

---

## DEMONETIZATION IMPACT ON AGRICULTURE SECTOR IN INDIA

### Article Particulars

Received: 1.9.2017

Accepted: 11.9.2017

Published: 30.9.2017

**Dr. R. GOVINDASAMY**

Assistant Professor,  
Department of Economics,  
Bharathiar University,  
Coimbatore, Tamil Nadu, India

### Abstract

*The Indian government was demonetisation was announced Nov 8, 2016 by our honourable prime minister televised to nation. The demonetised on notes of Rs.500 and Rs.1000 notes. These two biggest demonization notes accounted for 86 per cent of the countries cash apply in economy. Demonetisation has affects each and every Indian it has hit the agriculture sector hardest. Agriculture in India accounts for the 70 per cent work forces. Farmers are backbone of Indian economy.. So farmers cannot buy seed fertilisers and other raw material for farming activities demonetisation It took take few week so solve this issues till that farmers difficult. Farmers generally deal in cash each and every activity of farm management.*

**Keywords:** demonetisation, agriculture sector, farm management, black money, corruption, RBI

---

### Introduction

Demonetizations 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 History of demonetization in India: 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. Demonetization in recent time 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.

### **Problem faced after Demonetization**

Agricultural economy is labour intensive absorbing 70 per cent of employment contributing 50 per cent of GDP. Cash transaction dominates agricultural society. So Black money is quite common in rural areas. After demonetization farmers were unable to sell their goods as consumer had lack of cash. A farmer depends mostly on village money lenders for liquid cash which is also stopped. Rural consumer spends have contracted from a growth of 12% in 2015 to 10.9% in 2016.2. Job losses, fall in farm income, social disruption especially in cash intensive sector. In service sector in rural areas, sellers did not able to sell their product because of cash crunch .At the same time they were not getting raw materials for providing the service. Transport operator who are taking cash only for giving transport facility which is only way of movement of raw material and finished product were also stopped their operation. In rural areas there are so many banks having many branches.38 percent of total branches are present in rural segment. So the problem is not infrastructure but the blockage caused by inability of banks to deliver cash in adequate quantities and denomination on time.

### **Perishable Commodities Impact**

The first week of December worse for perishables like fruits and vegetables. The absence of storage and processing facilities for these commodities make these commodities highly vulnerable. The liquidity crunch has pulled down the demand, further aggravating the plight of these farmers. There are reports of price of vegetables dropping by almost 60 per cent across wholesale markets. The CPI inflation of vegetables has recorded a steep decline of 10 per cent as per the latest estimates.

The cash crunch has reportedly affected onion trade, poultry sector and there are also reports of large scale distress sales by orange farmers in Vidarbha region of Maharashtra. Therefore, demonetisation is unlikely to affect agricultural growth but it is likely to hit the farmers badly, unless the public procurement of pulses improves and distress sales of perishables are addressed.

The prices of non-horticultural crops in India have so far held steady despite the impact of demonetisation. However, the arrivals at the local mandi present a somewhat mixed picture where the arrivals of onions and cotton seem to have picked up in recent weeks, but the arrivals of paddy remain depressed post demonetisation. Abi acreages are near normal despite the strain on farmer finances. Overall, while it appears that the agricultural markets have so far coped fairly well with demonetisation, delays in arrival of new currency could create problems.

### **Fertilizer**

Fertiliser manufacturers such as IFFCO, Zuari Agro, and National Fertiliser indicated that fertiliser sales, which suffered in the first 10 days following the demonetisation of high value notes, have since revived. They mentioned that they have extended a

month of additional credit to wholesalers, delers, and retailers, who in turn are passing on this facility to the farmers.

### **Long Term Impact**

As for the long term Impact of demonetisation I believe this move has the potential of bringing about transformational changes in the sector like better access to credit for farmers, elimination of middlemen, which is one of the major causes of poor condition of Indian farmers as their profit is immensely reduced due to the commission of the middlemen, direct transfer of subsidies to farmers and ultimately

### **Short Term Impact**

As cash is the primary mode of transaction in agriculture sector, demonetisation is bound to cause temporary stress in the system. Sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, is dominantly cash-dependent in the transitional phase, farm produces with limited shelf-life like fruits and vegetables, which significantly contribute to overall farm output, will be hit due to cashlessness. Similarly, payment of wages to farm labourers and rentals for farm implements will too become difficult considering the limited access of service providers to the banking system.

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 problems

1. Problems in purchasing seeds at the right time for sowing at upcoming season.
2. Many farmers live in the under economy Delayed sowing may affect the crops Already wheat outcome was decreased in northern India.

Reports of stress in agriculture have begun to appear because of demonetization. Cash is the primary mode of transaction in agriculture sector which contributes 15 per cent to India's total output. 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.

The government's initiatives such as allowing farmers to buy seeds using old notes from the central and state-owned seed companies, as well as from ICAR and central varsities; instructing fertiliser companies to sell soil nutrients on credit; allowing an additional two months to repay crop loans due in November-December period, have all perhaps helped this process. As a result of all these factors, the rabi food grain output is likely to be much higher and could be 7per cent higher than 2015-16, if the targets are met. Therefore, the overall agricultural growth in 2016-17 could be much higher despite a slowdown in food prices.

So basically the Indian Agriculture Sector has to go through rough time with the announcement of Demonetization in the linking the Indian farmer to the global agricultural market. If the Indian farmers are linked to the global market it could generate a great amount of revenues for the country.

### Conclusion

Demonetisation has severely affected every Indian at the time. The demonetisation goal was to eradicate fight tax evasion and elimination black money and promote the cashless economy in India, but farmers are severely affect to the purchase of seeds and fertilisers, and other things required for farming. So the Government should try to reach out farmer of rural areas also to come out from the above issues. It is more likely that government would come with solution.

### References

1. Dr.V.G.Sumathy, T.Savitha, (2017)"Impact of Demonetisation in Agriculture Sector'' journal of humanities and social science (IOSR-JHSS) Page. No 35-38, e-ISSN: 227-0837,p-ISSN :2279-0845.
2. CSC Shekhar professor institute of economic growth Delhi University. Email: csehkar@iegindia.org.
3. Siddharth Singh, Bsc Ag(hons) Agriculture, Sardar Vallabh Bhai patel University of Agriculture and Technology.
4. Waghmare A. First post (2017, January 6) [Blog post] Demonetisation will hit agriculture, informal sector workers. Retrieved from [http://www. Firstpost.com /india/demonetisation- will-hit -agriculture-informal-sector-workers-the most-study-3106004.html](http://www.Firstpost.com/india/demonetisation- will-hit -agriculture-informal-sector-workers-the most-study-3106004.html)
5. 5.Kohli R live mint .com /Opinion/BlvFTOgwaqHjdM5nkmg2cxj/ Demonetization- The impact-on-agriculture .html
6. Chand R and Singh NITI Asyog (2016, November) [Blog post]Agriculture growth in the aftermath of demonetisation Retrieved from <http://www.niti.gov.in/content/agricultural-growth -aftermath-demonetization>.