



IMPACT OF DEMONETIZATION ON AGRICULTURE SECTOR AND ECONOMY OF INDIA

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ABSTRACT:

The Indian agriculture sector is unorganized in nature. Agriculture plays an important role in rural economy. Demonetization affects the agriculture and allied sector in rural area. Most of the people in rural area depend on cash for settlement of day to day transaction. The government of India demonetizes high value denomination currency of Rs 500 and Rs 1000 notes and create cash crunch in economy. This was bold step taken by Indian government. Demonetization is tools of government to eliminate currency. The process of demonetization involves introducing new currency note by replacing old currency note. Indian government adopt demonetization 08 Nov 2016 to tackle with black money, hope to eliminate corruption, bribery, terrorist funding and check inflation etc. another purpose of government behind demonetization is make India cashless, digitization of economy, promote electronic and cashless transaction.

The decision of government about demonetization was badly affected to livelihood of rural people due to shortage of cash. Rural people do not use cashless digital mode or electronic mode for settlement of day to day transaction.

This research was involve impact of demonetization on agriculture sector as well as evaluate positive or negative impact on economy and cashless digital economy in rural part of India. This paper also pays attention toward meaning of demonetization and reasons behind them. The present study based on secondary source of data collection consist books, journal, magazines, newspaper, websites and various articles etc.

Key words: - *Demonetization, Cashless Economy, Rural Economy, Agriculture Sector, Digital Economy.*

INTRODUCTION:

India has an experience of demonetization of currency twice before. The first was when Rs-1000, Rs-5000, Rs-10000 note were taken out on 12th Jan 2046 before independence. But later all three denomination note again reintroduce in economy in 1954. But second time demonetization was done of Rs-1000, Rs-5000, Rs-10000 note on 16th Jan1978. Third phase of demonetization was done by government of India on 8 Nov 2016, government ban Rs-500 and Rs- 1000 denomination note and introduced new redesigned series of Rs-500and Rs-2000 denomination note in economy. Demonetization is the act of stripping a currency unit of its status as a legal tender. The process of denomination involves either introducing new notes of the same currency or replacing old currency with new one. As per annual report of RBI 16.42 lac crore Rupees of Rs-500 and Rs-

1000 denomination currency notes were in circular, Out of these 12.44 lac crore amount deposited by people till Dec 2016.

There are various reasons behind demonetization, government adopt demonetization to tackle with black money, hope to eliminate corruption, bribery, terrorist funding, tax evasion and check inflation etc. another purpose of government behind demonetization is make India cashless, digitization of economy, promote electronic and cashless transaction. The problem of demonetization was associated with rural area of the country because lesser number of banks and ATM exist as compare to urban area. The problem was not solving in short period of time. But the withdrawal limit could be improved by government in rural area. A farmers manage leisure time from his busy schedule and manage to go to bank for withdrawal of cash. But the

limit of withdrawal troubled him to do same think again and again. Bank in rural area are far away from village. The cash crunch and lack of awareness about electronic payment in the rural area significantly reduce the buying power of rural people for short run. Due to contraction in demand fall in the price of commodities. Rural people start trading on credit basis in hope of releasing cash flow when the situation of financial market improves. This leads to increase the rate of interest of credit given to the consumers.

OBJECTIVES:

1. To examine reasons for demonetization in India.
2. To study the positive as well as negative impact of demonetization on economy.
3. To study the impact of demonetization on agriculture sector in rural India.

REVIEW OF LITERATURE:

Priyanka Sharma(2018) title is demonetization and its impact on Indian economy cover the positive and negative impact of demonetization. This research also covers positive impact like elimination of fake currency, surge in cash deposits, hidden transaction, black money etc. this study also point out some negative impact like reduce GDP growth, slump of real estate, shortage of cash.etc. Arvind Kulkarni and Pratap Naikwade(2018) title is impact of demonetization on farmers and other people from rural background and perception on demonetization cover impact of demonetization in rural area where access of banking and internet availability are quite low, small and marginal farmers most affected due to shortage of fund . This research also covers majority of people thinks that demonetization helps in control over black money. Ayush Yousuf Shah(2017) title is impact of demonetization on rural India cover impact of demonetization on common person, agriculture sector, farmers and impact on Indian economy. Jaiprakash bisen, Shiv Kumar, P. Venkatesh and K.S. Aditya title

is impact of demonetization on agriculture discussed impact on Indian economy, agriculture, farmers, sowing pattern and sale of agriculture good etc. this study also cover provision of government to reduce adverse impact of farming.

RESEARCH METHODOLOGY:

The present study is based on descriptive and exploratory in nature. This is descriptive in nature because proper description has been made regarding meaning and reasons of demonetization and it is exploratory because explain the positive and negative impact of demonetization on rural part of India. The present study is based on secondary data and various secondary sources include books, journal, magazines, newspaper, websites and various articles.

Impact of Demonetization on Agriculture Sector:

Agriculture plays an important role in the Indian economy. Over 65% of rural people depend on agriculture and allied sectors for employment and as a source of income. Agriculture is backbone of rural economy, it contribute 17% to the total GDP and provide employment to the rural people. It also provides raw materials to the industrial sectors.

Demonetization affected badly to the agriculture sector. Farmers, who are the backbone of rural economy, affect by the demonetization of 8 Nov 2016. Farmers suffered a major setback due to shortage of cash in market and fall in the demand of vegetables in market. Farmers were unable to purchase seeds and pesticides from market.

- Farmers were unable to purchase high yielding seeds from market. This was adversely affects the cropping pattern of farmers.
- After announcement of demonetization 86% of money circulation wiped out. Its leads to farmers unable to settle their transaction.

- Farm labour not paid their wages due to cash crunch in the economy and postponed the work due to not able to pay their wages.
- Failure to get reasonable price to their produce, it leads to farmers under debts.
- Small farmers adversely affected due to shortage of fund in economy
- Banks and ATM in village are far away from farmers so it is inaccessible to them to withdraw cash for fulfilling their daily necessities.
- Farmer who grows perishables like Fruits and vegetables has suffered a huge loss due to sudden fall in price. Farmers are unable to dump perishable goods for future sale.
- A significant portion of the farmers depend on bank credit for their cash need. But Less bank credit was given to the farmers during demonetization.

Positive Impact of Demonetization on Economy:

Impact on Black Money: The government of India has choked the supply of black money inside the country. Black money is nothing but a plunder of a nation. Government demonetization leads to domestic black money will either be deposited into bank with heavy penalty or destroyed it.

Impact on Economy: Demonetization affect positively to economy. The clean- up illegal cash will help turn around the economy. It also helps to control inflation and reduce interest rate.

Terror Funding: This is how terror financing works. Fake currency circulation is routed through a network in India. Indirectly they all come to an end through demonetization.

Impact on Counterfeit Currency: The biggest positive impact of demonetization was fake currency as it thrown from economy. Fake currency syndicate operates both inside and outside the country. Counterfeit currency devalues the real worth of Indian currency.

Impact on Lending Rate: lending rate become down because bank getting money at repo rate and bank lending money at base rate. In this

situation repo rate become less and base rate will become down and bank having sufficient money to lend.

Online Transaction and Other Mode of Payment: the purpose of government to go towards cashless economy. Demonetization has positive impact on cashless and digital transaction. **Impact on Inflation:** inflation creates due to flow of cash in the economy. Demonetization leads to less liquidity and less cash flow in the economy so inflation can be control. Money supply in the economy shrinks due to cash crunch in market.

Negative Impact of Demonetization on Economy:

Liquidity Crunch: Demonetization of Rs-500 and Rs-1000 notes create shortage of cash in the economy leads to adversely affects the purchasing power of people for short period of time.

Impact on Purchasing Power: Demonetization has affects the purchasing power of consumer. This is affected the long term investment in Real Estate, vehicle and other assets. Purchasing power of consumer affected due to shortage of cash in the economy, because 86% of cash was wiped out from economy.

Impact on Real Estate Sector: Demonetization also hits the real estate sector badly. It result 50% drop down and it continue for 6 months. While short term impact was negative on real estate sector.

Impact on DGP: Massive declining economic sentiment implied a significant dent in GDP. GDP also become down because circulation of money in economy is less due to shortage of cash. The GDP badly affected by demonetization with reduction in the consumption demand. There was nearly a 2% decline in country GDP.

Impact on E-Commerce: Impact on E-Commerce was not good because for online retail market, gross merchandise value of players fell by 40% to 50% in few week. Even high value item also reduce sale till 50%. But

the boost to digital payment has led industry to hope for a bright medium term.

Impact on Tourism: cash crunch badly affect the tourism sector. It is very difficult for people to get money easily from bank and ATMs. The travel and hospitality industries faced tough time in demonetization.

CONCLUSIONS:

Demonetization is step taken by Government for fighting against corruption, black marketing, financing insurgency, eliminate corruption, bribery, terrorist funding, check inflation and hoarding of black money etc. However demonetization adversely affected to economy due to sudden announcement by government. Its create uncertainty, chaos among rural people. Rural people face more trouble due to insufficient cash, limit of withdrawal of money. In demonetization process 86% of cash is taken out. All market transaction suffered due to insufficiency of cash in rural area. The people who targeted by government did not suffered a lot but common people particularly rural people faced adverse situation in early stage. But government had taken positive step of demonetization with intension to bringing out black money, find out tax defaulter, black money holder etc. but this sudden move of government failure to prepare exact way out for this chaos and discomfort among general public. Rural people facing shortage of cash while buying of necessities and wasting hour of time in queue. Agriculture growth is adversely affected and shrink rural income and supply and demand of goods in the market. This could have been avoided if proper plan in advance prepare by government.

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