are afraid of going to the Bank. The members of Radha Farmers' Club complained against the idea of late imposition of minimum balance on the proposed cashless account. The other points of argument against the demonetization as mentioned by Pushpa Barman. 1. Compulsory use of Paytm for cash transaction created much more inconvenience to us. It has created cash crunch because the absence of instant cash delivery we can perform some important transaction for the work done.

In the words of the leader of Women Farmer's Club (Radha) "initially there was much eagerness on the part of the middlemen to invest money in delivering seeds and other ancillary products needed for improved production of potato and maize and other winter vegetables but in 2017 product disposal was in a horrible state. The Potato produced in the field could not be disposed off. The bags were piled up on the road sides of outer villages for the buyer but there were no takers. There was no competition for putting the potatoes in cold storage. They were ultimately disposed off at a through away prices (Rs2-3 a bag) straight away from the field. Taking the opportunity of un-disposed products the Nepalese market also refused to pay the prices at market rate. The fear of returning back of the produced goods compelled them to sale the products at a price dictated by the owner in Nepal.

The other effect of demonetization as indicated by the Farmers of Radha Farmer's Club may be explained accordingly: 1 The family males absorbed in other skilled work other than farming were affected heavily due to the cashless transaction. The daily survival became difficult due to the cheque payment that demand Bank account and two days' time required for Bank transaction. This becomes a costly affair for the farmers' daily living. 2. Ravi crop was affected due to the growing fund crunch among the middle men mainly those involved in extending financial support for the buying of seeds based on which the intensive farming was initiated earlier or the responsibility of seed delivery was taken up under the Government seed distribution plan. Due to demonetization the financial support or the material support through seed delivery suffered a setback though the impact of the same was not so severe in the Kharif rice harvesting period because the middle men during the post demonetization period was eager to disburse the cash (Rs 500/- and Rs 1000/-) left with them but the effect of demonetization came as a direct hit to them because the middle men in return refused to buy the produced goods due to the lack of supply of cash. The women group who had been depending on the middlemen for the sale of their products suffered a setback. 3. They were compelled to sale the products to the local market in through away price. 4. The male farmers had to go to Nepal market to dispose off their products by incurring loss (because the crisis in Indian market encouraged the Nepali consumers to involve in bargain) the women failed to do that. 5 The Nepalese consumers not only tried to negotiate in price they were also encouraged to demand increased value for their currency from the market. 6. The buyers while taking the opportunity of demonetization or cash crunch the seller became the loser. 7. The

poor farmers to avoid hoarding preferred selling all products in the price dictated by the buyer. Thus in both the way the hurried decision of the Government on demonetization has defeated the vary purpose of such a crucial step and on the contrary the policy came up as a direct hit to the poor farmers without whom the supply of food products is impossible. As an indirect effect of demonetization the source of income of both men and women absorbed in non formal occupation had been badly affected by demonetization. The Radha Farmer's Club the only recognized Ladies Farmer's Club located in Tarbanda village in Siliguri Subdivision has failed to receive support from the Government by delivering seeds for Boro rice production even in this year as an everlasting impact of demonetization. The families solely depend upon agriculture as the source of earning suffered severely. Some of the families stopped delivery of vegetables and potato in the market and thereby incurred an indirect loss by not involving in any transaction (which was a matter of compulsion to them). The demonetization affected the agricultural production of the areas with countless financial loss due to the overall development of pressure politics in the retail market and also due to pressure tactics used by the buyers on the sellers thrive on the supply of vegetables as per the consumers' demand. 8. One very important information gathered by the researcher from the field survey that demonetization not only affected the non-formal agricultural producers the everlasting effect of it on agro based non formal ancillary sectors like sale of puffed rice milk and other milk products eggs and rice as home based production suffered loss due to the absence of takers. 9. The other sectors suffered a setback are the self help group due to the persistent failure of the market economy. For example as per the unwritten understanding the preparation of mid-day meal in the Schools were originally entrusted to different self help group of the locality on rotational basis. Due to demonetization the existing group involved in the activity refuse to withdraw from the constant source of their earning with the other group. Thus demonetization indirectly hampered the community integration existing within the locality and thereby hampered the community ties which were an asset to the villages (Figure 1).



Figure 1 Darjeeling District.

### Important research questions<sup>6</sup>

A few question that raised by the Karibari Block named Akash Self Help Group regarding the demonetization. Myself as the surveyor was unable to answer their question and therefore I would prefer to place them before the public for convenient answer to the questions raised by the women group. I consider these as the most pertinent

<sup>6</sup>Maitreyee Bardhan Roy.

questions to be asked by the citizen of the democratic country 1. Was it the right time for the country to make such an abrupt decision? 2. Should the democratic country's elected head be involved in such a hurried attempt without predicting the impact of demonetization on the common people in such a vast country like India who claims herself as the mother of democracy? 3. What is expected to be the net result of demonetization to the country where 99 percent rural poor depend upon cash transaction? (not studied earlier) 4. Could the Prime Minister of India predict the long term implications of such a decision? ( In fact the demonetization policies had been adopted in many countries and even in India in 1978 and --- Hence considering the present step as one of the most positive steps it is high time to evaluate the cause of this 'hurried decision'. Though in the words of the Prime Minister of India the aim of such a step was to stop illegal use of fund after almost a year of the demonetization mission the country is unable to answer the same. Sarika Jotika Sonamoni Dailo Purnima Kam ini Barman and Sabitri Biswas and Bina Adhikari of Gaursinghjoth Village of Kharibari Block.

To them our Project 'bringing green revolution in eastern india project proposed by the then President of India has been stopped by the new Government after demonetization.

In the present paper the researcher tried to look to the issue of Demonetization from the grass root level population point of view. The respondents belonged to the non-formal sector of the country's economy. The opinion expressed by them are piled up serially on the basis of preferences laid down by them. Hence the researcher made no effort to meet any association and organization associated with farmers' group therefore the decision involved in the paper is based on the information gathered directly from the farmers and their family members as the original victim of the situation. The author of the article made an effort to record the opinion of the women farmers on demonetization.<sup>7</sup>

In the words of; 1.Lack of new currency to meet the demands of huge population of the country created a vacuum in the demand supply scale because the notes withdrawn due to demonetization constituted 86 per cent of the total cash in circulation hence it became impossible to replace the same value currency in the open market for public use (the decision was made abruptly without any prior preparation). 3The net result was to put a restriction on the withdrawal of public money from the bank on the ground of 'Circulation Crunch' 4. 'Demand supply' dis-balance took away the life of about 100 people of the country 5. The people of the country was sympathetic at the initial stage and were ready to bear with the situation expecting the step as a punishment measure to the black marketers and as the corruption eradication steps by our leader the Prime Minister of India.. However in the long run the failure of the country to accrue success in its steps pushed the Prime Minister of the country in front of the following questions ; 1. How much are we able to stop corruption from the country? 2. How much we have achieved by adopting demonetization? 3. What was the reality scenario? The researcher was made liable to answer all these unanswered question while interacting with the grass root level non-formal worker group whose everyday living is based on cash transaction. Hence the research findings offered an opportunity to the researcher to study the overall attitudes of the common masses towards demonetization in reality scenario.

### Public reaction against demonetization

Before we focus on demonetization effect on village economy it is essential to explore the effect of the same on the poor village community whose; livelihood pattern is cash based and their financial transactions

are almost guided by need based economy. For them investing money or keeping them aside for future may be a part of their economic planning but it cannot be an integral part of their economic strategy guided by hoarding. As a result to those majority village community based on agricultural economy have been highly affected by the Modi Drive of sudden scarping of the country's biggest denominators to stop corruption. For the village communities the effect of it was like scarping their future prospect Because withdrawing Rs500/- and Rs1000/- came as a direct hit to the middleman who use their money in buying the agricultural production for selling it is the local market. Demonetization has compelled these middlemen to scrap their cash and to stop future transaction. Associated with the same the concept of cash less economy came as a blow to the agriculture depended economy of rural economy of the country. It is because the economy of marginalized community is based on hard cash.

While in 2017 a report published by the Ministry of Finance entitled 'Demonetization: To Defy or To Demonize' tried to determine the equation greater amount of cash and larger intensity of corruption. This may slogan is applicable in case of the big business persons but the theory itself is inapplicable in case of small farmers. Hence the policy of demonetization came as an unexpected blow on the marginalized village population as the owner of small fragmented land and other small means of livelihood to which their women are engaged as a source f their earning.

### Effect of demonetization of corporate sectors industries and private business persons

To quote the expression of World Bank regarding the changes occurred in the Indian scenario as an out come of demonetization the World Bank's own language indicates openly the reason for abrupt changes in Indian scenario during the Narendra Modi era may be recorded in the words of World Bank. There are two reasons to be hopeful about this shift actually happening. First on the negative side before demonetization India was relying on cash to a greater extent than other large emerging markets. And second on the positive side the progress made on JAM the innovative drive to link bank accounts mobile phone numbers and biometric identification cards had taken the country to the cusp of a technological transformation. Mostly every adult in India has an Aadhaar card (the A in JAM) and a mobile phone (the M). However before demonetization progress on the bank account side (Jan-Dhan Yojana the J) was more limited. Not every household had a bank account and many of the existing accounts were inactive. The hardship created by demonetization could have given the impetus for households to open and use bank accounts and for IT companies to swiftly deploy digital payments technology. By December 2016 currency in circulation reached again 55 percent of its pre-demonetization level and by March 2017 it stood at over 70 percent. Given that economic activity did not decline substantially the composition of transactions must have changed in the direction of digital payments. The researcher therefore believes that the politics of demonetization as proposed under Modi's era is not to stop financial irregularity as propagated by our the PM. It was proposed to compel the people of the country to compulsorily adopt the policy of JAM (Janadhan Bank Account AADHAAR and Mobile) as an indispensable part of human life even among the village population of the country. It is high time to observe how far the Government of the country have been able to imbibe the habit in its population if the Government of the country of our PM could not show the 100 per cent acceptance of the new politics of demonetization in reality scenario. The concept demonetization may be looked up as an outcome of the political motivation of the world's super power and out Prime Minister is instrumental to that.

<sup>7</sup>Maitreyee Bardhan Roy.

1. The fall in the demand for vegetables in the whole sale market.
2. Farmers failed to buy inputs like seeds from the market. They were compelled to use last years seeds which they had procured from the last years seeds. As a result the high breed varieties could not be procured by them.
3. Prices of perishable products like vegetables and fruits dropped remarkably in its arrival in the market Also due to demonetization their prices also fall much around 4 to 5 percent. Prices of winter products like tomato reduces to 48-54 per cent in a month's time and with the initiation of the steps like demonetization in November 2016 and December 2016.
4. The prices of rice also dived down and the Government of the states took up some measures to stop the woes came forward to.

The article here is based on the first hand information gathered by the researcher by her interaction with the village women group involved in agricultural activities in the sub Himalayan villages in Darjeeling District of the State of West Bengal better known as North Bengal since the time of undivided Bengal during the British rule). Though the detailed analysis of the situation is not possible without involving the rural communities (both men and women) of the villages of sub-Himalayan district of West Bengal the middlemen involved in the work of disbursement of the rural products like vegetables potato rice and the other and over and above all the role of the business houses in the buying and disbursement of the products to the society as a part of their moral responsibility. While the paper by referring to the responses from the Government of the State of West Bengal on the so called anti –corruption drive of Modi Government on the issue of demonetization effect at the grass root level and the overall effect of the same on the women communities of a part of West Bengal. The Case study done by the researcher on the issue is expected to indicate the overall effect of demonetization on the civil society at the grass root level especially the women communities hail from the marginalized economic group in the largest democratic nation where the policy initiative adopted so far aimed to offer basic economic facilities to the women for their empowerment and livelihood pattern.

The paper tries to refer to the sources like Government policies public opinion private companies involved in agri business as well as grass root level people and political and socio-economic impact associated with this radical anti corruption motto of the Modi Government (researcher here like to refer to demonetization as the announcement of the Modi Government as the author has every doubt as to whether this emergency announcement was done with the prior approval of the cabinet colleagues as well as of the assent of the President of India which is an important formalities of the Prime Minister as per the constitutional provision of the written constitution of India.

However the discussion in this paper is mainly based on the first hand information on the issue of demonetization gathered by the researcher in reality scenario and after interrogating the rural grass root level population who have no idea on the concept `demonetization` not have the very little knowledge about its after effect unless the effect of the same directly came on them. The issues therefore raised by them and considered by them as an effect of demonetization may be explained serially based on the intensity of its effect. The case study aims to refer to the opinion of the women group on the ultimate effect of demonetization on their livelihood and thereby their initiative to carry on with their old way of earning money for their everyday living and the reason for ushering their decision in the present paper is obvious because these women group in the villages are the most

marginalized group in the society and interestingly these groups in the villages have been involved in earning based on different micro finance scheme. Secondly they are also economically contributing the families and as such they started taking interest on important politico social issue the hardship faced by their own community as a result of the policy stances introduced by the Government of the country.

## Overall impact of demonetization on the village economy

### Demographic profile of the region surveyed

To analyze the effect of demonetization a survey was carried out by the researcher in the sub Himalayan region of the Darjeeling District of Siliguri Subdivision. The survey was carried out in the Boasdering villages like Karibari village Tarbandha Village and Fanshidawa village. All the villages are rich in agro-based production and thereby they earn a good amount of money by selling their products in Nepal market. The main agro business in the areas are run by women communities who thrive on earning from agro based products like vegetable Puffed rice and also by selling milk to the Nepal market. The male members of the family are absorbed in other ancillary means of earning. The reason behind the economic solvency of the families are mainly responsible for their strategic position because the surveyed villages located in.

### Socio-economic impact of demonetization and poor people of rural India

Being one of the largest countries of the world the impact of a policy may be looked up from diversified angles and with different stand points. It is because in India the problems of one part of the country or region may not be the problem of the other. Thus considering the diversified environmental condition and socio-political culture of the different parts of the country the researcher preferred to concentrate on the rural areas of the State of West Bengal to study the demonetization effect for being one of the upcoming States of India for its village economy the country witnessed a significant change in its agricultural economy. Hence to indicate the effect of demonetization in the area a primary field survey is considered essential to observe the positive and the negative aspects of demonetization on the rural poor in West Bengal.

### Demonetization and a few case studies

The everlasting effect of the same is reflected on the cash GDP ratio in % in India which were stagnant (12%) in March 2014-2016. It came down to 9 % in March 2017 while in September 2017<sup>8</sup> it raise up to 10% leading to a fall of average 2 % due to demonetization. Since agriculture is the base of the overall financial status of the country the breakdown of agricultural economy became the cause of the breakdown of country's economy. Considering the above information as a land mark to the further study the present article aims to look to the issue of village economy keeping an eye on the overall economic structure of India.

District Darjeeling Post Tarbandha Village Volagonge the village is famous for all women farmer's Club named Radha Farmers' Club. The Club consisted of 32 women members They are also associated with different Self Help Group. Swarnalata Self Help Group and Lovely Self Help group are important among the others. The women farmers are involved in the production of Potato Mustered Maize and other vegetables. Besides farming they are involved in the other occupation Important among them are managing small stationary shop cooking

<sup>8</sup>Source: CMI Mospi Mint calculation

mid-day meal ICDS Helper Plucking tea leaf sailing vegetables. Their husbands work as mansions or other skilled services. According to them the effect of Demonetization is reflected mainly through cashless transactions. The women along with the management of the fields are also involved in other non-formal activities that fetch money for the family. They are absorbed in various ancillary activities like selling milk puffed rice eggs and other produce associated with agro farming. The women are the prime earners of the family and they could successfully establish their position of recognition as the land owners and they have successfully absorbed themselves as an agricultural occupation group and were able to make space for their husband in other skilled occupation so that both husband and wife together can be engaged in family earning. As a result they are economically solvent. They are unable to handle Bank account and prefer cash transaction declaration of to one of the ladies named Dolly Barman the worst effect of demonetization could be observed in cashless transaction. Her husband is involved in pendal making. Initially those hiring service from them used to make the payment by cash but during the post demonetization period the payment now is made in cheque so they are compelled to open a bank account. Initially they could open a bank account without any deposit now they are compelled to keep Rs2000/- (minimum two thousand rupees in the Bank) the arrangement thus increased the hardship in the family of five members with an average monthly income is only Rs10 000 (ten thousand only) demonetization have come as a direct hit to the families from both the direction.

### Why politics of demonetization?

The implications of the research are expected to remain incomplete if the answer to the terminology Politics of Demonetization is not explained. To the researcher the attempts for demonetization on the part of the Government has an association with the term politics and the content of the same is discussed from different dimensions. The first and the foremost outcome of the same is observed in the UP election where political motivation of the voters was controlled through demonetization or by putting an embargo on the indiscriminate use of cash. In the rural field the aim politics of middlemen which played an intermittent role in agricultural production was controlled through demonetization. But interestingly an embargo was placed on the rural banks in extending financial support to the farmers through different loan schemes the reason for the same could not be explained by the economic experts analyzing the impact of demonetization in the reality scenario. The question like why politics under the circumstance had been left as an unanswered question. Hence the impact of demonetization has mostly affected the poor people of the country. Should we call it as a spillover effect of demonetization or it is meant directly to heat the rural population of the country? To recall the days of demonetization the announcement of the Prime Minister of India for the cashless Bank account was made just before the demonetization drive. The BPL families had been encouraged to initiate a cashless Bank Account with a hope to offer a sumptuous amount of cash deposit in future (something like 1500000/- fifteen lakhs). The question that occur at this outset was that was the Bank account a pre-empted step of the Government just before demonetization? May be to enable the money hoarder to hoard their cash under the marked Janadhan Prakalpa Bank account? Hence the most drastic step against the Janadhan Prakalpa was the imposition of fine as well as minimum cash balance against on the cashless bank account named under Janadhan Prakalpa. The net result was that the hoarders could be protected from the payment of penalty but the poor farmers have to pay fine from the very meager amount they are

compelled to deposit because of the embargo on cashless transaction. Hence poor farmers became the victim of demonetization in reality.

However an analysis of the history of demonetization throughout the world indicate that the history of demonetization is the history of developing world and the outcome of it is drastic fall in the market. North Korea Nigeria Ghana are some such countries that suffered a serious setback due to demonetization because it was an ill-planned demonetization where as in Australia demonetization was planned to convert cash into plastic and the whole process was carried out slowly and took a longer period to complete the journey. However In India demonetization was announced instantly and the time frame allotted for its implementation was though short the country's enormous population has protected the country from a severe economic crisis as occurred in the other developing countries.

### Concluding remarks

Ana analysis of the relevance of demonetization and its applicability throughout the world the author of te article is of the instant decision making on demonetization is not acceptable in the reality. It requires a lot of home work and also the opinion of the experts in the field need to be analysed beore taking such a drastic step in the field. Of course as the Prime Minister of such a vast country he might have consulted the economists of the world as well as of the country before taking such a drastic step in the reality scenario. The vastness of the country though has helped the political leaders to escape the danger of instant demonetization on the one hand about on the other hand the spillover effect of such a drastic step has no doubt affected the country people unquestionably. The Demonetization step may be treated as a first step forward to the political personalities to go for an elaborate planning before implementing any drastic policies in future.

The announcement of demonetization by the Prime Minister of India has raised the question to the public that can the Prime Minister of India take any such decision single handedly and make such announcement to the public leaving aside the President of the country who is the titular head of the country but all decisions need to be taken with his signature and also the announcement of the same are to be made by him.(Though the real decision maker is the Prime Minister as the leader of the country) This was a constitutional error committed by the Prime Minister of India while making the announcement of demonetization.

After almost the half of the decade the country people had overcome the instant effect of demonetization but the ever lasting impact of demonetization was severe to the agricultural families who were unable to go back to its original position as was existing before the announcement of demonetization in the country. The spillover effect of demonetization is still observed among those involved in agricultural sector. Let us hope that very soon the will come out of the mental stress an live a harmonious life with economic solvency and peace and tranquility.

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