Rural Awareness on Demonetization

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ABSTRACT
Demonetization is the act of stripping a currency unit of its status as legal tender. Currently, the Government of India announced that the Rs 500 and Rs. 1000 denominated currency notes and introduced the higher value of currency notes such as Rs. 2000. The move was targeted towards tackling black money, corruption and terrorism. This makes to raise some of the questions like why there is a need of demonetization, what is the reason, places where it is effect and more. This move is expected to cleanse the formal economic system and discard black money from the same. The study has the main objective of examining the impact of demonetization among farmers in rural areas and to study the impact of cashless digital economy and its accessibility among farmers. This paper elucidates the impact of demonetization on rural area in India.

1. Introduction
In an important move, the Government of India declared that the five hundred and one thousand rupee notes will no longer be legal tender on 8th November 2016. The RBI will issue Two thousand rupee notes and new notes of Five hundred rupees which will be placed in circulation from 10th November 2016. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision. This measure has been taken by the PM in an attempt to address the resolve against corruption, black money and counterfeit notes.

2. Demonetization- Meaning
Demonetization occurs whenever there is a change of national currency. In some cases, the current valuable money will be retired from circulation and it loses its value in the economy. Such retired money will be replaced by new notes or currency.

The word demonetization can be explained by splitting as follows:
- DE (Degrading)
- Money (Money value)
- Ti (in the)
- Zation (nation)

Its main purpose is to adopt a best alternative which is beneficial to the society.

3. India’s Demonetization
In this current scenario, India stepped into the demonetization by retiring the 500 and 1000 Rs notes. And in favor of this circumstance, there is introduction of new 500 and 2000Rs notes. This results in the riot like situation in the country. And mainly common public suffered a lot to access enough money to pay for their daily needs and health emergencies. And also lead the India for the “CASHLESS TRANSACTION” which eliminates black money in the economy.

In this decision, notes of one hundreds, fifty, twenty, ten, five, two and one rupees have got unaffected. This is the perfect measure of our PM which is an attempt of getting solution for the major problems such as corruption, black money and fake notes. It was meant to be suddenly implemented in just on one overnight because its aim is to tackle the black money which is existing in circulation. But the Government said that it is not to tackle 100% corruption. When announcement and time would have been given, this step might not have been successful in controlling black money.

4. Objective of the Study
- To study the impact of demonetization among farmers in rural areas.
- To evaluate the cashless digital economy and its accessibility among farmers of rural area in India.

5. Research Methodology
This study is fully based on secondary data which has been collected from different sources like research articles, internet, newspaper and more.

6. Purpose/ need for Demonetization
- In this recent days, we all are coming across the why there is a need of demonetization and people has to suffer a lot in their daily activities for payments. So, here is the solution for such big question.
- Demonetization made between keeping the secrecy of the mission vs. consulting all stakeholders and creating a full proof implementation plan.
- To educate others on digital payments, to take our household help to bank and open their accounts, to
convinced our parents/relatives to have all transactions in 'white' and pay taxes in full.

- It makes the citizens of India have been better than average in terms of maintaining peace and order, respecting the new rules etc.
- Objectives of a cashless society got realized.
- Massive tax evasion can be made with the help of cashless transactions. All black money have got acquired.
- Comparison with any other developed country in the world can be achieved.
- To eliminate fake currency and dodgy funds demonetization have been used by terror groups to fund terrorism in India.
- It acts to be a disaster for the people who are having the money more than Rs 5 lakh crore black money from the economy.
- It is enabling a literacy mission on digital payments.
- To lower the cash circulation in the country which "is directly related to corruption in our country.

7. Guidelines On Current Demonetization At The Initial Period

- While introducing the demonetization, some of the guidelines have got introduced for the perfect execution process and control on the maintenance and the demand in new currency.
- Withdrawals in ATM restricted to the limit of Rs. 2000 per day.
- Withdrawals against the cheque restricted up to the limit of Rs. 10,000 per day and upto Rs. 20,000 per week.

8. Benefits Of Demonetization

- The black money itself is going to be minimal since it tackles only the cash component.
- Limiting the circulation of black money will have an impact on real estate transactions.
- It is a good decision for re-capitalization of the banks.
- It is helping people to think about digital money digital payments etc.
- The informal sector will still be able to use the new high-denomination notes and other options, like gold, to store their wealth.
- The short-term pain might outweigh the uncertain long-term gains.
- The positive impact on funding conditions will depend on deposits remaining in banks.
- Reduction of approx. 20%-30% in the prices of vegetables, pulses and many other daily needs.
- India has proposed minimum wastage of money.
- India is moving ahead towards being digital, that too very fast by using the paytm wallet or credit and debit cards.

9. Impact Analysis On Demonetization In Rural Area

- Increases the cash deposit and reduces the black money.
- No affect on stock of black money which had been invested and held in other forms of assets.
- Increase the proportion of other assets in which black money is held which arise different level of difficulties and challenges to trace the same.

10. Impact On Economy (Sector Wise)

- Banking: 3 Trillion rupees of INR 500 and 100 deposited in the banking sector.
- Business: 500 billion rupees were dispensed from bank accounts.
- Agriculture: Usage of debit and credit card has got increased.
Business

- Sale of cigarette and liquor has decreased from 30-40 percent.
- Cash on delivery orders has got declined to 30 percent.
- Usage of paytm and payumoney increased to certain extent.
- Real estate sector came down.

Agriculture

- Adverse impact on input and output channel
- Sales, transport, marketing and distribution became easier
- Breaks in supply chain which makes the sales to fall
- Wastages of perishables has increased
- Lowers the revenue and decreases the availability of cash in hand.

Municipal & taxes

- Allow ability of using old notes resulted in the increases of revenue collections.

11. Demonetization and Black Money

Demonetization is a currency side step. The biggest mission of demonetization is described as fighting black money. India’s economy historically holds a big parallel economy where unreported income is the norm. Many projects revealed the result of demonetization will bring several long-term besides netting black money deposited in the form of banned notes. So it is logical to classify the black money fighting effect of demonetization as

(A) Direct or immediate effects
(B) Long term effects of demonetization in rural economy

(A) Direct or immediate effects

Immediate effect of demonetization comes through the netting of black money deposited in the banking system in the form of banned Rs 500 and Rs 1000 notes from November 10 onwards.

Around Rs 12 lakh crore of the Rs 15.44 lakh crore demonetized currency is with banks now and the extent of black money identified out of this will be the direct effect. Here, it is believed that an estimated Rs 1.5 to 2 lakh crore may be identified as black income. Out of this, around Rs 1.2 lakh crores may be collected as taxes at 50% to 85% tax rate.

According to National Institute of Public Finance and Policy (NIPFP), black income amounts to nearly 40% of the country’s GDP.

(B) Long term effects of demonetisation in rural economy

The long-term effect will be much impactful and depends considerably upon how government deploys more measures to depress the shadow or black economy.

12. Shadow Vs Formal Economy

High proportions of the economic transaction happen in the shadow economy and hence are unaccounted. The real estate sector is the most important example. Reducing the size of the shadow economy by enlarging formal economy is the way out. Here, transactions should be recorded. To be recorded, disclosure about the buying and selling people by quoting their financial ID or PAN card is mandatory especially for big transactions. The real estate sector amounts to nearly 45% of India’s parallel economy.

Steps to tackle black money among Farmers

1. E-business revealed nine major initiatives from government to tackle black money in the society.
2. They are given as follows:
3. The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015’ came into force on July 1, 2015, to specifically and more effectively deal with undisclosed income.
4. India has been collaborating with foreign governments to facilitate and expand the exchange of information. For this, the Double Taxation Avoidance Agreements (DTAAs), has been signed with tax havens like Mauritius and Cyprus.
5. For the investigation of Panama Paper leaks, the government brought in Constitution of Multi-Agency Group (MAG) with officers of the Central Board of Direct Taxes (CBDT), Reserve Bank of India (RBI), Enforcement Directorate (ED) and Financial Intelligence Unit (FIU).
6. The Union Cabinet on May 2014, approved the constitution of a Special Investigating Team (SIT) to implement the decision of the Honourable Supreme Court on large amounts of money stashed abroad by evading taxes or generated through unlawful activities.
7. Global efforts to combat tax evasion and black money were taken by joining the Multilateral Competent Authority Agreement in respect of Automatic Exchange of Information (AEOI) and having an information sharing arrangement with the US under its Foreign Account Tax Compliance Act (FATCA).
8. An information technology based ‘Project Insight’ was introduced by the Income Tax Department to strengthen the non-intrusive information-driven approach for improving tax compliance and effective utilization of available information.
9. The government is also trying to automate information exchange with several countries, including Switzerland, to clamp down on black money. For this, so far, both India and Switzerland have agreed to speed up work on the Automatic Exchange Of Information (AEOI) and make it possible by 2018.
10. The Lok Sabha on July 20, passed the Benami Transaction Bill 2015 which was predominately an anti-black money measure with the purpose to seize unknown property and prosecute those indulging in such activities, according to a PTI report.
11. The Income Declaration Scheme, 2016 was announced recently, which is like a one-time amnesty-like compliance window for citizens to declare their undisclosed income. Under the scheme, persons can declare their undisclosed income and pay tax, surcharge and penalty amounting to 45% of the total undisclosed income. Here, the income declared will be taxed at 30% plus a ‘KrishiKalyanCess’ of 25% on the taxes payable and a penalty at the rate of 25% of the taxes payable, amounting to 45% of the income declared under the scheme, a DNA report said.

12. Other strategies for tackling black money in rural areas
13. Enable electronic register of assets (Underway through electronic landrecords, digitisation of revenue records)
14. Establish identity of persons (through PAN Card, Aadhar Card etc.) operating in the country – citizens and foreigners.
15. Widen the net for disclosure by filing Income Tax return. (auto-processing returns for tax refunds)
16. Regulations that increase costs for black money creating activities. (Prevention of Corruption Act etc.)
17. Create e-trails of both incomes and expenditure.
18. Control on holding of cash and physical money including Indian and foreign money. (FEMA, recent demonetization)
19. Create attribution chain for funds entering and exiting the country (such as through P-Notes, FDI, Prevention of Money Laundering Act etc.) And more.

13. Conclusion

So far, it can be said that this is a historical step and should be supported by all. One should look at the bigger picture which will definitely fetch results in the long term. This is what the people have been asking for a long time which has finally happened.

Government can play all these moves and still fail if they play improperly. All we can say is that Government is playing well. It has tried to increase the sizes of the pie on which taxes are imposed by forcing the transactions into formal economy. The next part is reform of Income Tax which will tackle the remain. The future will tell the result.

References