

Review Article

A HOLISTIC REVIEW ON IMPACT OF DEMONETIZATION ON ANIMAL HUSBANDRY SECTOR

Abstract

The impact created in the year 2016 by demonetization policy on India's animal husbandry industry analyse different effects which are critically analysed using different studies. The goal of demonetization, which invalidated ₹ 500 and ₹ 1000 banknotes, was to suppress corruption, burden the use of counterfeit money, and encourage online transactions (Aggarwal and Narayanan, 2017[2]; Sharma, 2023)[20]. Animal husbandry holds as strongest pillar of India's rural economy, and the current study of demonetization examines the short- and long-term effects on it. **The short term effects like** Price volatility, lack of liquidity, and decreased market demand particularly impacted small-scale livestock, dairy, and poultry producers (NIRDPR, 2021)[16]. **The studies also suitably reveal** that farmers faced many significant challenges, including loss of livelihood, disrupted supply chains, and restricted access to banking facilities, increased debt, and limited farm investments (Govindasamy, 2017)[8]. **The Long-term effects** included a rise in the use of formal banking, a move toward digital payments, and structural modifications to cooperatives. **The present agriculture and allied industries scenario, which mainly depends on cash transactions, experienced significant disruptions in labor payments, input procurement, and livestock sales etc** (Sharma, 2023)[20]. The report also assesses government actions, such as initiatives to promote digital payments, sector-specific relief programs, and financial inclusion. The policy recommends the need for more efforts to raise digital literacy in rural communities, improved rural banking infrastructure in order to improve the sector's adaptability to future economic uncertainties (Singh and Prajapati, 2020[24]; NIRDPR, 2021)[16].

Keywords: Animal Husbandry Sector, Banking, Cash transactions, Demonetization, Digitalization,.

1. INTRODUCTION

A major contributor to the rural economy and the GDP of the country, the animal husbandry industry is an essential part of India's agricultural landscape (Khan, 2010)[13]. Recent estimates indicate that the livestock industry makes up roughly 25.6% of the agricultural GDP and 4.11% of India's GDP (Dash, 2017) [6]. This industry, which is estimated to have 512 million livestock animals, including sheep, goats, cattle, and buffaloes, is essential to the livelihoods of millions of farmers (Anonymous, 2023) [3]. In addition to providing milk, meat, and eggs that contribute to food security, animal husbandry generates revenue for a large number of smallholder farmers who rely on livestock for daily sustenance (NIRDPR, 2021)[16]. Additionally, dairy farming has become a major source of income and employment for rural households, with many farmers running their businesses solely through cash transactions (Aggarwal *et al.*, 2022) [1].

Demonetization, a major economic policy that the Indian government enacted in November 2016, involved the removal of the ₹ 500 and ₹ 1000 currency notes from circulation. This historic action was taken in an attempt to combat black money, lessen the use of counterfeit money, and advance the cashless economy. Demonetization was a policy aimed at improving tax compliance and turning up the cash-heavy informal economy (Aggarwal and Narayanan, 2017[2]; Sharma, 2023)[20]. The policy had immediate and significant effects on many different economic sectors, most notably agriculture and its allied industries, even though its goal was to usher in a new era of financial transparency.

This review helps in examining how demonetization affected farmers' livelihoods and operational procedures is crucial, given the animal husbandry industry's heavy reliance on cash transactions and the disruptions it caused. Additionally, the review poses a deeper understanding of the impact of demonetization on animal husbandry sector and its possible effects. By comprehending this effect, policymakers will be better able to support vulnerable sectors in the future and gain insight into the wider effects of these economic policies on rural communities.

2. A GLANCE ON THE ROLE OF CASH IN THE ANIMAL HUSBANDRY SECTOR

Animal husbandry places a great deal of dependence on cash transactions. Cash is usually used by farmers to pay for daily expenses like buying feed, paying for veterinary care, and buying or selling animals. Prior to demonetization, 58.8% of farmers relied on cash payments to buy cattle feed (Aggarwal *et al.*, 2022) [1]. Farmers' livelihoods depend on the cash economy; without which, they confront serious operational difficulties.

Many farmers found it difficult to obtain cash in the immediate wake of demonetization to make necessary purchases. Due to delays in obtaining necessary inputs, the disruption in cash flow made it more difficult for them to maintain the productivity and health of their livestock (Dinesh and Reddy, 2018[7];Murthy *et al.*, 2019)[15].Additionally, the marketing of livestock products was impacted by the **heavy cash** shortage. Farmers found it challenging to sell their goods during the post-demonetization liquidity crisis because the majority of transactions were made in cash (Kumar and Singh, 2017[14]; Saha and Singh, 2017)[19].

3. METHODOLOGY

The present review establishes a relationship of demonetization on the Animal Husbandry sector from various studies conducted across different contexts bringing a wider understanding of the concept.

4. POTENTIAL EFFECTS OF DEMONETIZATION ON THE SECTOR

The animal husbandry industry could be affected by demonetization in a number of ways. It first resulted in a dire liquidity crisis that seriously hampered day-to-day operations and stressed out farmers (NIRDPR, 2021)[16]. Due to the inability to make cash transactions, feed and veterinary service purchases were delayed, which had an adverse effect on the productivity and health of the livestock (Aggarwal *et al.*, 2022) [1].Furthermore, research has indicated that shortly after demonetization was implemented, domestic agricultural trade in **regulated markets was** **been** displaced by more than 15% (Aggarwal and Narayanan, 2017)[2]. Because perishables and livestock products depend on quick cash transactions for sales. For example, within a week of demonetization, the trade in perishables was disrupted by about 23% (Aggarwal and Narayanan, 2017) [2].

Positively, demonetization also caused some farmers to gradually switch to digital payment methods. A growing number of people started using online banking services and mobile wallets in place of conventional cash transactions when cash became scarce (Dinesh and Reddy, 2018[7]; Sharma and Shukla, 2017)[22]. In the long run, this change could improve the sector's efficiency and transparency.

5. IMPACT ON MILK PRODUCTION, MEAT PRODUCTION AND EGG PRODUCTION

The production of milk, meat, and eggs was significantly impacted in the short term by India's demonetization policy. Many farmers experienced sudden cash shortages after the ₹ 500 and ₹ 1000 notes were removed, which made it difficult for them to buy feed and other necessary inputs for managing livestock. Studies show that when dairy cooperatives grappled with cash flow problems, milk production fell as a result of lower procurement levels (Choyal, 2018[5]; Aggarwalet *al.*, 2022)[1]. According to reports, **milk procurement in regulated markets decreased by about 15% in the early months after demonetization** (Aggarwal & Narayanan, 2017) [2];(Sharma and Devi,2017)[21].

Similar difficulties were faced by producers in the meat and poultry industries. Sales and production levels fell as a result of the disruption to the meat production supply chain caused by the inability to make cash transactions (Dinesh and Reddy, 2018)[7]. Due to financial difficulties and declining consumer purchasing power, farmers were unable to sell their eggs, which resulted in a decrease in egg production (Aggarwalet *al.*, 2022)[1]. All things considered, the immediate effects of demonetization led to a decrease in output in these crucial sectors.

6. CHANGES IN FEED PURCHASE AND DISTRIBUTION

Demonetization had a big impact on the animal husbandry industry's feed distribution and purchase networks (Hosain, 2019)[9]. Before demonetization, the majority of farmers' purchases of animal feed were made with cash. Upon the implementation of the policy, numerous farmers encountered challenges in obtaining funds for the purchase of feed, leading to delays and disturbances in their practices for managing livestock (NIRDPR, 2021)[16]. A study discovered that roughly 59% of farmers paid with cash for cattle feed, which caused issues during the liquidity crisis (Aggarwalet *al.*, 2022) [1].

Additionally, as suppliers modified their pricing strategies in response to the economic climate, the disruption in cash flow resulted in higher feed prices (Kumar and Singh, 2017)[14]. Farmers who bought feed on credit mentioned that they had to pay up to 15% more because of the increased demand and scarcity of cash (NIRDPR, 2021)[16]. These modifications had an impact on individual farmers as well as the dynamics of the supply chain in the animal husbandry industry.

7. IMPACT OF DEMONETIZATION ON VETERINARY SERVICES

Another aspect that was heavily impacted by demonetization was the provision of veterinary services. Due to their lack of access to capital, farmers were unable to pay for veterinary care, which is essential to keeping livestock healthy (Dinesh and Reddy, 2018) [7]. Due to financial hardships brought on by the financial crunch, many farmers reported delaying seeking veterinary care (Sharma and Shukla, 2017)[22]. Inadequate veterinary care resulted in a rise in animal illness, which may have long-term effects on the industry's profitability and productivity (Kumar and Singh, 2017)[14]. Veterinarians themselves also had difficulties because they were frequently paid in cash for their services. Farmers' difficulties during this time were made worse by the general decrease in livestock health brought on by subpar veterinary care.

8. IMPACT OF DEMONETIZATION ON MARKET LINKAGES AND SUPPLY CHAIN

Demonetization caused significant disruptions in supply chains and market linkages in the animal husbandry sector. Studies suggest that supply chains collapsed as a result of the disruption in cash flow; perishable goods saw a roughly 23% shift in sales in the first few months after demonetization (Dinesh and Reddy, 2018)[7].

Furthermore, since farmers could not get their goods to markets to be sold, there was a greater waste of perishable goods as a result of the inability to conduct cash transactions (NIRDPR, 2021)[16]. The cash crunch made matters worse for the numerous farmers who depended on unofficial credit systems (Aggarwal *et al.*, 2022) [1]. Both producers and consumers were affected by the overall severe disruption of market relationships.

9. IMPACT OF DEMONETIZATION ON IMPORT AND EXPORT

In the animal husbandry industry, demonetization had a significant impact on imports and exports. Several exporters experienced early delays as a result of the cash crunch impacting supply chains and logistics, even though some were able to continue operations using cheque payments (Dinesh & Reddy, 2018)[7]. Due to the disruptions, export volumes temporarily decreased as producers battled to meet both domestic and international demand.

Moreover, the influence on imports was also noteworthy. The animal husbandry industry depends on imported veterinary supplies and feed ingredients. The liquidity crisis hindered

importers' ability to carry out transactions efficiently, which resulted in shipment delays and higher input procurement, costs (Aggarwal et al., 2022) [1]. Following demonetization, reports suggested that the trade environment as a whole grew more difficult, with exporters finding it harder to complete contracts because of cash flow problems (Aggarwal & Narayanan, 2017)[2].

10. IMPACT OF DEMONETIZATION ON RURAL LIVELIHOODS

Several studies conducted across different parts of the India revealed that production activities slowed down significantly due to the immediate cash shortage, which resulted in delayed sowing and harvesting (Singh and Prajapati, 2020)[24]. This disruption not only affected income levels but also led to a loss of employment opportunities for agricultural laborers who depend on seasonal work in farming and animal husbandry. Reports indicated that many laborers were unable to find work during this period leading to the economic difficulties faced by rural communities (Kakumanu et al., 2022)[12].

11. RECOMMENDATIONS AND MEASURES BY GOVERNMENT

The Indian government undertook a number of initiatives during the demonetization era to assist farmers engaged in animal husbandry who were severely impacted by the abrupt removal of high-denomination currency notes.

In order to facilitate transactions in a cash-scarce environment, the government actively encouraged farmers to adopt digital payment methods. This program was a component of a larger effort to transition the economy away from cash transactions, which were negatively impacted by demonetization (Sharma, 2023)[20]. But many farmers in rural areas had little exposure to digital financial services and had trouble accessing banking facilities, which made it difficult for them to adjust (Kakumanu et al., 2022)[12].

Various financial support initiatives were created by the government to aid farmers during the changeover. The Kisan Credit Card (KCC) scheme was designed to facilitate farmer's access to loans so they could purchase essential agricultural inputs without having instant access to cash (Sumathy and Savitha, 2018)[25]. The government took the initiative aimed towards financial inclusion and digital literacy among rural farmers (Patel and Patel, 2017)[18].

12. EFFECTIVENESS OF THE MEASURES

Across various animal husbandry industry segments, these measures efficacy differed considerably. While programs encouraging digital payments held promise for large farmers who could easily adjust and for urban regions, small and marginal farmers encountered significant obstacles. Due to their frequent lack of access to smartphones and dependable internet connectivity, many of these farmers were unable to conduct digital transactions (Aggarwal *et al.*, 2022) [1].

The efficacy of government initiatives to alleviate the effects of demonetization on farmers engaged in animal husbandry was impeded by inadequate infrastructure and farmers' uneven ability to adjust to sudden shifts in economic policies, despite the well-meaning intentions behind the measures. **The contradictory findings show that more focused interventions especially from the public sector are required to address the unique difficulties that small and marginal farmers in rural areas confront.**

13. LONG TERM IMPLICATIONS ON THE ANIMAL HUSBANDRY SECTOR

The animal husbandry industry is subject to a variety of long-term effects of demonetization, but the main ones are related to credit availability, market dynamics, and general economic stability. For rural economies that depend on cash transactions in particular, the shift to a cashless economy has presented substantial challenges.

Demonetization has resulted in credit becoming more difficult to obtain, which is essential for farmers and livestock owners to invest in animal husbandry (Joshini and Nair, 2019)[10]. The banking industry changed its lending policies in reaction to demonetization, which might have restricted access to money needed for the purchase and upkeep of livestock (Padhi, 2024)[17].

Soon after demonetization, there was a 16.3% drop in the trade value of the agricultural market, which included animal husbandry. This had an impact on prices and market stability that persisted (Aggarwal *et al.*, 2022) [1]. Reduced sales and broken supply chains had a double effect on livestock productivity and health in rural areas where animal husbandry is common (Kaithal, 2016)[11].

Through better access to markets and financial services, the long-term shift to a cashless economy may eventually improve liquidity and transparency, which would be advantageous for the animal husbandry industry (Kaithal, 2016[11]; Singh & Singh, 2017)[23]. Unfortunately, the immediate effects have been negative, with rural economies experiencing lower income and

investment capacity, which may impede the expansion of the animal husbandry industry (Chandra et al., 2020)[4].

14. LIMITATIONS OF THE STUDY

The demonetization though possess positive impacts but there often exists certain limitations on small scale farmers with limited banking infrastructure and awareness. There exists delay in purchase of animals due to delayed digital transactions which is due to reduced liquidity. In addition, there can be challenge in payment to workers, limited digital literacy among the consumers.

15. CONCLUSION

Demonetization had a significant and varied effect on India's animal husbandry industry. Several important conclusions, suggestions for future research, and recommendations for policies have been emphasized in this review, which can assist in educating stakeholders and decision-makers in the future.

- For livestock farmers, the immediate aftermath of demonetization caused severe cash flow disruptions, which decreased revenue and created operational difficulties. The inability of many farmers to afford basic inputs like feed and veterinary care had a negative impact on the productivity and health of their livestock (Kakumanu *et al.*, 2022[12]; Aggarwal *et al.*, 2022)[1].
- As farmers looked for alternatives to cash transactions, the crisis sparked a shift in payment methods toward digital ones. Although many smallholders faced difficulties with digital literacy and access to technology, this shift has the potential to improve financial inclusion (Singh and Prajapati, 2020[24]; NIRDPR, 2021)[16].
- During this time, the government took a number of steps to assist farmers, such as encouraging digital payments, implementing financial aid programs like the Kisan Credit Card scheme, and providing emergency feed supplies. However, different farming community segments experienced these measures' effectiveness at significantly different rates (Aggarwal and Narayanan, 2017) [2].
- The sector has undergone structural changes as a result of the demonetization experience, with a focus on enhanced supply chain management and increased resilience to economic

shocks. The necessity of formalizing transactions within the livestock sector has also been brought to light by this circumstance (Kakumanu *et al.*, 2022)[12].

16. RECOMMENDATIONS

- Prioritizing investments in digital infrastructure will help policymakers enable livestock farmers to have greater access to digital payment systems. This entails offering digital literacy training programs and enhancing internet connectivity in rural areas (Aggarwal *et al.*, 2022) [1].
- Simplifying application procedures and lowering administrative barriers for smallholders should go hand in hand with efforts to increase credit availability through programs like Kisan Credit Cards. Furthermore, to assist farmers in times of economic uncertainty, continuous subsidies for necessary inputs ought to be preserved (NIRDPR, 2021)[16].
- The government should think about putting in place price stabilization measures that guarantee fair compensation during market fluctuations in order to shield farmers from price volatility, especially for perishable goods like milk and meat (Aggarwal and Narayanan, 2017)[2].
- Promoting cooperative models among cattle producers can strengthen their negotiating position, open up new markets, and make it easier for them to buy inputs in bulk. This strategy can aid smallholders in overcoming obstacles more skillfully.

Disclaimer (Artificial intelligence)

Author(s) hereby declare that NO generative AI technologies such as Large Language Models (ChatGPT, COPILOT, etc.) and text-to-image generators have been used during the writing or editing of this manuscript.

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