

## Impact Of Demonetization on Agricultural Sector

Navya<sup>1</sup> and J.Anusha<sup>2</sup>

<sup>1</sup>Ph. D Scholar, Department of Agricultural Extension, PJTSAU, Hyderabad

<sup>2</sup>Ph. D Scholar, Department of Agricultural Economics, PJTSAU, Hyderabad

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### Abstract

The paper provides information on Monetization, Demonetization, Reasons for Demonetization, History of demonetization in India, how demonetization impact on Indian agriculture, how demonetization affected on many sectors of nation country already facing the problems of unemployment and government process the demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with a new currency. India's 263 million farmers live mostly in the cash economy. In actual fact, Agriculture is dependent upon cash transactions through cash is direct burden to the farmer's markets because they should purchase all their agriculture inputs even leading landholders may face issues like paying daily wages to the farmers and purchasing agricultural requirements for growing crops, on the other hand harvested produce while selling may face the problem, Problems in purchasing seeds at the right time for sowing at the upcoming season. Human body get anaemic and like that economy also get anaemic due to insufficient flow of materialistic currency.

**Keywords:** Agriculture, Monetization, Demonetization. Currency ban and Black money

**Monetization** is the process of converting or establishing something into legal tender. It refers to the coining of currency or the printing of banknotes by central banks.

**Demonetization** is the act of stripping a currency unit of its status as legal tender. Demonetization is the withdrawal of a particular form of currency from circulation.

### **Reasons for Demonetization**

- ❖ To combat inflation
- ❖ To combat corruption and crime (counterfeiting, tax evasion)
- ❖ To discourage a cash-dependent economy
- ❖ To facilitate trade

### **History of demonetization in India**

#### **The first currency ban:**

- ❖ In 1946, the currency note of Rs 1,000 and Rs 10,000 were removed from circulation.
- ❖ Less impact, as the currency of such higher denomination was not accessible to the common people.
- ❖ The notes were reintroduced in 1954 with an additional introduction of Rs 5,000 currency.

#### **The second currency ban:**

- ❖ In 1978; the then Prime Minister of India Morarji Desai announced the currency ban taking Rs 1000, Rs 5000 and Rs 10,000 out of circulation.
- ❖ The sole aim of the ban was to curb black money generation in the country.

#### **The third currency ban:**

- ❖ In 8<sup>th</sup> November 2016, the Indian government decided to demonetize the 500 and 1000 rupee notes
- ❖ These notes accounted for 86% of the country's circulating cash.

### **Need for Demonetization**

1. The supply of currency notes of all denominations has seen an increase by about 40% during the period between 2011 and 2016
2. The Rs. 500 and Rs. 1,000 denomination notes has increased by 76% and 109% respectively during this period due to forgery
3. This forged cash is usually used to fund various terrorist activities.
4. India ranked 79 in Global Corruption Perception Index due to black money and corruption

### **Motive behind demonetization**

Stripping the Indian economy of its black money, push people to pay taxes for the unaccounted pile of cash, curb terrorism, promote the digital India movement and make India a cashless economy.

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. 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. sellers did not able to sell their product because of cash crunch. Agriculture is truly dependent upon cash transactions via cash is direct burden to the farmer's markets because they should purchase all their agriculture inputs even bigger, and holders may face problems such as paying daily wages to the farmers and purchasing agricultural needs for growing crops. Problems in purchasing seeds at the right time for sowing at upcoming season. Many farmers live in the under economy Delayed sowing may affect the crop.

### **Impact of Demonetization on Agriculture**

#### **Short term Impact**

- ❖ Sales have dropped 25% - 50% across market with occurrence of dumping.
- ❖ Farmers were unable to buy seeds, fertilizers and farm equipment in cash
- ❖ Farm laborers was not paid with wage and postponing of their work happened
- ❖ Perishables like fruits and vegetables have suffered a loss of Rs.20000 to Rs.50000 per acre.
- ❖ Very low price, massive debts, burdened by interests intensified suicides
- ❖ Money and day lose due to frequent visit to banks
- ❖ Formal financing like cooperative banks were barred from exchange-deposit of demonetized currency.
- ❖ Lack of banks and ATMs in APMC markets encouraged farmers to illegal money lenders

- ❖ The input dealers increased prices by 20-30% of the normal price as the transactions are on credit basis.
- ❖ Less bank credit to farmers as they couldn't repay their existing loan

#### **Long term impact**

- ❖ The government can invest in the agricultural infrastructure.
- ❖ The rates of interest on loans are likely to fall.
- ❖ Out of the money, the irrigation project can be financed.
- ❖ Motivated to take insurance and disaster relief cheques.
- ❖ Use of banking services more efficiently.
- ❖ Update new technologies of payment.
- ❖ Increase credit facilities to farmers as its main aim is to abolish black money.
- ❖ Eliminate intermediaries and directly contact with consumer or retailer.

#### **Schemes launched by Government to tackle demonetization**

1. Pradhan Mantri Jan Dhan Yojana (PMJDY) launched in August 2014 to encourage and enable all to have bank accounts
2. Unified Payment Interface (UPI) scheme initiated by NPCI in April 2016 to encourage cashless payments
3. Income Declaration scheme (IDS) announced on 1<sup>st</sup> June 2016 and closed on 30<sup>th</sup> Sept. 2016 to encourage black money holders to declare their assets and pay penalty of 45% with tax.
4. Pradhan Mantri Garib Kalyan Yojana (PMGKY) announced on 17<sup>th</sup> Dec. 2016 paves for 50% taxes and also surcharge on all declarations of untaxed cash deposits

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