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## DEMONETISATION IMPACT ON INDIAN AGRICULTURE

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### ABSTRACT

*Agriculture is affected by input-output channels as well as price and output feedback effects. The sale, transportation, marketing and distribution of finished goods to wholesale centers or mandis depend mainly on cash. The decline in sales has affected the sector as farmers have seen supply chain breakdowns, increased wastage of perishable goods, low income shown as commercial payments instead of cash in hand and deposits in bank accounts with limited access.*

**Keywords:** Demonetisation, Currency, Agriculture Sector

### INTRODUCTION:

Agriculture is the backbone of our Indian country. In our country, 5% of the people are directly or indirectly dependent on agriculture. Farmers struggled a lot at the time of denomination because the habit of saving as well as the payment method of farmers was only on cash. Farmers handle liquid cash as it is required for their daily transactions. 72% of farmers sell their produce through farmers market (Uzhai Santhai) or they may be street vendors where cashless transactions are impossible. Wage earners in agriculture were earning a small amount every day. When withdrawals from banks were limited, farmers could not withdraw money to pay for their labor, which pushed their jobs forward and left workers unemployed for days or months. Is the primary method of cash transactions in the agricultural sector? Farmers who own limited acres will not have bank accounts, which had a major impact on farmers at the time of denomination. Not only the agricultural sector but also other industries dependent on agriculture were affected. As a result, farmers rely on illegal moneylenders and the black market to meet the needs of their transactions. Denomination has affected every Indian, but it has also affected the agricultural sector. The government should try to reach out to farmers in rural areas to get out of the above issues.

The Government of India decided to cancel the Rs.500 and Rs.1000 notes, the two largest notes. These notes accounted for 89% of the country's cash supply. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money from money laundering and terrorist financing, and boost the cashless economy. Denomination has affected every Indian, but it has hit the agriculture sector the hardest. Agriculture in India has 55% employees. Farmers, the backbone of our national economy, were severely affected by the denomination, which declared 86% of India's currency illegal. Most of them will get loans from co-operative banks that no longer have the cash to supply them. As a result, farmers cannot afford to buy seeds, fertilizers and other necessities. This issue will take a few weeks to resolve. Until then it will be difficult for farmers. Farmers generally trade in cash and India is also a large cash economy. Cash transactions in this economy are much higher than the total electronic transactions made on a daily basis.



**DEMONETISATION:**

The denomination process involves either introducing a new note or a coin of the same currency or replacing the old currency with a new one. Denomination is the act of removing the currency unit from its status as a legal tender. Denomination is required whenever the national currency changes. The old unit of currency should be retired and the new currency unit should be replaced.

- The denomination of Rs 500 and Rs 1,000 notes has come at the wrong time for farmers to crush the economy.
- Millions of farmers cannot afford to buy seeds and fertilizers for winter crops.
- Farmers, who have just recovered from a two-year drought, are in danger of losing their livelihood.
- 263 million farmers in India live mainly in the cash economy.
- Agriculture is really dependent on cash transactions. Cash puts a direct burden on farmers' markets as they have to buy all their agricultural inputs even though large landowners have to deal with problems like paying daily wages to farmers and buying agricultural necessities for crop growth. The product may face problems while selling.
- Problems when buying seeds at the right time for sowing in the upcoming season
- Many farmers live under the economy Delayed sowing can affect crops In northern India, the impact of wheat has already diminished.

**SHORT AND LONG TERM IMPACT ON FARMERS:**

Farmers are classified on the aspect of denomination:

**1. Farmers with Agriculture Loan Account:**

The government allowed farmers to withdraw Rs 25,000 per week for their crop loans to ensure proper sowing of winter crops. These farmers have at least a basic knowledge of how banking works and they may be able to sustain the effects of denomination. As long as they do not have a large amount of money saved, they will be relieved about the current situation. They will be relieved as winter is the harvest season. The problem will be the cash received from previous sales which has not been credited to the KCC account and not when purchasing new seeds. If they have a large hectare of land, they can easily pay by bank transfer. Farmers were uses old Rs 500 notes to buy seeds.

**2. Farmers with non-agriculture loan account:**

They will be greatly affected as they do not have the facility to withdraw 25000 cash. It is generally observed that such farmers do not keep a lump sum in large bank accounts due to low income or sometimes lack of awareness. They have to stand in line and suffer. So, in the case of people in general, these farmers can increase credit transactions in the agricultural sector. From now on, old Rs 500 notes were being used by farmers to buy seeds.

Now coming from a different perspective, farmers living in rural areas will be greatly affected by the lack of banks. They will have to face a lot of difficulties due to denomination. Cash will hit them hard. If they do not have a good relationship with the supplier, they will suffer the most.

**Impact on Long Term:**

The agricultural sector is still lagging behind in terms of innovation and irrigation. Innocent farmers are often exploited by intermediaries. We want to see what place Modi government has for farmers in the future. The government could invest in agricultural infrastructure as the recovery of black money is likely to be in the billions. Interest rates on loans are likely to fall. It will depend on how much the government recovers. The money can be used to finance the irrigation project.

The government should try to reach out to farmers in rural areas. Otherwise, we can increase the prices of goods. So, in short, farmers in rural areas will be hit hard as they are remotely connected to the banking channels.

**Improper Advantages Taken by Intermediaries:**

In the event of a cash crunch, most transactions are conducted on a credit basis. Input dealers (sellers of seeds, fertilizers and pesticides) are raising prices by 25-35% of normal prices as transactions are on credit basis. Even in the product market, big traders and commission agents give credit to farmers at higher interest rates (up to 38% for just one month) than usual. The cash crunch caused by denomination has adversely affected farmers who are not familiar with cashless transactions. Prices are high in the consumer market (Delhi and Mumbai), but there were no buyers for the crops harvested by farmers in the villages. Due to shortage of buyers to buy farm produce in the market and sell in urban markets, goods are accumulating in farmers' fields. In Delhi, for example, Apple prices are hovering around Rs 90-100 per kg, up about 35% from the same period last year. At the same time, traders are buying from farmers in Himachal Pradesh at a discounted price of 30-35% and can only pay in checks after 15 to 25 days. However, farmers have to pay cash to their input dealers and laborers. The situation is similar with other crops like onion, potato and gram.

**Vegetable and Fruit Farmers are Affected Lot:**

Fruit and vegetable growers were hit hard. They need cash on a daily basis to buy pesticides, fertilizers and harvested labor, and inputs needed for transportation and sale at urban centres. Lack of cash available to farmers led to lower yields, lower yields, lower wastage and lower prices than optimal use of inputs. There are many sales delays and breakdowns. Revenues fell by 30 to 55%, but the lack of buyers did not increase farm-gate prices. Most products do not reach customers. Cotton farmers are in chaos: Daily income has come down by about 37,000 bales as compared to the usual 1.75-2.5lakh bales (harvest)

**Negative Impact of Demonetisation on Agriculture Sector:**

- Agricultural growth in India declined by 0.3% in 2014-2015 and increased by more than 1.5% in 2015-2016, mainly due to the backward drought.
- Agriculture was expected to grow 6% this year. As of October 2016, Crisil has said that denomination is not achieving that.
- 5% of India's population is dependent on agriculture. They are not paid due to denomination.
- As farmers buy seeds, fertilizers and farm implements in cash, the denomination gave the farmers a bitter experience at that time.
- Sales have dropped 35% - 60% in the cross market with the occurrence of dumping.
- Denomination has been announced after the arrival of kharif crops in the market and sowing of rabbi seeds. At this stage the farmers will make a profit and they will have to spend to buy seeds, fertilizers... etc... to start the Rabi season.
- After two years of drought, farmers in India will be able to make a profit, this time the denomination has been announced.
- 88% of the money was lost after the denomination policy was announced. Since farmers rely mainly on cash transactions. It will have a very bad effect on them.
- The village banks are miles away from the farmers. This is very important for farmers to get new currency. It is difficult for them to get paid as there are very few bank employees.
- Late sowing can lead to crop failure.
- Wheat growers are expected to make higher profits this year. This is because wheat production has declined. The price is assumed. Despite the number of government banks, farmers choose lenders who charge high interest at the time of denomination ...

**Positive Impact of Demonetisation on Agriculture Sector:**

- Sugarcane growers have long accepted checks from sugar factories. So other farmers can also accept checks from local traders who improve banking practices in rural areas

- Some markets adopted the electronic national agricultural market. So they can pay by check, wallet, electronically.
- After denomination, farmers are accepting checks from the government for all benefit schemes.
- Farmers of green gram, apple and potato are using bank facilities to make payments
- Denomination has prompted farmers to seek insurance and disaster relief inspections.
- Denomination has enabled farmers to use banking services more efficiently.
- This helped them to update the new payment technology.
- Denomination helps farmers to increase credit facilities as its main objective is to eradicate black money.
- In the recent budget, the target for agricultural credit was Rs. of 10 Lack cores.

#### CONCLUSION:

Denomination has affected every Indian, but it has also affected the agricultural sector. The government should try to reach out to farmers in rural areas to get out of the above issues. The government is more likely to find a solution. Denomination is likely to adversely affect agricultural growth and reduce rural income and consumer demand. This has already created a serious credibility crisis for rural cooperation. Denomination is not likely to affect agricultural growth but unless public procurement of pulses improves and attention is paid to the sale of perishable goods, it is likely to hit farmers hard.

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