

Effect of Demonetisation on Agriculture of Punjab with Special Reference to Agricultural Development Banks of Nakodar and Shahkot (Distt. Jalandhar)

Dr. Gagandeep Kaur,

Assistant Professor,
Innocent Hearts Group of Institutions,
Jalandhar, India.

Dr. Updesh Khinda,

Assistant Professor,
Innocent Hearts Group of Institutions,
Jalandhar, India.

ABSTRACT

Money is regarded as the backbone of the economic systems. This is the indispensable element of any economy. The Indian economy faced a major jolt when demonetization was announced by the honorable Prime Minister on 8th of November 2016. Punjab being the agrarian economy, this study aimed to know the impact of demonetization on the financial position of Agricultural development banks of Punjab with the objectives: To study the financial position of the Agricultural Developments banks after demonetization and To study the impact of demonetization on farmers. A few farmers were also contacted and tried to know their ordeal. The study revealed that the agricultural development banks faced huge financial crises as the amount of Non Performing Assets (NPA) increased and the banks incurred huge losses as aftermath of demonetization. The farmers were badly affected by the decision as they became defaulters to repay the loan amount till 2019.

Keywords: Demonetization; Agricultural Development Banks; Non Performing Assets.

INTRODUCTION:

Money is regarded as the backbone of any economy that gives shape and structure to the economic setup and Indian Economy is not an exception. If all the economic entities are deprived of this indispensable element, one can easily make out about the turmoil it can cause. This turmoil was witnessed by the whole nation when the honorable Prime Minister of India announced the Demonetisation on 8th of November 2016. It took the whole nation by shock. The Indian Government was of the view that it will eradicate forged currency, fight tax evasion, eliminate black money acquired from money laundering and terrorist financing activities, and promote a cashless economy. Every Indian was affected by this decision but the agriculture sector was the hardest hit. Agriculture in India accounts for the 50% of the work force. It was the phase when the farmers were busy in post-harvest management of Kharif crops and sowing phase of Rabi crops was to start up. With the decision of Demonetisation, the farmers were left in a cash deficit. Agriculture largely is dependent upon cash transactions as farmers purchase all their agriculture inputs in cash, even bigger landholders face problems such as paying daily wages to the labourers and purchasing agricultural inputs for growing crops. Adding to the woes of the farmers was the difficulty faced by them to sell off their produce.

The state of Punjab being an Agrarian Economy bore the brunt of Demonetisation. It is estimated that about 35 lakh persons are unemployed in Punjab, out of which about 24 lakhs belong to rural areas (Singh. S and Bhogal. S, 2014).

OBJECTIVES OF THE STUDY:

The present study was conducted to fulfill the following objectives:

1. To study the financial position of the Agricultural Developments banks after demonetization.
2. To study the impact of demonetization on farmers.

NEED FOR THE STUDY:

Punjab was considered as the agriculturally developed region but it is passing through an economic crises. The act of Demonetisation further added to the woes of farmer community of Punjab. The present study was planned for the state of Punjab to know the after effects of Demonetisation on the farmers as no empirical study was conducted for the same.

REVIEW OF LITERATURE:

Kulkarni, A. M. and Naikwade, P. V (2018) found in the study titled, “Impact of Demonetization on Farmers and Other People from Rural Background and Their Perception on Demonetization” that Demonetization effected badly in rural area where access to banking and the internet are quite low.

Sumathy, V.G., and Savitha T.(2017) conducted a study titled, “Impact of Demonetisation in Agriculture Sector” and found that Demonetization had affected every Indian, but it had 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 crises.

Goel, S. (2018) in the study under the title, “Reviewed study on impact of Demonetisation on Agricultural Sector in India” found out that demonetization might not have affected agriculture growth but it would have hit the farmers badly, unless the public procurement of pulses improves and distress sales of perishables were addressed.

Bisen, J., Kumar, S., Venkatesh, P., and Aditya, K. S. (2017) conducted a study titled, “Impact of Demonetization on Agriculture: A Case Study” and the results showed that small and marginal farmers were most affected in contrast to large farmers in case of sowing, purchase of inputs and sale of agricultural commodities.

RESEARCH METHODOLOGY:

Secondary data was analysed for the present study. The annual report of Punjab State Agricultural Development Bank and the reports of Agricultural Development Bank, Nakodar and Agricultural Development Bank, Shahkot were analysed for the year on year basis after demonetization till 2019. For getting first hand information, a few numbers of farmers were contacted from both the regions and there cases are discussed.

ANALYSIS AND INTERPRETATION:

For analysis purpose, we took the data from the annual report of Punjab State Agricultural Development Bank as is exhibited in the Table 1. From the critical view of the Table, it is clear that loan advancements both at SADB level and PADB level dipped to the greater extent in the year of demonetization i.e. 2016-17 and dipped further in the next year. Further investigation of the table suggested that the profits of both SADB and PADB took a nosedive in the year of demonatiation (21.07 Cr. to 1.90 Cr. in case of PADBs) and the following year (1.93 Cr.). Although the SADB and PADB are non-profit organizations and came into existence for the upliftment of the farmer’s community but a major portion of the rural and urban farmers depends upon these institutions for their term loan requirement for credit. This is because of the low interest rates levied by these institutions and a comparatively easier mode of repayment. And the financial position of these institutions can be considered as a mirror for the position of our farmer community.

Table 1 : Annual Report of Punjab State Agricultural Development bank

(in crores)

	2013-14	2014-15	2015-16	2016-17	2017-18
Reserves and Other Funds	408.78	427.82	386.58	372.55	368.13
Paid-up Share Capital	72.95	74.52	75.86	77.16	78.53
Total Own Funds	481.73	502.34	462.44	449.71	446.66

	2013-14	2014-15	2015-16	2016-17	2017-18
Loans advanced during the year					
SADB Level	501.11	506.54	559.80	490.22	285.62
PADBs Level	628.07	646.69	663.59	488.98	289.09
Total Loans Outstanding	2309.87	2428.86	2617.95	2704.03	2692.092163.14
Total Loans Outstanding	2163.14	2277.79	2332.10	2368.63	2405.64
Total Loans Outstanding	3131.56	3234.98	3210.95	3357.00	3387.25
Profits					
SADB	25.66	24.93	25.42	10.81	8.28
PADB	43.99	41.09	21.07	1.90	1.93
Total	69.65	66.02	46.49	12.71	10.21

Source: http://www.agribankpunjab.org/?page_id=938

Further we would discuss the specific cases of Agricultural Development Banks of Nakodar (PADB Nakodar) and Shahkot (PADB Shahkot). Table 2 exhibit the financial highlights of PADB Nakodar . It can be inferred from the Table 2 that for the year 2017-18 and 2018-19 that is the succeeding year of demonetisation, the loan outstandings went significantly down. Further, the profit which was going on higher side till the year of demonitisation(22.08 lakhs in 2016-17) , dipped drastically low (1.08 lakhs) in 2017-18. It shows that PADB Nakodar underwent a financial turmoil as the after affects of demonetisation.

Table: 2 Financial Highlights of PADB Nakodar

(in lakhs)

Financial Highlights of PADB Nakodar						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Reserves and Other Funds	329.29	334.30	346.07	380.06	423.19	431.51
Paid-up Share Capital	110.51	112.20	116.49	117.75	118.29	115.71
Total Own Funds	439.80	446.50	462.56	497.81	541.48	547.22
Loans advanced during the year	397.85	410.23	495.55	317.35	277.00	267.25
Total Loans Outstanding	1392.47	1404.59	1560.01	1536.74	1398.05	1308.28
Borrowings Outstanding	1161.41	1204.10	1262.51	1218.36	1084.02	1126.02
Working Capital (average)	1819.21	1733.94	1829.21	2053.85	1753.31	1813.75
Profits	6.73	11.77	14.30	22.08	1.08	14.72

Source: Annual Report of PADB, Nakodar

Table 3: Financial Highlights of PADB Shahkot

(in lakhs)

Financial Highlights of PADB Shahkot						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Reserves and Other Funds	495.30	752.78	856.94	959.81	996.04	988.75
Paid-up Share Capital	165.88	151.79	153.43	149.04	145.53	138.14
Total Own Funds	661.18	904.57	1010.37	1108.85	1141.57	1126.89

Financial Highlights of PADB Shahkot						
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Loans advanced during the year	229.50	301.10	295.51	240.80	319.07	198.36
Total Loans Outstanding	2336.72	2158.54	2094.03	1993.74	1884.31	1702.58
Borrowings Outstanding	2146.34	1912.69	1780.67	1749.00	1752.66	1654.24
Working Capital (average)	3495.63	3320.02	3180.13	3413.19	3537.94	3435.02
Profits	11.43	5.85	-280.99	-172.46	-92.45	63.27

Source: Annual Report of PADB, Shahkot

Further, the case of PADB Shahkot is quite disheartening as the profit in negative numbers showed that it incurred losses as clear from the Table 3.

The situation of these two institutions would be more clear from the recovery tables of both. As in table 4, the percentage of recovery of loan of PADB Nakodar for Rabi 2016 was 93.50 % and it fell to 55.82 % in the succeeding year of demonetization that is 2017. The recovery percentage for Kharif crop for year 2015 was 91.75% that declined to 80.75% in the year 2016.

Table 4: Season Wise Recovery of PADB Nakodar

Season Wise Recovery of PADB Nakodar	
Season	Recovery %
Kharif 14	92.56
Rabi 15	91.64
Kharif 15	91.75
Rabi 16	93.50
Kharif 16	80.72
Rabi 17	55.82
Kharif 17	93.21
Rabi 18	86.58
Kharif 18	85.30
Rabi 19	70.02

Source: Annual Report of PADB, Nakodar

Table 5: Season Wise Recovery of PADB Shahkot

Season Wise Recovery of PADB Shahkot	
Season	Recovery %
Kharif 14	44.60
Rabi 15	35.80
Kharif 15	37.50
Rabi 16	34.00
Kharif 16	19.96
Rabi 17	10.20
Kharif 17	34.80
Rabi 18	25.30
Kharif 18	27.76
Rabi 19	15.05

Source: Annual Report of PADB, Shahkot

In the next table 5 for recovery of PADB Shahkot, The percentage of recovery of loan for Rabi crop 2016 that is 34 % declined to 10.20 % for Rabi crop 2017. The recovery percentage for kharif crop 2015 was 37.50 % that declined to 19.96 % in the year 2016.

The critical evaluation of these two tables (Table 4 and Table 5) for percentage of recovery shows that farmers were badly affected by the demonetization that lead to the poor recovery of loans by the banks in that year and its succeeding year.

INTERACTION WITH FARMERS:

To gain further insight into the issue, it was decided to have first hand interaction with the representatives of farmer's community. Two farmers were personally contacted from both the regions that is, Nakodar and Shahkot. A detailed account of their personal experiences are shared here:

CASE 1. Jagir Singh S/o Charan Singh, Village. Mehatpur Jhuggian, Tehsil nakodar:

At the time of demonetization, pea crop was ready to be harvested. But after the announcement, the farmer could not sell off his produce because of the meager selling price that was not even covering the cost price. The rate was Rs 2/- per kg. The farmer had to plough the entire pea crop and incurred huge losses as is clear from the financial burden he had to bore.

Before demonetization, he used to repay his loan installment of Rs. 644000/- each season without fail. But such was the impact of demonetization that he is a defaulter of Rs. 1699200/- as on 30/4/2019.

CASE 2. Bakhshish Singh S/o Swaran Singh, village Tut kalan, tehsil Nakodar:

Bakhshish Singh was a potato grower. The potato crop was to be harvested in JANr. But after demonetization, the market left in cash crunch. The farmers could not sell the produce as there was no buyer and he had to keep the whole produce in the coldstores which charge very high price as rent which further added to the cost and burden on the farmer. Ultimately the farmer had to hurl his produce on roads to avoid further addition of cost.

CASE 3. Satbir Singh S/o Kamaldish Singh, Village Bagga. Tehsil Shahkot:

Satbir Singh was also a potato grower. He dealt with the same fate as of Bakhshish Singh explained earlier. He availed a loan of Rs. 15 lakhs and was good in repaying that loan but due to demonetization and its after affects, he has become a defaulter of Rs. 5/- lakhs.

CASE 4. Jagjot Singh S/o Sukhwinder Singh, Village Sandhawal, Tehsil Shahkot:

Jagjot Singh used to sow wheat and paddy on alternate basis. He availed a loan amounting to Rs. 25 lakhs. After demonetization, the farmer could NOT be able to maintain the regular paying ability and became the defaulter of Rs. 3.50/- lakhs.

We intentionally took the cases of those farmers which were paying their outstanding installments on regular basis. From these cases we can well understand that how demonetization affected the farmers community.

In addition to this, we can make out about the financial position of the banks as well and the agricultural development banks in our case. The banks made losses because of the increasing number of Non Performing Assets (NPA)

CONCLUSION:

After the analysis of the data, it has been concluded that the banks incurred a huge losses as the aftermath of the demonetization. Both the financial institutions incurred losses as the amount of Non Performing Assets went on increasing in the succeeding years of demonetization. The farmers community bore the brunt of demonetization as they had to incur huge losses because they could not sell off their produce because of cash crunch in the market. Well-off farmers which used to repay their loan amount in a very effective manner were declared defaulters by the banks as per the figures of April 2019. This shows that the farmer community is still not able to come up in terms with the losses they occurred and Government agencies should take immediate actions to address the plight of the farmers.

REFERENCES:

- Bisen, J., Kumar, S., Venkatesh, P., and Aditya, K. S., (2017). Impact of demonetization on Agriculture: A Case Study, *Indian Journal of Economics and Development*, Vol 5 (2), 1-11.
- Goel, S., (2018). Reviewed study on impact of Demonetisation on Agricultural Sector in India, *International Journal of Research and Analytical Reviews*, 5(3), 299-301.
- Kulkarni, A. M. and Naikwade, P. V., (2018). Impact of Demonetization on Farmers and Other People from Rural Background and Their Perception on Demonetization, *Aayushi International Interdisciplinary Research Journal* 5(2), 62-75.
- Singh, S. and Bhogal, S., (2014). Depeasantization in Punjab: status of farmers who left farming, *Current Science*, 106(10), 1364-1368.
- Sumathy, V.G.and Savitha T., (2017). Impact of Demonetisation in Agriculture Sector, *Journal of Humanities and Social Science (IOSR-JHSS)*, 35-38.
