

# Demonetisation – Worst Effected the Small Traders

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**Abstract:** - Demonetization is the process in which a particular currency or valuable mineral is degraded as a legal tender. This happens when a certain currency is no longer in regular use within the country of origin, or when a newer currency comes into circulation. The latest demonetisation, in India was the suddenly announcement by Prime Minister of India on 8<sup>th</sup> November at 8.30 p.m. that `500 and `1,000 notes would not be legal tender from midnight of 8<sup>th</sup> November 2016. The announcement was made much after banking hours thus giving no body a chance for any foul play.

The Reserve Bank of India (RBI) data suggests that the proportion of `500 and `1000 notes were 86.4% of total value of notes in circulation on March 31, 2016, amounting to `14 trillion. A lot of this money was also considered to be fake money pumped into the economy to fund terrorist activities. At the stroke of midnight of 8<sup>th</sup> November 2016, India lost 86.4% of its monetary base. In this single move, the Government has attempted to tackle all the three issues affecting the economy i.e. a parallel economy, counterfeit currency in circulation and terror financing.

The Governments move to introduce the `2000/- in new currency to ease the money shortfall has not helped because small buyer have been left with a big currency that nobody wanted to exchange. Those who had cash are using it prudently and only if is absolutely necessary because they did not want to go through the ordeal of standing in long queues at banks for cash withdrawals. This has lead to a lot of hardship to small traders who do not have large holding capacities and need to sell per day to meet their family needs.

The 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.

**Keywords:** Demonetisation, small and marginal traders, survival innovation

## I. INTRODUCTION

In an important move, the Government of India declared that the five hundred and one thousand rupee notes will no longer be legal tender from midnight, 8th November 2016. The RBI issued Two thousand rupee notes and new notes of Five hundred rupees which were placed in circulation from 10th November 2016. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision. This measure has been

taken by the PM in an attempt to address the resolve against corruption, black money and counterfeit notes. This move is expected to cleanse the formal economic system and discard black money from the same.

With the older `500 and `1000 notes being scrapped, until the new `500 and `2000 Rupees notes get widely circulated in the market, money supply is expected to reduce. This will result in cash transaction lowering in the short run, until the new notes are spread widely into circulation, certain sections of the society could face short term disruptions in facilitation of their transactions. The overall demand is expected to be affected to an extent. The Price level, in non MRP products, groceries, green groceries, fruit, snacks etc. is expected to be lowered due to moderation from demand side. The frequency and amounts of transactions involved with these sections of the economy necessitate cash transactions, thus, these segments are expected to have the most significant impact post this demonetization process and the introduction of new notes in circulation.

## II. PROBLEM DEFINITION

1. To assess the effect of demonetisation on small and marginal businessmen and traders
2. To assess if the loss in business is significant
3. To find out the innovative measures used by marginal business men to stay afloat in these times

## III. RESEARCH QUESTIONS

1. Has demonetisation resulted in fall of business for small and marginal businessmen
2. Why should demonetisation have had any effect on the economic behaviour of the country
3. What are the ways in which these small and marginal business men dealing with this cash crunch

These questions should be answered by the end of this study. The aim is to establish the comfort, utility and spend by people after demonetisation.

## IV. LIMITATIONS OF STUDY

1. Area of research is also a major constraint. The biggest limitation of the study is that it has been done

in Navi Mumbai only and may not give an overall picture of India.

2. 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.
3. Time limit is a major constraint. The study has taken into consideration only 16 days after demonetisation thus the study was done between the period of 12<sup>th</sup> November to 27<sup>th</sup> November
4. This research reflects opinion and responses of individuals only where by findings and suggestion given on the basis of this research cannot be extrapolated (applied) to the entire population.

### V. HYPOTHESIS

#### 1st set of Hypothesis:

H<sub>0</sub>: Small and marginal businessmen have not been effected significantly by demonetisation

H<sub>1</sub>: Small and marginal businessmen have been significantly effected by demonetisation

#### 2nd set of Hypothesis

H<sub>0</sub>: Demonetisation will not result in a cash less society

H<sub>1</sub>: Demonetisation may lead to a cashless society

### VI. RESEARCH DESIGN, METHODOLOGY AND SAMPLING

A structured questionnaire was prepared and was administered to the respondents through a personal interview method. The researcher contacted the respondents personally. The questionnaire was divided into two parts. Part one is respondents profile and Part two was the main survey.

The sample to which the questionnaire was administered was based on convenience sampling techniques. The sample distribution was as under:

Table I:

Sr. No.	Business	Sample Size
1	Vegetable and fruit vendors	124
2	Street Side food stalls	102
3	Small Kiryana shops (banya)	105
4	Milk, Bread, Eggs and breakfast vendors	40
5	Street side household plastic, clips etc. sellers	96
6.	The Bakada wala*	120

(Source : Primary data)

#### A. Primary Data:

Primary data was collected randomly through the structured questionnaire in Navi Mumbai & using convenience based random sampling. The areas covered were Juhugaon in Vashi sector 14, Sector 9, Vashi, Koprigaon Vashi, Sector 19, Koperkharane Sector 10, Turbhe Janta Market , Sector 21.

#### 1) Sample Size:

The study was limited to those participants who willingly elected to complete the instruments in their entirety. There were a total of 650 respondents, of which a figure of 587 were selected for the study. Vegetable and fruit vendors approached were 125; Street Side food vendors approached were 125; Small kirayana shops(Banya) approached were 125; Milk, Bread, Eggs and breakfast vendors approached were 50; Street side household plastic , clips etc. sellers approached were 100; and 125 Bakaradawala's were approached

#### 2. Sample Design:

The researcher relied upon convenience based random sampling technique, considering the research methodology and research type as per guidelines. A caution was exercised during the study that the respondents who did not show inclination to be a part of the study were not covered.

#### 3) Area of Research:

Navi Mumbai

#### 4. Period of Study:

The data collection has been done for a period of 16 days after demonetisation between 12th November to 27th November

#### B. Secondary Data

The secondary information or data was collected from news papers and other sources of news.

#### C. Research Instruments

A summated closed end questionnaire was used with different viewpoints of customers. In this questionnaire, all the questions were positively framed to study the impact of independent variables like age, gender and profession on the dependent variable.

#### D. Statistical Analysis

Efficient and effective data analysis is the result of effective data preparation. This was found to be very crucial between the completion of the field work and the statistical processing of the collected data. Data preparation involved transferring the questionnaire into an electronic format which allowed and facilitated subsequent data processing.

\*Bakada wala is the handcart shopkeeper who sells everything from sweets to snacks to cigarettes to shampoos

Data sheet was prepared directly at Statistical Program for Social Sciences (SPSS) software for further analysis. Code was assigned to each response for data entry and data record. Transcribed data sheet was prepared for data analysis. On the basis of data sheet, tables were prepared for the analysis.

Table No.II Sample Demographics:

Gender	Frequency	Percent
Male	410	69.84
Female	177	30.16
Age	Frequency	Percent
Less than 18 Yrs	137	23.33
18 to 25 Yrs	157	26.74
26 to 30 Yrs	111	18.92
31 to 35 Yrs	033	5.63
36 to 40 Yrs	033	5.63
41 to 45 Yrs	062	10.56
45 and above	054	9.19
Income (monthly)	Frequency	Percent
Below Rs.10,000	188	32.10
Rs. 10,001 to 15,000	099	16.81
Rs. 15,001 to 20,000	076	12.88
Rs. 20,001 to 25,000	046	7.86
Rs. 25,001 to 30,000	035	5.90
Rs. 30,001 to 35,000	037	6.33
Rs. 35,001 to 40,000	032	5.46
Rs. 40,001 to 45,000	024	4.15
Rs. 50,001 and +	050	8.52

(Source: Primary data)

VII. REFLECTIONS

Reflections are views of people in the sample which cannot be quantified and therefore are put in simple language for better understanding of ground situation all reflections have not been put but those that matter most to the study have been captured

VIII . ANALYSIS:

Table III

Vegetable and fruit vendors (Income per day average )	Pre-dem	Post-dem	% shift	SD

250-500	20	52	260↑	22.62742
501-750	36	41	133.88↑	3.535534
751-1000	20	20	=	0.000000
1001-1250	20	09	222.22↓	7.071068
1250-1500	16	2	800↓	9.899495
1501-2000	8	0	800↓	5.656854
>2001	4	0	400↓	2.828427

(Source: Primary data)

The above table clearly shows that the number of people who were spending higher amounts have reduced their buying carts and the vegetable and fruits vendors are earning lesser by the day.

A. Reflections:

Manoj Kumar form Sector 9 Vegetable market vashi sells fruits and vegetables said “For the last two days, I have hardly done any business. Yesterday (Wednesday) I had a sale of just ` 60 in the whole day. Today someone came and bought some fruits so I got only one customer till now (8.30 p.m.) and did a sale of `250” (Date 12<sup>th</sup> Nov. 2016)

Dhuliram a fruit vendor in sector 14” Fruits sale has become very low people are buying vegetable though less but fruits are not selling at all. I have had to throw away bananas and papayas because they were rotting. It is only loss for the last one week”(date 19<sup>th</sup> Nov. 2016)

Anjali a onion, potato and garlic vendor at Turbe sector 21 “All is lost people are not buying those who are buying are asking for 500 gms. Earlier people used to buying 1kg, 2kgs. and then they give old notes some give 2000` . for a purchase of 50 ` . See my potatoes are getting spoiled we are really suffering.”(Date 23<sup>rd</sup> Nov. 2016)

Raju Sharma a vegetable vendor at Koper kharane sector 10, was not very disturbed by the whole scenario he found a very innovative method, “I told all my customers bring your old notes to me 10,000 ` and I will provide you vegetable for the next 6 months free. The news spread and I am actually selling more than before. I have bought the next two peoples stock also and sold it.” (Date 24<sup>th</sup> Nov.2016)

Table IV

street side food vendors (Income per day average )	Pre-dem.	Post-dem.	% shift	SD
250-500	0	34	3400↑	26.87006
501-750	0	30	3000↑	29.69848
751-1000	5	15	300↑	10.6066

1001-1250	23	10	230↓	9.192388
1250-1500	18	7	257.14↓	11.31371
1501-2000	24	4	600↓	28.28427
>2001	32	2	1600↓	9.875897

(Source: Primary data)

Street side food vendor are the life line of working people, students and many working women. They have also seen a sharp fall in quantum of sales people are eating but cheaper items or the impulsive snack eater is not indulging any more

**B. Reflections:**

Hari Lal from Koper kharane has a stall which sells rice plate, dosa, idli , Chinese food and vada pau, “ People who came every day to eat meals here are not eating full meals any more they take two wada pau and that is it. The number of people coming to eat out have become half. The idli dosa counter is haldly working”(Date 12<sup>th</sup> Nov.2016)

Rama arjuna sells idli, dosa and wada would generally starts his stall at 7.00 a.m. and used to wind it up by 9.30 with all his goods sold and with a neat sales figure of `5000. Since the 9<sup>th</sup> onwards itself his sales have dropped. “ I keep the stall open from 7.00am to 12.00 but still sales are slow. Earlier people used to order 15-20 plates for breakfast I used to supply in so many houses and now every one has stopped they are making breakfast at home. Change is also an issue I cannot give change of `2000 for one plate of idli that cost `25. My boys are just sitting they have no work” (Date 17<sup>th</sup> Nov. 2016)

Khanaya is a small jalebi seller who always had a crowd for take away with also people eating at this stall. His specialty is Jalebi with fafada; jalebi with dahi; jalebi with hot milk and jalebi with rabadi. “I have not sold only four plates till now (7.00p.m.) normally by now I would have sold minimum 100 plates. Every one want to pay in old notes or they buy one plate and give ` 2000 where am I supposed to get change from.” (24<sup>th</sup> Nov. 2016)

Table V

small karayana shops (Income per day average )	Pre-dem	Post-dem.	% shift	SD
250-500	0	28	2800↑	19.79899
501-750	4	24	600↑	28.28427
751-1000	2	21	1050↑	13.43503
1001-1250	6	10	166.66↑	2.828427
1250-1500	7	10	142.85↑	2.12132
1501-2000	20	7	285.71↓	9.192388
>2001	66	5	1320↓	57.27565

(Source: Primary data)

The friendly neighborhood banya always supplied credit and continues to do the same but still the general response is that one time purchase figures have gone down. People are only buying what is necessary. Large sales and items like biscuits, chips, ice cream; chocolates etc. totally avoided.

**C. Reflections:**

Nandu Oswal from Sector 19 Kopri gaon “earlier all customers were coming with old notes how could I accept them and how could I let them go so I told them that I have a credit card reading machine as well, some who had credit card used them the others I have offered credit. But it seems like the will to shop among customers has completely vanished at the moment.” (13<sup>th</sup> Nov. 2016)

Radha owns a small shop in sector 14 Vashi “In fact, more people have been coming with high-denomination notes than earlier, as they want to get rid of those. But we have run out of change and have now stopped accepting ` 500 and ` 1,000 notes. Actually the customers are not there as people seem to be saving lower currency notes for emergency situations. People are offering cheques and e-wallet how can we accept them what if the cheque bounces or the money from the wallet disappear after all it is not a bank ”(19<sup>th</sup> Nov.2016)

Suraj Oja of Turbe Sector 21 has an all together different problem “There is a problem of replenishing supplies wholesaler are not accepting old notes they are also not accepting debit/credit card and also not taking cheques from small shop owners like us we always earlier dealt in cash with them.” (26<sup>th</sup> Nov. 2016)

Table VI

Milk, Bread, Breakfast etc. (Income per day average )	Pre-dem	Post-dem	% shift	SD
250-500	2	31	1550↑	20.5061
501-750	18	8	225↓	7.071068
751-1000	12	1	1200↓	7.778175
1001-1250	6	0	600↓	4.242641
1250-1500	2	0	200↓	1.414214
1501-2000	0	0	0	0
>2001	0	0	0	0

(Source: Primary data)

Milk, breads, eggs, cakes, butter, cornflakes, oats and other breakfast items are very essential in a working women’s household. But the lack of change has affected the purchase behavior of these items too. It is noticed that people are buying smaller quantities and larger quantities are being avoided.

*D. Reflections:*

Anil Goyal of Koperkherana sector 10 owner of Goyal dairy and stores has a very good point “ Milk people are buying because they know the importance of the same at home but breads; eggs have seen a marginal fall and as for butter, cork flakes and oats the fall is very drastic., Other daily items like curds; lassi; buttermilk; shirkhand etc. are not moving at all.” (13<sup>th</sup> Nov. 2016)

“There is big problem for paying our suppliers too. Milk we sell comes from dairies we need to pay them and since we do not have cash how do we pay them they are not ready to accept cheques, other means of payment do not work with rural folk” Goyal opined. When our suppliers don’t take credit cards from us why should we take .” (19<sup>th</sup> Nov. 2016)

Hanumant Deshmukh from sector 14 Vashi has a little different opinion “Milk purchases had gone down to half in the beginning , people were buying only for their children. I told my customer I will give monthly credit, drink milk don’t get weak due to these problems, many have accepted and started a credit account. The situation is still bad because other products are not moving my ice cream family pack and party packs had to be returned back to the company. People want to pay through credit card but I am not comfortable with its use ” (19<sup>th</sup> Nov. 2016)

Hanif Querishi of sector 9 vashi owns a small bakery and also sells butter and eggs “ Bread sales have fallen little , cakes, buns have also fallen but worst hit are pastries; cakes and nankhatis . But interestingly pizza base and burger buns sales have gone up mothers are making things at home to compensate lesser purchase from out.” (26<sup>th</sup> Nov. 2016)

Table VII

Household plastic, clips etc (Income per day average )	pre	post	% diff	SD
250-500	5	54	1080↑	37.47666
501-750	15	42	280↑	19.09188
751-1000	28	0	2800↓	19.79899
1001-1250	32	0	3200↓	25.45584
1250-1500	10	0	1000↓	7.071068
1501-2000	6	0	600↓	4.242641
>2001	0	0	0	0

(Source: Primary data)

Mumbai is home to a number of street vendors who sell a lot of small plastic items like mugs; tea strainers; water bottles; tiffin boxes; hair clips; plastic trinkets; plastic bangles etc. Since these are not necessary items this lot of people saw maximum fall in their income because people are not interested in buying items that can wait till the cash supply situation gets better.

*E. Reflections:*

Nanda Shinde who sells her wares on the foot path of sector 9 Vashi is quite distressed “last six days I have not been able to sell a single thing I set up my things at 9.00 a.m. and stay here till 10.00 p.m. but nobody is buying I have reduced the price too but still nothing has happened before this demonetization I used to even touch sales of ` 1500 to ` 2000 in a day and now I don’t know how I and my children will survive.” (Date 13<sup>th</sup> Nov. 2016)

Anjali Biswas sells plastic items like Nanda in Koper kherane , but has a very big variety of costume jeweler as well as ladies purses and belts she is also in a fix “ last 10 days I have sold one water bottle for `35 one plastic tub for `50 and two pair of bangles for `50 . I used to sell more than this in one hour earlier. The college girls from across use to buy things for `500 -`700 at one time . I hope things improve soon as of now I only come and sit in the shop.” (20<sup>th</sup> Nov. 2016)

Rishi Sen from Turbe Janta Market has no better a story “Nobody is even coming close to the shop forget about buying anything. I used to sell plastic toys and jewelry worth a `500-600 till some days back for the last four days I have sold nothing. I just pray things improve otherwise I will have to go back home.” (20<sup>th</sup> Nov. 2016)

Table VIII

Bakada wala’s (Income per day average )	Pre-dem	Post-dem	% shift	SD
250-500	3	11	366↑	5.656854
501-750	8	24	300↑	11.31371
751-1000	16	46	287.5↑	24.74874
1001-1250	36	29	124.13↓	8.485281
1250-1500	23	6	383.33↓	12.02082
1501-2000	21	4	525↓	12.02082
>2001	13	0	1300↓	9.192388

(Source: Primary data)

The bakada wala is very unique to Indian retail the ‘bakada’ is a four wheel cart that sells every thing from sweets to chips to shampoos to medicines to tobacco to cigarette etc. they some time stock food and cereals too. Since they operate in small quantities they have not felt the shock too much.

*F. Reflections:*

Gaangalal from sector 14 Vashi has been operating his bakada for 20 years now he has fixed customers and he provides credit to his customers “The impact is not all that high cigarette, tobacco, pan masala sales don’t fall only people buy smaller amount and come back again and again to buy in

other things I am giving credit so there is no fall in sale. I put a card machine but nobody wants to use it” (13<sup>th</sup> Nov. 2016)

Suresh from kopri gaon has a different story “ I know all my customers by name they have been buying from me for quite some time. I have also given them credit earlier so it is nothing new now. I have a ‘bahie’\* for all my customers where the settle their dues once a month. I told my regular clients that they can settle their old dues with old money.” (20<sup>th</sup> Nov. 2016)

Sohanlal from Turbe Janta Market says “very few customers show up with smaller currency notes, due to which I am often forced to refuse sales to them. What can I do? I can’t take `500 notes, as I won’t be able to buy fresh supplies in the market tomorrow then. While I agreed to sell to some regular customers when they promised to pay me later, I cannot do it for everybody. My whole business depends on daily sales. I asked my customer if they want to use e-wallet but they are not comfortable” (20th Nov. 2016)

The above analysis shows that in the first set of Hypothesis viz

H0: Small and marginal businessmen have not been effected significantly by demonetisation

H1: Small and marginal businessmen have been significantly affected by demonetisation

The alternative hypothesis is right and the null hypothesis has proved wrong. Since almost all the small and marginal and small traders and business men have been effected by demonetization. The effect has been not due to withdrawal of currency but more due to non availability of currency in small denomination. The general public is refraining from use of small currency that they have and small traders and businessmen cannot give credit for a very long period of time.

Are you comfortable with the concept of a cashless society

Table IX : Do you think India will become a cashless society?

Sr. No.	Business	Yes	%	No	%
1	Vegetable and fruit vendors	16	13	108	87
2	Street Side food stalls	10	10	92	90
3	Small Kiryana shops (banya)	52	49.6	53	50.4
4	Milk, Bread, Eggs and breakfast vendors	7	17.5	33	82.5
5	Street side household plastic, clips etc. sellers	2	2.08	94	97.9
6.	The Bakada wala	45	37.5	75	62.5

(Source: Primary data)

\* bahie – a small book of accounts

Table X : Would you accept the following in place of cash?

Sr. No.	Business	Cheque		Debit/Credit Card		E-wallet	
		Yes%	No%	Yes%	No%	Yes%	No%
1	Vegetable and fruit vendors	-	100	-	100	16.12	83.87
2	Street Side food stalls	-	100	9.8	90.19	39.21	60.78
3	Small Kiryana shops (banya)	38.09	61.90	6.66	93.33	38.09	61.90
4	Milk, Bread, Eggs and breakfast vendors	17.50	82.50	-	100	7.50	92.50
5	Street side household plastic, clips etc. sellers	-	100	-	100	2.08	97.91
6.	The Bakada wala	33.33	66.66	12.50	87.50	16.66	83.33

(Source: Primary data)

In the 2nd set of Hypothesis:

H0: Demonetisation will not result in a cash less society

H1: Demonetisation may lead to a cashless society

The null hypothesis has proved right. In India cash is king and how much ever we may try to change it the situation will remain the same. People are frightened to use e-transaction because e-frauds are very high. Also a lot of people do not even now accept anything but cash because they are not going to pay tax to the Government.

## IX. CONCLUSIONS:

Consumer footfall in the markets is very low businessmen are sitting idle. Small and rural retailers, who generally visit wholesale markets for procurement of goods, couldn’t do so for want of sufficient funds of acceptable denomination. The all new ₹2000 is creating more scare among small businessmen because they do not know where to get the change for the same.

Small and marginal business owners narrated tales of cashlessness that has drastically reduced their business. All said that there were fewer buyers and those who come to purchase also carry the newly-minted Rs 2000 currency notes. "Some people buy items for Rs 100 and give Rs 2000. We have to return Rs 1900. This consumes a large number of small value currencies, which are already in short supply," at this rate shopkeepers were able to sell goods to only a few

people. The government has asked people to encourage paying through cards or e-wallets. But given the poor penetration of such facilities, it is not possible for everyone to get used to cashless transactions, generally people are frightened of their money disappearing from their account. With huge cyber crimes people have read about people losing their money in cyber hacks and banks and the Government not helping them in any way thus the mistrust. As far as e-wallets go most of them are operated by non banks and people feel that they may run away with their money.

People are not per say against demonetisation they are happy that the Government has woken up to the corruption in the

country and somebody has the guts to tackle it, but the problem is about non availability of cash in smaller denominations in the economy. The economy was not readied fully for being cash less society. People who operate on small margins and scales are hit the most.

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