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Demonetisation: Impressions on India agriculture

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Abstract

Currency notes are the essential method of exchange in agriculture; Demonetisation will undoubtedly bring about worry in India. Agriculture shapes the foundation of the nation's economy, with a recent liquidity crunch caused by Demonetisation, will bring negative impacts on Rabi crops immediately and long term effect on cottage industry and Agriculture associated industries like dairy, textile. Demonetisation as a cleaning activity may deliver a few decent things in the economy but it is still a far cry for rural India. State governments and Regional Rural Banks have to come forward to bring back our biggest sector from the state of desolation.

Keywords: Demonetisation, farmers, impacts, solutions

1. Introduction

The idea of money gives confidence. By Demonetisation, confidence of many people especially our farmers is taken aback. Demonetisation means "ending something that is no longer the legal tender of a country" [1]. Indian economy is intensely subject to currency, as just not as much as a large portion of the populace utilizes keeping currency notes for fiscal exchanges; Demonetisation has hit exchange and utilization hard.

India is basically an agricultural country, as most of the masses of villages depend on agriculture. Agriculture forms the backbone of the country's economy. The agricultural sector contributes most to the overall economic development of the country. Demonetisation surprised farmers as this is the time of most cash transactions. Farmers were reaping and selling a plentiful Kharif crop, following two back to back drought years i.e. 2014 and 2015. They were likewise getting ready for the rabi crop, this Rabi crop would have provided them the source of money till next year October i.e. by the time they get a harvest of Kharif crops [6].

Indian economy will face a severe crunch in supply of money because with Demonetisation of high-value currency notes of 500 and 1000 rupees, nearly 87% of currency in circulation has been wiped off the system. Earnings and consumptions are two important facets of the economy; this would result in extreme compression in pay and utilization in the economy. Biggest burden of this will be on people who gain salaries in cash and spend it out with currency notes in hand. Another segment people, who get a salary in accounts and spend by a transaction of account and cash, also need to withdraw cash and spend. So overall, major weight of Demonetisation has to bore by farmers, whose earnings are in cash and spend in cash for buying seeds, fertilizer, paying wages of laborers involved in fields and also for their own consumption [5].

2. Affected Party

There are 118.9 million cultivators across the country (or 24.6% of the total workforce of over 481 million) and 144.3 million are agricultural laborers, with over 600 million Indians dependent on agriculture [3]. Demonetisation has severely hurt this sector, which includes farmers and daily wage laborers, and employs 93 per cent of India's workers. Indian farmers use cash transaction for buying seeds & fertilizers, for trading products and also for trading commodity, Daily agriculture laborers are paid in cash and cash is used daily for buying utility items and grocery. With 78 branches per million people in rural and semi-urban areas and the total number of KCC in India are 79.6 million Around 80 per cent of farmers are bound to suffer [2]. Regional Rural Banks (RRBs) in India holds bank accounts to the tune of 25 crore accounts and the currency they received for distributions from November 10 to

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November 30, 2016 was just Rs. 8, 000 crore. This works out to a little less than Rs.350 per account holder^[8], such a situation on fiscal front will push them a decade back.

3. Impacts

1. As per preliminary reports received from the States, the total area sown under Rabi crops as on 23rd December 2016 stands at 554.91 lakh hectares as compared to 523.40 lakh hectare this time in 2015^[7], but there will be 12% less sowing than normal along with slow sowing, due to liquidity crunch, which will pull down harvest of Rabi crops especially Wheat, Gram and Mustard and there increased price in near future^[4].
2. Subsidence of cottage industry, for example, The Uttar Pradesh has the greatest number of conventional jaggery units in the nation: of the aggregate 40,000 units, it has 23,000 here this industry utilizes near a large portion of a million people. The jaggery business is totally money based and people involved in this are marginal farmers^[6].
3. The Price rise in Pulses, Onion and wheat.
4. There will be turn down in overall food production due to liquidity crunch.
5. Farmers lie at the 'Base of Pyramid' of the populace who utilizes currency for transactions, this is going to hit the whole country economy.
6. Fishery forms a part of the Primary activity will be most affected as it works only on cash transaction^[6].
7. Agriculture associated industries like dairy, textile and handicrafts will be severely affected because of reduced supply and increased price.

4. Conclusion

Indian agriculture is marked by a variety of problems viz., Small and fragmented land-holdings, unavailability of quality seeds, manures, fertilizers biocides and lack of mechanization. Some of them are mitigated by using labor-intensive strategy, like regular manual weeding etc; for which agricultural laborers are used, which are paid in cash. Demonetisation will further add new levels to already existing problems.

The impact on the economy would rely on upon the swiftness with which and the degree to which the money is replaced by the government. If the government is able to replace this 87% percent of currency with new currency notes then effect of this Demonetisation will not spread further than 1-2 months. Howsoever the case is agriculture will remain most affected sector as the sowing season of Rabi crops is already in progress^[5].

At the point when Demonetisation was considered India was progressing on a GDP growth rate of 7.5%. Utilization compensates for around 56% of India's GDP^[3]; consequently, a drop in spending will pull down development of Indian country economy. India hazards its position of being the quickest developing biggest economy: by lessened utilization that would prompt to the diminishment in wage that would bring about weaken venture and may decrease India's GDP development as the liquidity effect itself may last three - four months or past in rural economy.

Demonetisation as a clear out exercise may produce several good things in the economy. At the same time, it creates unavoidable income and welfare losses to the rural sections of the society who gets income based on their daily work

and those who doesn't have the digital transaction culture. Overall economic activities will be dampened in the short term. Benefits of having more transparency and reduced volume of black money activities will not be any benefit to the poorest of the poor.

State governments should without delay prepare a Demonetisation management package for agriculture and rationalize credit access and delivery mechanism. Regional Rural banks should come forward and help farmers who have been severely hit by the lack of cash. Digital Transactions are still a far cry for rural India, so going cashless, is no remedy to farmer's plight.

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