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IMPACT OF DEMONETIZATION ON SMALL TRADERS

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Abstract: Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency. Demonetization can be applied to coins, bank notes and all other forms of currency. Usually, demonetization is part of a wider process, which involves the old currency being replaced by a new one. Demonetization drive has impacted the Indian businesses directly or indirectly in terms of impact on demand but the impact of demonetization is majorly seen on small businesses as these are highly driven by cash transactions. Small unit construction traders includes all activities directly related to the sale of goods or services to the ultimate consumers. Small traders and vendors have been affected the most as they are facing a huge slump in sale. Many of these small traders are not equipped enough to make provisions of digital payments for their customers, and for this reason are having to go through a lot of hardships.

Keywords: Demonetization, black money, corruption, online payment, e-banking, internet, Small traders

1. INTRODUCTION

DEMONETIZATION MEANING:

Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change in national currency. The current forms or forms of money are pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency

DEMONETIZATION IN INDIA WITH HIGHER DENOMINATION

S.NO	YEAR – CURRENCY REMOVED	CURRENCY REMOVED FROM CIRCULATION	YEAR – CURRENCY INTRODUCED	CURRENCY INTRODUCED AFTER DEMONETISATION	REASON FOR DEMONETIZATION
1	1946	1000,5000	1954	1000,5000,10000	To tackle black money
2	1978	1000,5000 10000	1987 2000	500 1000	To curb black money
3	2016	500&1000	2016	2000	To curb black

			2017	500	money, corruption and removal of fake currency
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2.REVIEW OF LITERATURE

Dr. S.Jayasudha, Dr. M.Thangavel, IOSR journal of Humanities and Socialscience. An empirical study on the major problems faced due to demonetization by the small retailers in Erode City. The study was done to identify the major problems faced due to demonetization by small retailers in Erode city. Both primary and secondary data was adopted for the purpose of the research. Primary data was collected by circulating well structured questionnaires among 50 small retailers in Erode city. The study concludes that due to demonetization most of the small retailers have faced many difficulties while dealing with banks. However the economy is expected to recover soon after the circulation of new currency notes.

Dr. Ritu Bhattacharyya, Sampurnanand Mehta, International Journal of Latest technology in Engineering, Management & Applied Science, Volume V, Issue XII, December 2016. This study aims to understand the impacts of demonetisation on the small and marginal traders and the change that has arisen in their daily business and innovative ideas that they have undertaken to overcome this problem. The researcher finds if demonetisation has resulted in fall of business for small and marginal businessmen, if it has effect on the economic behavior of the country, the ways in which the small and marginal businessmen dealing with cash crunch. The researcher uses primary and secondary data with the sample size of 587 respondents and percentage tool to analyse the data. According to the study people are not per say against demonetisation they are happy that the Government has woken upto the corruption in the country and somebody has the guts to tackle it, but the problem is about non availability of ash in smaller denominations in the economy. The economy was not readied fully for being cash less society. People who operate in small margins and scales are hit the most.

Ms. Kokila.V, Dr. (Mrs.) R.Ushadevi. International journal of commerce business and management. Vol 6 No 2, Mar-Apr 2016. Impact of demonetisation on retailing – An Analysis. Demonetization Worst affected the small traders. The main objective of the study is to explain the concept of demonetisation and to analyse the impact of demonetisation process on retailing. The analysis was descriptive in nature. Both primary and secondary source were used. Primary data was collected by preparing questionnaire for 80 respondents and is been tested through simple percentage and chi square test. The study finds that most of the essential product outlets suffered more due to demonetisation. Need based retail shops and service retailers suffered moderately and it was due to less provision for digital payment mode. The study concludes that most of the retailers adjusted to the government's initiative for demonetisation.

Ms. Deepthi, Research scholar, Jagannath University. Impact of demonetisation on small traders in short term period. A study in selected region in Delhi and NCR. This paper will be examining the consequences and reflection of demonetisation on small traders who are largely dependent on cash related transaction on daily basis. The aim of the study is to understand the impact of demonetisation on small traders, to determine the impact of demonetisation on direct consumer segments, to study the disruptive payment mode involved into overall process of demonetisation, to study the post demonetisation phase and its impact on small traders. A primary data analysis was carried out through a structured questionnaire, and thee sample size of 200 was selected to carry out the analysis. Simple percentage and chi square test was used for analysis. The study concludes that the demonetisation process was welcomed by small traders and they adopted disruptive new technology in payment mode by accepting plastic money and virtual wallet. Direct to consumer segment has beard some loss of business but indicated that they were moving towards normalcy.

3.NEED FOR THE STUDY

This study helps small traders to tackle black money in the economy.
 It helps to analyze the impact of demonetization on retailers and small traders.
 It helps to study the challenges faced by small traders during demonetization.
 It helps to understand the reason to lower the cash circulation in the country which is directly related to corruption in our country.

4.OBJECTIVES OF THE STUDY

1. To study the profile of small traders.
2. To study the awareness level of demonetization among small traders.
- 3.To analyze the impact of demonetization on the business of thesmall traders.

5.RESEARCH METHODOLOGY

Both primary and secondary sources of data collection have been used for the study. This research project is mainly based on primary data. Journal, newspaper, articles and internet are the secondary data which are used for this study. The sample size is 130 shopkeepers of which 66 respondents are from rural and 64 respondents are from urban area. The questionnaire survey was conducted on selected shopkeepers based on convenience sampling method.A structured questionnaire was prepared and was administered to the respondents through a personal interview method.The research project is analytical in nature. The analytical tool used for this study is percentage analysis method.

6.1.ANALYSIS AND INTERPRETATION:

TABLE.1.DEMOGRAPHIC DATA (n=130)

S.NO	DEMOGRAPHICS	ITEMS	RURAL%	URBAN%
1.1	AGE	BELOW 20	2	3
		20-30	24	28
		30-40	27	42
		ABOVE 40	47	27
1.2	GENDER	MALE	70	70
		FEMALE	30	30
1.3	EDUCATIONAL QUALIFICATION	10th	27	50
		12th	26	20
		UG/PG	20	20
		NONE	27	50
1.4	MONTHLY INCOME	BELOW 5000	3	5
		5000-10000	32	37
		10000-20000	39	39
		ABOVE 20000	26	19
1.5	TYPE OF BUSINESS	ELECTICAL HARDWARES	23	22
		PLUMBING HARWARES	23	23
		PAINT SHOPS	22	23
		CEMENT TRADERS	23	20
		BRICK TRADERS	9	12

Table 1 reveals the demographic profile of rural and urban respondents. According to the study 2% of the respondents from rural & 3% from urban belong to age group of below 20, 24% fromrural & 28% from urban belong to age group of 20 to 30, 27% from rural & 42% from urban belong to age group of 30 to 40, 47% from urban & 27 % from rural belong to age group

of above 40. 70% male respondents were from rural & 70% from urban. 30% female respondents from rural & 30% females were from urban. As regards to education 27% of rural & 50% of urban completed 10th, 26% of rural & 20% urban respondents completed 12th, 20 % of rural & 20% of urban respondents were UG/PG, 27% of rural & 10% of urban were illiterates. When it comes to income 3% of rural & 5% from urban earned below 5000 per month, 32% from rural & 37% from urban earned 5000 to 10000, 39% of rural & 39% of urban respondents earned 10000 to 20000, 26% of rural & 19% of urban respondents earned above 20000 per month. The type of business done by our respondents 23% of rural and 22% of urban had Electricals Hardwares, 23% from rural & 23% from urban had Plumbing Hardwares, 22% of rural & 23% from urban had Paint Shops, 23% from rural & 20% from urban had Cement Traders, and 9% from rural & 12% from urban had Brick Traders.

TABLE.2.AWARENESS AND OPINION ABOUT DEMONETIZATION(n=130)

S.NO	MEASURE	RURAL%			URBAN%		
		YES	NO		YSE	NO	
2.1	AWARENESS ABOUT THE REASON FOR DEMONETIZATION	36	64		52	48	
S.NO	MEASURE	RURAL%			URBAN%		
2.2	AFFECTED BY DEMONETIZATION	YES	NEUTRAL	NO	YES	NEUTRAL	NO
		80	2	18	81	3	16
2.3	DIFFICULT IN CURRENCY ROTATION	76	3	21	75	5	20

The above table shows the awareness and opinion about demonetization among the respondents. 36% of rural & 52% of urban respondents says that they were aware and 64% of rural & 48% of urban about the reason behind demonetization though majority of the respondents were not aware of the term “Demonetization” the researcher had to explain to collect the data. 80% of rural respondents & 81% of urban respondents from were affected by demonetization, & 18% of rural & 16% of urban is not affected by demonetization. Majority of the rural & urban respondents felt the difficulty in currency rotation.

TABLE.3. IMPACT OF DEMONETIZATION ON BANK ACCOUNTS (n=130)

S.NO	MEASURE	RURAL%		URBAN%	
		YES	NO	YES	NO
3.1	DO THEY HAVE BANK ACCOUNT	95	5	96	4
3.2	OPENED BANK A/C BEFORE DEMONETIZATION	82	18	90	10
3.3	OPENED BANK A/C AFTER DEMONETIZATION	13	85	6	94
S.NO	MEASURE	ITEMS		RURAL%	URBAN%
3.4	MODE OF TRANSACTION	DEBIT/CREDIT CARD		15	22
		E-WALLET		0	9
		BOTH		6	27
		CASH		79	42

The above table gives details of bank accounts of small traders. Majority of the rural & urban respondents do have bank account except few. 82% of the rural respondents & 90% of the urban respondents already had bank account before demonetization, 18% of rural & 10% of urban did not have bank account. 13% of rural & 6% of urban opened their bank account after demonetization. Majority of the rural respondents 79% & only 42% from urban prefer cash transactions. 15% of rural & 22% of urban prefer debit/credit cards. 9% of urban prefer E-Wallet, 6% of rural 27% of urban prefer both debit/credit cards and E-Wallet.

TABLE.4. EFFECT ON THE BUSINESS DUE TO DEMONETIZATION

S.NO	MEASURE	RURAL%		URBAN%	
		YES	NO	YES	NO
4.1	DIFFICULT IN PROCURING RAW MATERIAL	91	9	83	17
4.2	DECREASE IN SALE	92	8	89	11
4.3	DECREASE IN PROFIT	92	8	89	11
4.4	INCREASE IN CREDIT SALES	51	49	55	45
4.5	INCREASE IN CREDITPURCHASE	91	9	84	16
S.NO	MEASURE	RURAL		URBAN	
4.6	TIME DURATION FOR RECOVERY FROM DEMONETIZATION	ITEMS			
		1 MONTH		6	
		3MONTH		35	
		6MONTH		38	
		9MONTH		21	
				20	

Table 4 shows the effect of demonetization in the business of small traders. 91% of rural & 83% of urban had difficulty in procuring the raw material where 9% of rural & 17% of urban respondents did not. 92% of rural respondents & 89% of urban respondents faced decrease in sales & profits where 8% of rural & 11% of urban respondents did not. 51% of rural & 55% of urban respondents had increase in credit sales. 49% of the rural & 45% of the urban respondents did not. 91% of the rural & 84% of urban respondents had increase in credit purchase, 9% of the rural & 16% of the urban did not. Majority of the small traders took 6 months time to recover from the impact of demonetization.

6.2..FINDINGS

54% of the urban & 36% rural small traders were not aware the reason behind demonetization.

Most of the small traders were affected by demonetization & faced difficulty in currency rotation.

Shopkeepers from urban area started more electronic payment facilities for the customers while in rural most of the small traders prefer cash transactions.

90% urban & 82% rural had bank account before demonetization.

51% of rural & 55% of urban small traders had increased credit sales.

91% of rural & 84% of urban increased credit purchase.

Small traders suffered a lot & were not able to collect previous dues from the customers.

Most of the small traders accepted & supported demonetization out of national interest though it took 6 months for majority of the retailers to recover from demonetization.

7.LIMITATIONS OF THE STUDY

All the limitations of primary data are applicable to this study.

Maximum of the sample selected for the study were uneducated or partially educated people who do small business in order to take care of their families who are either living with them or they have left them back in their native homes. Thus this study does not represent people who have well established business and strong business set ups.

Time limit is a major constraint.

The study is restricted to the selected sample hence the result of the study cannot be generalized.

8.CONCLUSION:

The present study focuses on impact of demonetization on small traders of rural & urban areas through primary & secondary data. Thereupon, the study measures the rural & urban small traders whose daily livelihood is significantly affected due to demonetization. The impact of demonetization was more on rural small traders when compared to urban. Rural small traders had limited access to cash where urban small traders used electronic payment system. Most of the small traders felt that government's effort to reduce black money was not worth. Though there was more negative impact on their business due to demonetization small traders were able to recover and felt it was just a temporary issue.

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