

## Impact Of Cash Less Transactions In Agricultural Sector

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### ABSTRACT

Reports of stress in agriculture have begun to appear because of cashless transaction. Cash is the primary mode of transaction in agriculture sector which contributes 15% to India's total output. Formal financing in many parts, especially Punjab, Uttar Pradesh, Odisha, Maharashtra, Gujarat and Kerala is significantly from cooperative banks, which are barred from exchange-deposit of demonetized currency. Notably, this is a time of kharif harvest and start of rabi sowing, partly explaining why this period is dubbed the 'busy season' from a standpoint of credit demand, the other being bunching of festivals and weddings. Agriculture is impacted through the input-output channels as well as price and output feedback effects. Sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, is dominantly cash-dependent. Disruptions, breaks in the supply chains feedback to farmers as sales fall, increased wastage of perishables, lower revenues that show up as trade dues instead of cash in hand and when credited into bank accounts with limited access affect the sector.

### INTRODUCTION

Currently, many of these networks are operating sub-optimally or altogether at a standstill, depending upon location, market links and other item-specific factors. The input side is equally affected as many payments/purchases, such as seeds, fertilizers, implements and tools, are outright in cash. Borrowing-financing operations of larger farmers and organized producers are also cut off or severely clipped (1,2).

Agriculture is the backbone of our Indian country. In our country 75% of people are either directly or indirectly depend on agriculture. The farmers struggled a lot at the time of cashless transaction because the saving habits as well the payment mode of farmers were only on cash. Farmers used to handle liquid cash as it is essential for their day to day transactions. 70% of the farmers market their products through Farmers Market (uzhavar santhai) or they may be street vendors where cashless transaction is impossible. Daily wage earners in agriculture were earning small amount per day. When the withdrawals from banks were limited the farmers were unable to draw cash to pay their labors which result on postponing their works and get the labors jobless for days or months. Cash is the primary mode of transaction in agriculture sector. The farmers who own limited acres will not have bank accounts, which had a large impact on the farmers at the time of cashless transaction. Not only agriculture sector but also other industries which depend on agriculture were also affected. These impacts make the farmers to depend on illegal money lenders and black marketers to cater their transaction needs. Cashless transaction

has affected every Indian, but it has hit the agricultural sector to the core. The government should try to reach out to the farmers of rural areas also to come out from the above issues.(3,4)

## DISCUSSION

The cashless transaction of Rs 500 and Rs 1,000 notes will hurt agriculture, informal sector workers — about 482 million people who earn cash incomes — and disrupt India's consumption patterns for at least the next quarter, according to an assessment released last week by Deloitte, an international consulting firm.

In contrast, sectors like e-commerce and payment banks, payment gateways are set to gain as transactions using cashless methods will increase over the coming months, the Deloitte report said, emphasising that “the long-term outlook remains positive”.

“Overall, a likely negative impact on disposable income is expected along with disruption in the consumption patterns of the general populace,” said the report, which called cashless transaction “arguably one of the most significant reform measures in its tenure” and “an expeditious move to boldly counter the black money and parallel economy”.(5,6)

Others are not as optimistic. Cashless transaction has perhaps “penalised” the entire informal sector and damaged it permanently”, especially the informal financial sector, which could account for a fourth of bank lending, or 26 percent of GDP, wrote Pronab Sen, country director of the India Central Programme of the International Growth Centre, a think tank.

“There is no doubt whatsoever that Modi has pulled off a major political and publicity coup and substantially enhanced his reputation as a muscular leader, but surely somebody needs to ask: at what price?” wrote Sen on 14 November, 2016 in Ideas for India, an economics and policy portal.

Rs 14 lakh crore – or \$217 billion, 86 percent of the value of Indian currency then in circulation – became useless from midnight of 8 November, 2016, part of the government’s crackdown on black, or unaccounted, money, which accounts for about a fifth of the economy, as *IndiaSpend* reported on 8 November, 2016.

### **Agriculture, under stress for two years, was forecast to grow 4 percent**

Agricultural growth in India contracted 0.2 percent in 2014-15 and grew no more than 1.2 percent in 2015-16, largely because of back-to-back droughts.

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## RESULTS

Agriculture was expected to grow at 4 percent this year according to this October 2016 CRISIL report, but cashless transaction is likely to dent that forecast. India is currently in the midst of the winter sowing season, but farmers are reported to be running out of cash to buy seeds.