



THE IMPACT OF DEMONETIZATION ON AGRICULTURAL SECTOR IN TELANGANA STATE

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ABSTRACT

Agriculture is the foundation of our nation's economy. Generally, farmers depend on cash as it is useful for their current transactions. Demonetisation made it difficult for the cash withdrawal from banks. The farmers were unable to draw huge amount to pay their expenses for cultivation. So, they have postponed their works which leads to reduction in agricultural production. Indian government has decided to demonetize the two highest denomination banknotes, causing huge problems for farmers. Their savings as well as payment mode were only on cash. Due to this, the agricultural labour the below poverty level have become jobless for few months. To address these issues, this study is conducted to investigate the impact of demonetization on the agricultural sector. The data used for the impact of demonetisation on agricultural sector has been collected from both primary and secondary sources.

Keywords: Demonetisation, Agricultural sector, Bank, Farmers, Credits, black money, corruption, RBI

INTRODUCTION

The Indian government announced demonetisation on Nov 8, 2016 by our honourable prime minister. 500/- and 1000/- rupee notes were withdrawn by the Indian government. These two biggest demonization notes resulted for 86 per cent of the countries cash apply in economy. Currently, the Government is planning to withdraw Rs.2000 notes also. Demonetisation has affected each and every Indian person as it hit the agriculture sector very badly. Agriculture in India gave the 70 per cent work forces. Farmers are backbone of Indian economy. So, farmers cannot buy seeds and fertilisers and other raw materials for cultivation. It has taken few months to solve these issues till then farmers were faced a lot of difficulties as farmers normally deal with cash for each and every activity of farm management.

Agriculture contributes much to the economic development of the country due to majority of the population depends on agriculture. They have struggled a lot at the time of demonetisation as their savings habits as well as payment mode were only on cash. Demonetization has restricted cash withdrawals from banks. The farmers were unable to withdraw large amount of money to pay their labours which has resulted in postponing their work and less agricultural production.

Reports of stress in agriculture has started because of demonetisation which is impacted through the input output channels as well as price and output feedback effects. Distribution channels are ready to deliver the produce to wholesale centres or mandis which is predominantly depend on cash. Due to breaks in the supply chain, the farmers have faced fall in sales, more wastage of perishables, less revenues that has resulted in trade dues instead of cash in hand. Even though demonetisation has removed black money to some extent, it has affected the agricultural sector in a bad manner in spite of the government had taken some precautionary measures to compensate the losses incurred by the farmers.

Impact of Demonetization on Agriculture

Short term Impact

- Farmers were unable to buy seeds, fertilizers and required raw material in cash
- Labourers were not paid wages at right time and this resulted in postponing of their work
- Perishables like fruits and vegetables have suffered a losses.
- Extremely low prices, huge debts with interest resulted in increase in number of suicides.
- Daily losses due to frequent is its to banks.
- Formal financing like cooperative banks were barred from exchange-deposit of demonetized currency.

Long term impact

- The main objective of demonetisation is to bring black money in to light and to curb tax evasions.
- To motivate the people with surplus funds to use for developmental activities in the country.

LITERATURE REVIEW

V.G. Sumathi and T. Savitha (1995) concluded that farmers faced various difficulties that must be overcome during demonetization due to their savings habits and cash-only mode of payment. This had a negative impact on production activities. Vijaya Bhaskar (2006)observed the channels through which demonetization impacts the informal economy .This issue points out he contradiction of justifying demonetization on the basis of the formalization of financial markets ,even in the case of formalized labour markets .Dr .Samar Vir Singh Rathore(1991),in his study 'Demonetisation' Impact on Indian demonetization is definitely a cause for concern in India. With the introduction of the demonetization concept, there was a liquidity crunch that had an immediate negative impact on the rabi crop and also had a long-term impact on cottage industries and

agricultural industries such as dairy and textile industries .State governments and local community banks must come forward to lift our largest sector out of despair.

JaiBansal (2017) in his study states that after demonetization, only the agriculture sector showed some positive improvement while both the manufacturing and service sectors were collapsed, however there is an improvement in this sectors in2017.

OBJECTIVES

- To stop the circulation of black money in the Indian economy.
- To help in creation of digitalised economy
- To formalise the informal Indian economy
- To eradicate fake currency from the market.
- To help in decrease of anti-social activities and their finances.

METHODOLOGY

This article is based on both primary data and secondary data. The primary data was collected through questionnaire Survey is conducted through a google form to elicit the views of the respondents. Sample size is72. The survey is conducted in Telangana state. The secondary data sources includes newspapers, magazines, company reports and internet sources.

DATA ANALYSIS AND INTERPRETATION

Table 1: Government's objective towards demonetisation

Particulars	No.of respondents	Percentage (%)
Tackle black money	25	34.7
Build economy	14	19.4
Equality	10	13.9
Eliminate fake money	23	31.9
Total	72	100

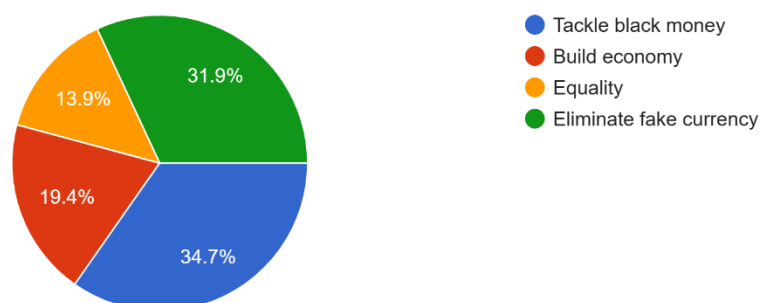


Fig 1 indicates that 34.7% of the respondents believe that the government's objective towards demonetisation will tackle black money, 19.4% respondents believe that demonetisation will build the economy, 13.9% respondents believe that it creates equality, and 31.9% of the respondents believe that it eliminates fake currency

Table2: Impact of demonetisation on agricultural sector

Particulars	No.of respondents	Percentage (%)
Positive	39	54.2
Negative	33	45.8
Total	72	100

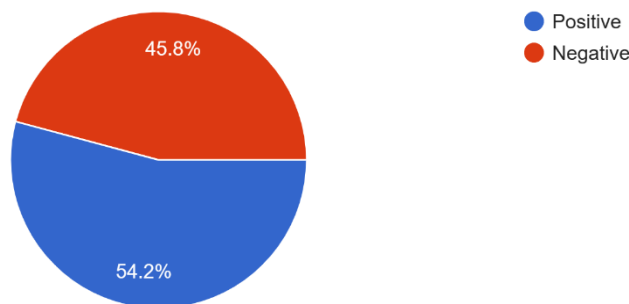


Fig -2 shows that 54.2% of the respondents believe that positive on the impact on agricultural sector 45.8% of the respondents believe that negative on the impact on agricultural sector.

Table 3: Problem faced at the time of harvesting

Particulars	No. of respondents	Percentage%
Purchase fertilizers	17	23.6
Purchase seeds	22	30.6
Labour problem	22	30.6
Transportation	11	15.3
Total	72	100

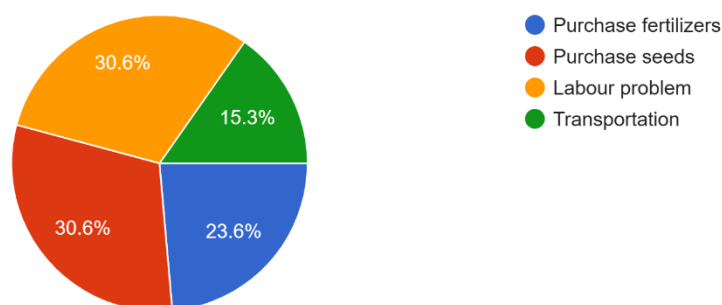


Fig-3 shows that 23.6% of the respondents faced problem in purchase of fertilizers and transportation, 30.6% of the respondents faced problem in purchase of seeds, 30.6% of the respondents faced labour problem, 15.3% of the respondents faced problem on transportation, this is because their savings habits as well as the payment mode were only on cash. The farmers used to handle liquid cash as it is essential for their day today transactions.

Table 4: What is the main impact on demonetisation

Particulars	No. of respondents	Percentage (%)
Interest rates	4	5.6
Private wealth	12	16.9
Real estate	2	2.8
All the above	53	74.6
Total	72	100

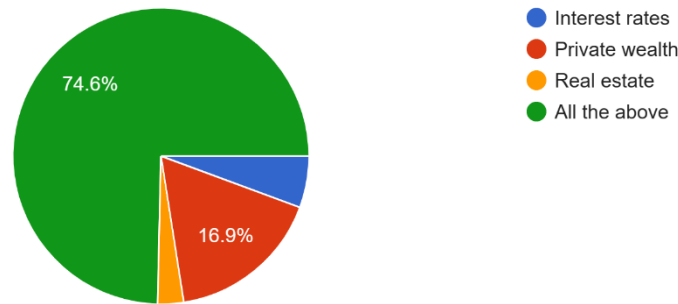


Fig-4 states that 5.6% of the respondents has selected interest rates as the main impact of demonetisation, 2.8% of the respondents has selected real estate as the main impact on demonetisation, 16.9% of the respondents has selected private wealth as the main impact on demonetisation, 74.6% of the respondents has selected all the above as the main impact on demonetisation

Table 5: Effect of positive impact on demonetisation

Particulars	No. of respondents	Percentage (%)
Digitalizing transactions	50	76.7
Decrease terror activities	22	23.3
Total	72	100

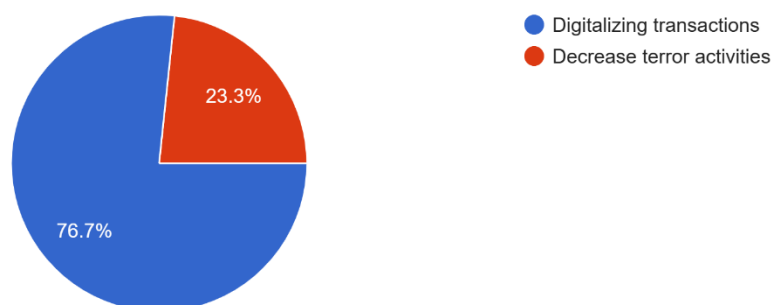
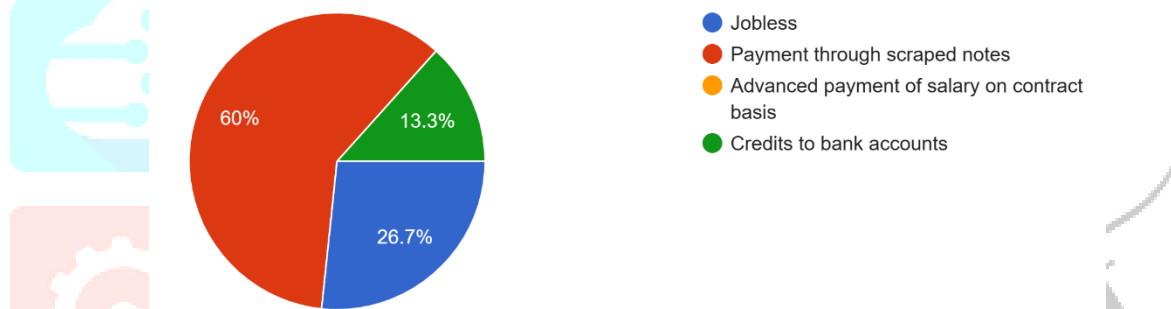


Fig -5 shows that 76.7% of the respondents believe that digitalizing transactions effects the positive impact on demonetisation, 23.3% of the respondents believe that decrease terror activities effects the positive impact on demonetisation

Table 6: Problem faced by daily wage labours at the time of demonetisation

Particulars	No. of respondents	Percentage (%)
Jobless	17	26.7
Payment through scraped notes	44	60
Advanced payment of salary on contract basis	5	6.9
Credits to bank accounts	6	13.3
Total	72	100

Fig-6 indicates that 26.7% of the respondents said that because of demonetisation daily wage labours become jobless, 60% of respondents said that payment made to the daily wage labours was through scraped notes, 6.9% respondents said that the payments for the daily wage labours was done in advance through contract basis which provokes them to work for low wages, 13.3% of the respondents said that daily wage workers are paid by depositing the wage amount into an account, which poses a risk factor for workers to approach banks to obtain cash for their daily needs.

**Table7:** Production outcome at the time of demonetisation

Particulars	No. of respondents	Percentage (%)
High	4	5.6
Medium	29	40.3
Low	39	54.2
Total	72	100

Fig-7 shows that 5.6% of the respondents said that the production outcome at the time of demonetisation is high, 40.3% of the respondents said medium. And 54.2% of the respondents said low. This is because the demonetisation was implemented at the time of harvesting period which gave a high hit for the farmers to purchase fertilizers, seeds, labour etc which has resulted in less production.

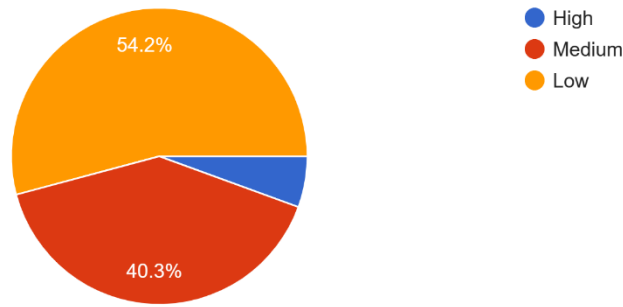


Table 8: Is demonetisation successful in India?

Particulars	No. of respondents	Percentage (%)
Yes	65	90.3
No	7	9.7
Total	72	100

Fig-8 indicates that 90.3% of the respondents believe that demonetisation was successful in India 9.7% of the respondents believe that demonetisation was not successful in India

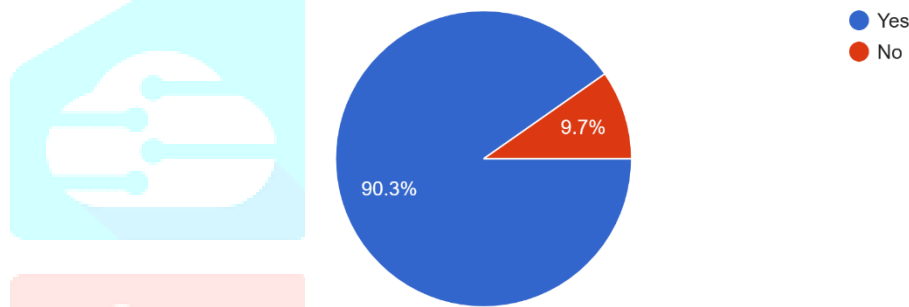


Table 9: Progress in the field of agricultural sector in future

Particulars	No. of respondents	Percentage (%)
Agree	46	64.8
Strongly agree	20	28.2
Disagree	4	5.6
Strongly disagree	1	1.4
Total	72	100

Fig 9 indicates that 64.8% of the respondents agree that demonetisation may bring some progress in future in the agricultural sector,

28.2% of the respondents has selected strongly agree,

5.6% of the respondents has selected disagree and

1.4% of the respondents strongly disagree with the above-mentioned statement.

It can be concluded that although demonetization currently has a negative impact on the agricultural sector, it may bring some progress to the agricultural sector in various ways in the future.

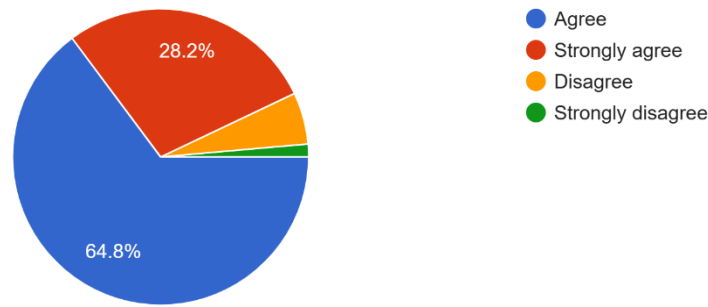
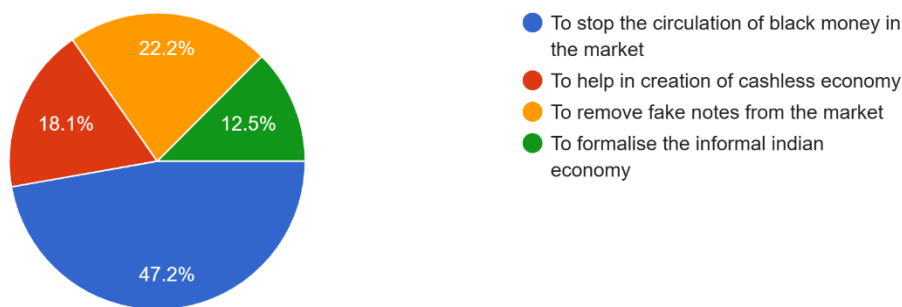


Table10: The main objective of the demonetisation is

Particulars	No.of respondents	Percentage (%)
To stop the circulation of black money in the market	34	47.2
To help in creation of cashless economy	13	18.1
To remove fake notes from the market	16	22.2
To formalise the informal Indian economy	9	12.5
Total	72	100

Fig -10 indicates that 47.2% of the respondents believe that "To stop the circulation of black money in the market" is the main objective of demonetisation. 18.1% of the respondents believe that "To help in creation of cashless economy" is the main objective of demonetisation. 22.2% of the respondents believe that "To remove fake notes from the market" is the main objective of demonetisation. 12.5% of the respondents believe that "To formalise the informal Indian economy" is the main objective of demonetisation.



FINDINGS

- Respondents around 34.7% believed that government’s objective towards demonetization is to tackle black money.
- More than of the respondents 54.2% their will be a positive impact of demonetisation on agricultural.
- Respondents around 30.6% faced labour problems as well as they have faced a difficulty while purchasing the seeds.
- Most of the respondent’s 74.6% believed that Interest rates, Private wealth, Real estate are the main impact of demonetisation.

- Respondents around 76.7% believed that the digitalizing transactions has the positive impact on demonetisation.
- During the time of demonetisation majority of the respondents 60% got their payment through scraped notes.
- Respondents around 54.2% believed that production outcome was very less at the time of demonetization.
- Majority of the respondents 90.3% stated that demonetisation is successful in India.
- More than half of the respondents 64.8% agree that their will be progress in the field of agricultural sector in future.
- Respondents around 47.2% believed that the main objective of the demonetisation is to stop the circulation of black money in the market .

SUGGESTIONS

- Government has to educate the farmers in the rural areas regarding banking transactions.
- To solve all the problems of farmers, the government needs to provide fair prices for agricultural products in the market.
- Government should concentrate towards the issues before taking precautionary steps for the welfare of society.

CONCLUSION

Demonetisation has created good things in the economy whose main intension is to eradicate black money, tackle fake currency, create equality, and build economy etc. At the same time, demonetisation has shown its negative impact on agricultural sectors because the majority of the farmers go with liquid cash for their agricultural activities like purchase Fertilizers, pesticides ,seeds ,cultivation ,transportation labour, and day labourers faced many problems in earning wages during demonetization .though scraped notes, credit to bank accounts, and also in advance through contract basis which has made them to work for less wages. As a result, day labours lost their jobs. However, the demonetization process is two sides of the same coin. On the one hand, it benefits the state, but on the other hand, it has temporary effects. Long-term issues in various sectors. Although it can be concluded that demonetization has affected every Indian in one way or another, the agriculture sector has been hit hard. Thus, the government should take some precautions to support farmers, who are considered the back bone of our country.

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