

Reviewed Study on Impact of Demonetization on Agricultural Sector in India

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SUMMARY

Agriculture is the backbone of our Indian country. In our country 75% of people are either directly or indirectly depend on agriculture. The farmers struggled a lot at the time of demonetization because the saving habits as well the payment mode of farmers were only on cash. Farmers used to handle liquid cash as it is essential for their day to day transactions. 70% of the farmers market their products through Farmers Market or they may be street vendors where cashless transaction is impossible. Daily wage earners in agriculture were earning small amount per day. When the withdrawals from banks were limited the farmers were unable to draw cash to pay their labors which result on postponing their works and get the labors jobless for days or months. Cash is the primary mode of transaction in agriculture sector. The farmers who own limited acres will not have bank accounts, which had a large impact on the farmers at the time of demonetization. Not only agriculture sector but also other industries which depend on agriculture were also affected. These impacts make the farmers to depend on illegal money lenders and black marketers to cater their transaction needs. Demonetization has affected every Indian, but it has hit the agricultural sector to the core. The government should try to reach out to the farmers of rural areas also to come out from the above issues.

INTRODUCTION

Demonetization is a radical monetary step in which a currency unit's status as a legal tender is declared invalid. In India's case this move has been taken to curb the menace of black money, fake notes by reducing the amount of cash available in the system. Demonetization was first implemented in India in 1946 when RBI demonetised circulation of Rs 1000 and Rs 10000 notes. The Government then introduced higher denomination bank notes in Rs 1000 Rs 5000 Rs 10000 in 1954 before Moraji Desai govt demonetised these notes in 1978. On Nov 8 evening Prime Minister Narendra Modi , in his televised address to the nation , made Rs 500 and Rs 1000 notes invalid, saying that it was aimed at curbing the disease of corruption and black money which have taken deep root and new notes of Rs 2000 and Rs 500 were introduced. There was no change in form of currency exchange be it cheque, DD payment via credit or debit card etc.

Negative effects of demonetization on Agriculture sector

- 1.Agriculture growth in India contracted 0.2% in 2014 – 2015 and grew no more than 1.2% in 2015 – 2016, largely because of back to back drought.
- 2.As Agriculture was expected to grow at 4% this year. According to this October 2016CRISIL stated that due to demonetization it doesn't achieve.
- 3.65% of India's population depends on agriculture as work force, laboursetc. The wages to them are not paid due to demonetization.
- 4.As farmers buy seeds, fertilizers and farm equipment in cash .So demonetization has given a

- bitter experience to farmers at that time.
5. Sales have dropped 25% - 50% a cross market with occurrence of dumping.
 6. Demonetization has announced when the Kharif crops reached markets and Rabi sowing seeds. At this stage farmers will get profit and they have to spend to buy seeds, fertilizers ...etc to begin the Rabi season.
 7. After facing a two year drought scenario farmers in India are about to get profits, at this particular time demonetization has announced.
 8. After announcing demonetization policy 86% of money circulation wiped out. As farmers mostly depend on cash transactions. It would be a very bad effect on them.
 9. Bank staff also very few it is difficult to get money for them.
 10. Because of late sowing of seeds there may be damage in the crop output.
 11. Wheat Farmers are expected to get more profits this year. As there is a decrease in the wheat output. It is assumed as the price will be increase .But due to demonetization, private trader's imported wheat from other countries. Despite of having number of Government Banks, farmers choose money lenders who charges high rate of interest at the time of demonetization.
 12. Farmers who grow perishables like fruits and vegetables have suffered a loss of Rs.20000 to Rs.50000 per acre.
 13. Because of demonetization potato cultivators of Himachal Pradesh have been hit hard. Both the sales and price of potato has been fallen down.
 14. Not only in Himachal Pradesh, but also wheat Farmers in Punjab and Haryana has a bad phase due to demonetization. The farmers do not have sufficient money to buy seeds, fertilizers etc.
 15. Maharashtra also has been hit hard by demonetization. The sowing of grams and wheat was effect by it. his table shows the changes in the price of perishables fruits, vegetables, wheat, rice and milk. Almost all the vegetables have the negative effect due to demonetization i.e. price decreased. The same effects are followed by the fruits also. There is a increase in the price of wheat as there was a shortage of wheat. There is a decrease in the rice price of 8 percent. There is no change in milk price.

Positive effects of demonetization on Agriculture sector

Sugar cane farmers accept cheques from sugar factories from a long time. So other farmers are also can accept cheques from there traders which improve banking practises in rural areas. Some of markets adopted electronic National Agriculture Market. So they can make payments by cheques, wallets, electronically. After demonetization farmers accepting cheques from government for all the benefit schemes. Farmers of Moong, Apple, potato are using bank facilities to make and as well as to take payments. Because of demonetization farmers are motivated to take insurance and disaster relief cheques. Demonetization made farmers to make use of banking services more efficiently. It also helped them to update new technologies of payment. Demonetization helps to increase credit facilities to farmers as its main aim is to abolish black money. In recent budget the target for agriculture credit is fixed at Rs. 10 lack cores.

Suggestions

To provide subsidy on fertilizers, seeds, pesticides.....Etc.

To give high Agriculture credits.

Government should pay reasonable price to the crops produced during demonetization.

Government should take preventive measures that farmers are not affected by the demonetization policy.

Farmers should update themselves with technological changes.

CONCLUSION

We see the impact of demonetization on the various sectors and it affected on National economy we see that it majorly affected on the agricultural sector and directly on the farmers of the Nation but government or any financial institution not ready to reimburse Farmers financial and social losses and it only the farmers who can overcome and face the situation, but the question is that will government or any financial institutions able to give answers of people that what they achieve from it? But Indian farmers have answered what they lose.

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