



# Reviewed Study on Impact of Demonetisation on Agricultural Sector in India

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## ABSTRACT

*Demonetisation on Agriculture sector plays a crucial role in the Indian economy. This study aims at identifying the positive and negative effects of demonetisation on agriculture sector i.e. advantages and disadvantages.*

## KEYWORDS

Demonetisation, Agriculture sector, Currency

## INTRODUCTION

In general terms demonetisation means stopping of circulation of currency of some denomination in other words demonetisation means it is an act of restricting a currency unit of its status as a legal tender. Usually it is implemented when there is problem with black money and illegal currency. It includes replacing the old units with new ones. India has faced demonetisation earlier in the year 1946. It is due to have a eye on the black money. It is an attempt made by Government of India to get rid of black money. Later our Honorable PM Mr. Narendra Modi announced demonetisation to solve the problem of corruption in the country. Not only India many other countries also implemented

Demonetisation such as Switzerland, Australia, European Union.....Etc. European Union demonetisation is considered as largest demonetisation because all the European Union countries currency has been replaced with Euro between the period 1998-2000. As demonetisation does not have

Much effect to those countries because There National Income is much dependent on the service sector or industrial sector. A comparative to those countries India has more effect of demonetisation. As Agriculture sector is considered as the back bone of the Indian economy. It has many merits and demerits on Agriculture sector

## NEED FOR STUDY

We need to study the effect of demonetisation on Agriculture sector because high denomination notes had hurt the agriculture in the state and could lead to the growth of the sector. As there is are more negative effects in agriculture sectors due to demonetisation in the initial stage. Later the negative effects are expected to decrease due to increase in the positive effects of demonetisation.

## **INTERPRETATION**

### **Negative effects of demonetisation on Agriculture sector**

- 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.
- As Agriculture was expected to grow at 4% this year. According to this October 2016 CRISIL stated that due to demonetisation it doesn't achieve.
- 65% of India's population depends on agriculture as work force, labours ....etc. The wages to them are not paid due to demonetisation.
- As farmers buy seeds, fertilizers and farm equipment in cash .So demonetisation has given a bitter experience to farmers at that time.
- Sales have dropped 25% - 50% a cross market with occurrence of dumping.

➤ Demonetisation 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.

➤ After facing a two year drought scenario farmers in India are about to get profits, at this particular time demonetisation has announced.

➤ After announcing demonetisation policy 86% of money circulation wiped out. As farmers mostly depend on cash transactions .It would be a very bad effect on them.

➤ As banks in village are miles away from farmers .It is very critical to farmers to get new currency. As the bank staff also very few it is difficult to get money for them.

➤ Because of late sowing of seeds there may be damage in the crop output.

➤ 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 demonetisation, 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 demonetisation...

- Farmers who grow perishables like fruits and vegetables have suffered a loss of Rs.20000 to Rs.50000 per acre.
- Because of demonetisation potato cultivators of Himachal Pradesh have been hit hard. Both the sales and price of potato has been fallen down.
- Not only in Himachal Pradesh, but

also wheat Farmers in Punjab and Haryana has a bad phase due to demonetisation. The farmers do not have sufficient money to buy seeds, fertilizers etc.

- Maharashtra also has been hit hard by demonetisation. The sowing of grams and wheat was effect by it.

**PERCENTAGE CHANGE OF AVERAGE MEDIAN PRICES  
OF NOVEMBER 9-24 TO NOVEMBER 1-8**

Item	2011	2012	2013	2014	2015	2016
<b>Vegetables</b>	-7.9	-2.4	2.7	-4.9	2.8	-4.3
Tomato	-23.5	-11.1	19.3	-15.3	46.8	-1.1
Potato	5.1	-1.7	-15.6	1.8	-2.7	0
Onion	-8.4	9.4	-3	3.9	-12.9	1.5
Brinjal	-5.1	-6.2	-7.6	0.6	-1.2	-14.6
Peas	-9	-5.5	-8.3	-6.9	13.8	-12.4
Cauliflower	-25.9	-17.5	-2.9	-17.4	-5.7	-21.8
<b>Fruits</b>	-2.7	0.6	-0.7	-1.1	0.1	0.8
Grapes	0.3	4	1.8	-0.9	0.1	9
Guava	-0.3	2.9	7.2	-0.5	2.3	2.4
Banana	-5.5	0.4	-1.4	-3	-1.8	-4.9
Papaya	-1.4	0.8	3.8	5	-1.5	-0.4
<b>Pulses</b>	2.6	2.9	-0.9	1.2	-3.5	-0.9
<b>Fruits Pulses</b>	-4.9	-0.5	1.6	-3.1	0.7	-2.4
<b>Vegetables</b>						
<b>Non Fruits Pulses</b>	5.1	4.3	-10.7	-0.8	2	0.7
<b>Vegetables</b>						
<b>Miscellaneous</b>						
Wheat	2.3	13.5	-24.5	0	6	5.2
Rice	7.9	-0.9	-5.3	0.7	3.4	-0.8
Milk	5.2	9.5	-15.5	-2.6	0.3	0
<b>Food</b>	0.7	2.4	-6.1	-1.8	1.6	-0.6

Source: Daily Data from Department of Consumer Affairs, National Horticulture Board  
 Note: Each cell represents percentage change between reference prices (calculated as average price between November 1-8) and median prices (calculated as an average of November 9-24)

This 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 demonetisation 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.

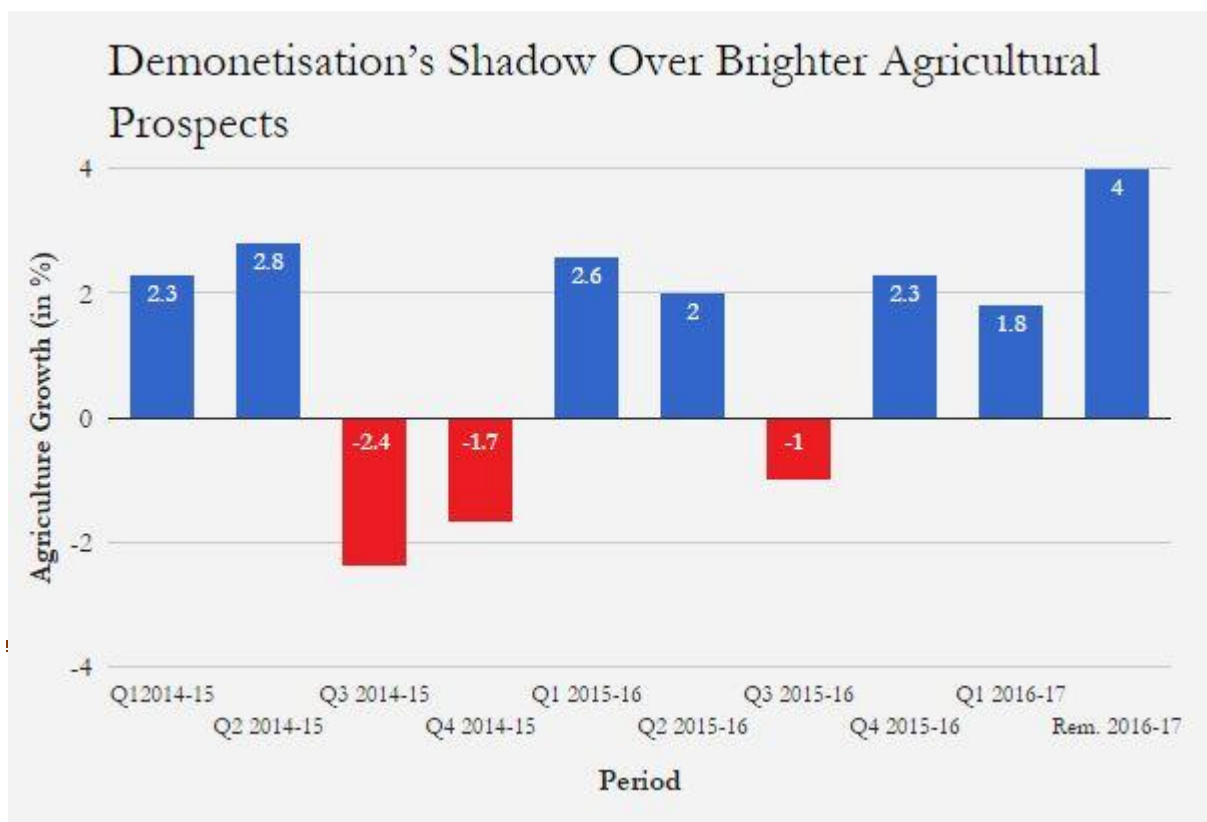
### Positive effects of demonetisation on Agriculture sector

- 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 demonetisation 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 demonetisation farmers are motivated to take insurance and disaster relief cheques.
- Demonetisation made farmers to make use of banking services more efficiently.
- It also helped them to update new technologies of payment.
- Demonetisation 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 demonetisation.
- Government should take preventive measures that farmers are not affected by the demonetisation policy.





- Farmers should update themselves with technological changes.

## CONCLUSION

Demonetisation is likely to agricultural growth adversely and shrinks rural income and consumer Demand. It has already created a serious credibility crisis is for rural co operations. Demonetisation is unlikely to affect agriculture growth but it is likely to hit the farmers badly, unless the public procurement of pulses improves and distress sales of perishables are addressed.

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