



Impact of Demonetization on Indian Agriculture Sector

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ABSTRACT

Agriculture shapes the foundation of our nation's economy. Very high percentage of farmers depends on liquid cash as it is useful for their day today transactions. The said research paper is focused on impact of Demonetization on Indian Agriculture Sector in India. Present research paper is studied in the concept of demonetization on Indian economy. observed that the demonetization has severe affect on Indian economy, but it hardest hit the agricultural sector. Farmers, who are the backbone of our economy, were badly affected by the note demonetization which invalidates atleast 86% of India's currency. The primary focused of this research paper on the field of agriculture sector. Basically, researcher has studied that the major impact of demonetization on Indian agriculture sector. 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. Agriculture is the backbone of our Indian country. In our country 75% of people are either directly or indirectly depend on agriculture. Agriculture is the production, processing, marketing, and use of foods, fibers and byproducts from plants, crops and animals. "Agribusiness" as a broad term encompassing all aspects of agricultural production, processing and distribution. 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.

KEYWORDS: Demonetization, Agricultural Sector, Black Money, Cash-Less Economy, Farm Management, Corruption

INTRODUCTION

The Indian government decided to demonetize the 500 and 1000 rupee notes, the two biggest denomination notes. These notes accounted for 86% of the country's cash supply. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy. Demonetization has affected every Indian, but it has hit the agricultural sector the hardest. Agriculture in India accounts for 50% of the workforce. Farmers, who are the backbone of our national economy, were severely affected by the note demonetization of



which invalidated 86% of India's currency. Most of them will get loans from cooperative banks which now don't have cash to supply them. So farmers cannot buy seeds, fertilizers and other things required for farming. It would take few weeks to solve this issue. Till that time, farmers will find it difficult. Farmers generally deal in cash and India is also largely a cash economy.

DEMONETISATION : A FRAMEWORK

The process of demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

1. Agriculture is truly dependent upon cash transactions via cash is direct burden to the farmers markets because they should purchase all their agriculture inputs even bigger landholders may face problems such as paying daily wages to the farmers and purchasing agricultural needs for growing crops...on other hand harvested produce while selling may face the problem.
2. Many farmers live in the under economy Delayed sowing may affect the crops Already wheat outcome was decreased in northern India.
3. Problems in purchasing seeds at the right time for sowing at upcoming season.
4. India's 263 million farmers live mostly in the cash economy.
5. Production of essential commodities is under threat hurting farmers who are just recovering from the two-year drought.
6. The demonetization of 500 and 1000 rupee notes to crush back economy has come at a wrong time for farmers.
7. Millions of farmers are unable to get enough cash to buy seeds and fertilizers for their winter crops.

OBJECTIVES OF THE RESEARCH STUDY

The said research study was carried out with following objectives in view:-

1. To study the Impact of Demonetization on Indian Agriculture Sector.
2. To study the related issues of cashless transactions and its remedies.

RESEARCH METHODOLOGY

For the present research study the data pertaining to the above objectives was collected and reviewed the literature on the topic concerned. The literature was thus collected by visiting various libraries. Some Government offices were also visited for getting office record and statistical data. The secondary data is also collected from various websites.

The collection of data for preparing the said research paper are based on only secondary data. The Secondary Data is collected from various reference books related to Demonetization, Agricultural Industries, Black Money, Cash Less Economy, Commerce & Management, and Banking etc. For said research study secondary data is also collected from the National and International Research Journals which are related to Commerce, Management, Banking etc.



THE EFFECT OF DEMONETISATION FOR FARMERS

1. Failure to get a reasonable price on their produce, will push many farmers under massive debts, burdened by interests.
2. Farmers suffered a setback due to nationwide cash crunch and a collapse in the demand for vegetables in wholesale markets
3. Agriculture was impacted through the input-output channels as well as price and output feedback effects. Sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, is dominantly cash-dependent. Disruptions, breaks in the supply chains feedback to farmers as sales fall, increased wastage of perishables, lower revenues that show up as trade dues instead of cash in hand and when credited into bank accounts with limited access affect the sector.
4. Small farmers are also suffering a cash-crunch due to demonetization, as many have crops lying around, but with no buyers whatsoever.
5. Farm laborer are not paid with their wages to currency shortage and postponing of work is happening as farmers don't are not able to pay for the laborers.
6. Farmers were unable to purchase inputs like certified HYV seeds from market. They were using old seeds from the last year harvest and not purchasing quality seeds from market. This will adversely affect crop yields despite good monsoon this year.
7. Fruit and vegetable farmers were badly hit. They need cash on daily basis to purchase inputs like pesticides, fertilizers and hired labour for harvest and also to transport and sell at urban centres. Lack of cash with farmers leading to less-than optimal use of inputs resulted in lower yields, reduced sales, higher wastage and lower price realization.
8. Formal financing in many parts, especially Punjab, Uttar Pradesh, Odisha, Maharashtra, Gujarat and Kerala is significantly from cooperative banks, which are barred from exchange-deposit of demonetized currency.
9. The small growers and retail vegetable sellers are bearing the brunt, as they are with inventories of perishable commodities.
10. Worst off are the farmers who take loans to buy raw material for growing crops.

ISSUES OF CASHLESS TRANSACTION IN AGRICULTURE

A) Negative Impact of Cashless Transaction in Agriculture

1. **Agricultural income:** whether the amount is Rs 5 lakh or Rs 1 core, they will not have any problem as agricultural income is exempted from income tax. However, they may face problem during declaring non-farm incomes,”
2. **Rural & Poor Masses:** The big one is that poorer people are less likely to have access to financial services, and are more likely to use cash in their daily lives. Unless they were granted free or cheap access to financial services, they'd be at a disadvantage in being able to purchase things in a cashless economy.
3. **Per week cash withdrawal:** limit of Rs. 24000 will not allow agricultural commodity traders to make payments to farmers in the mode of cash. Thus, they will have to take the route of cashless transactions such as cheques, NEFT or RTGS. To begin the process, the farmers will have to join the banking network.



B) Positive Impacts of Demonetization

- 1. Jan Dhan Yojana:** Now individuals are depositing/deposited enough cash in their Jan Dhan accounts which they were reluctant to do so a few days back. The amount deposited can be used for the betterment of the country.
- 2. Black Money tracking:** This move will help the government to track unaccounted black money or cash on which income tax has not been paid. Individuals who are sitting on a pile of cash usually do not deposit the amount in the bank or invest anywhere as they would be required to show income or submit PAN for any valid financial transactions. They would hide it somewhere and use it as and when necessary. Banning high-value currency will impact people who will have no option, but, to declare income and pay tax on the same or destroy the cash somehow.
- 3. Tax payment:** Most of the businessmen who have been hiding some income are ready to pay advance tax as current year's income. Tax payers who have been hiding some income can come forward to declare income and pay tax on the same. Individuals are required to submit PAN for any deposit above Rs 50,000 in cash, which will help tax department to track individuals with high denominations. Also, deposit up to Rs 2.5 lakh will not come under Income tax scrutiny.

FINDINGS

1. It was found that majority of the farmers are with an income level of below 20,000.
2. Majority of the farmers believed that governments move towards demonetization is to tackle black money and eliminate fake currency.
3. Majority of the farmers said that the demonetization was implemented at wrong time as it was a harvest period which gave a high hit for the farmers.
4. Majority of the farmers have come across problem like purchasing fertilizers at the time of demonetization and few faced labour problem.
5. Most of the daily wages labours faced problem like advance payment of salary on contract basis which provoked them to work at less salary.
6. Majority of the farmers said that demonetization is healthy for economic growth.

SUGGESTION

1. Government should educate the farmers at the rural areas regarding banking transactions. → Before implementing the concept of demonetization, government could have been prepared with bulk cash for currency exchange.
2. Limit for the exchange of currency notes could have been extended to agricultural sector so that production would have been increased.
3. To make over all the issues faced by farmers, government should give good rate for agricultural products in market.
4. Government should concentrate towards the happenings and issues before taking further steps for the welfare of society.



CONCLUSION

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. It is more likely that the government would come up with solutions. 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.

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