

## Demonetization Impact on Small Scale Businesses in Mumbai City: A Study

<sup>1</sup>Mohammed Sadiq Hasan

<sup>2</sup>Mohammad Khalil Ahmad

<sup>3</sup>Anjum Ara Ahmad

<sup>1</sup>Assistant Professor, Accountancy, Thakur College, Kandivali

<sup>2</sup>Principal, Kalsekar College of Commerce and Management, Nallasopara

<sup>3</sup>Principal I/C, Rizvi College of Arts, Science & Commerce, Bandra Mumbai

E mail: sadiqhasan2204@gmail.com khalila8@gmail.com anjumahmed8@gmail.com

### Abstract

*This research is based on the demonetization impact on small scale industries. A descriptive study was done by conducting several responses of 20 respondents within the area of Mumbai city. Demonetization has gravely impacted on small scale industries. The legal meaning of demonetization is stoppage of particular currency within the framework of the country. A sudden decision was taken by our former prime minister for demonetization of Rs500 and Rs. 1000 to be stopped as legal tenders. This gave the huge impact in small scale industries in Mumbai city. As a result, there was a sudden shortage at banks and other financial institutions in Mumbai city. Due to its sudden change there was a rise in impact on consumers, there was shortage in cash transactions and also most of the small scale industries were impacted with huge losses in Mumbai city. This gravely impacted various small industries which resulted some of businesses to close down. On the other note it was a greater move by our government for future benefit on Indian economy and also it has definitely influence many shopkeepers, consumers for using plastic money in the long run and for future benefit. This resulted greater impact in the economy. This paper also shows how much problems has been faced by shopkeepers, how their business gets affected.*

**Keywords:** Demonetization, legal tenders, gravely impact, plastic money, economic system

### Introduction

Demonetization means a currency change in a particular economy to implement cashless system in India, it allows to curb terrorism and pay taxes for unaccounted pile of cash. This drastic step has hugely gave an impact in our economy for the betterment of future. Demonetization has greatly helped in sudden change in buying patterns of the consumers. The currency was first demonetized in 1946

then second time it was demonetized in 1978 and third time it was demonetized in 2016 by our former Modi government. As per the survey done by RBI it is said that at least 99% of notes came back in the banking system which helped the Modi government to decentralize all black money in the market and to inject new implemented currency of Rs. 2000 and Rs500 in the market. Most of the businesses placed there boards of requests of using their E-

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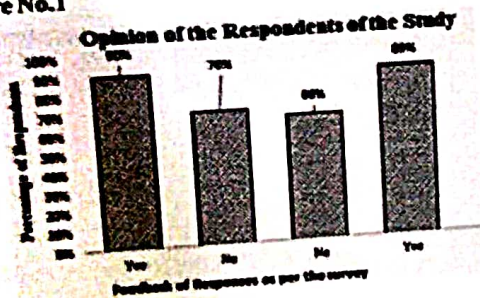


- effect of demonetization? H0
3. After the effect of demonetization did you face any issues on your businesses? H0
  4. Did you face any issue in financial transactions after demonetization in Mumbai City? H1

**Findings of the Study**

1. 90% of the respondents said **yes** that it has greatly impacted on small scale industries in Mumbai city and 10% said **no** that it has not impacted small scale businesses.
2. 70% of the respondents said they disagreed, as there were no positive effects of demonetization on their businesses, whereas 30% of the respondents strongly **agreed** with the positive effect of demonetization on their small business.
3. 66% of the respondents said **no** that they did not face any issues in their businesses, whereas 34% of the respondents said **yes** that they faced issues in their businesses.
4. 89% of the respondents said **yes** that they face issues in finance after implementation of demonetization, whereas 11% of the respondents said **no** that they did not face any issues in financial transactions after implementation of demonetization.

Figure No.1



**Testing of Hypothesis**

As per the T-test hypothesis, as P value is less than 0.05 ( $P < 0.05$ ) i.e., 0.04 hypothesis here is accepted i.e., as it shows that there is a crucial impact of demonetization on small scale industries in Mumbai city.

**Conclusion**

As per the result of hypothesis it shows that there is a crucial impact of demonetization in Mumbai city as far the research is concerned. Due to this impact many institution has faced financial problems after effect of demonetization this measures were duly taken in order to curb black money, corruption, and fake notes that has been circulating all over years as due to this decisions were made to demonetize legal tenders which led to smooth functioning of the economy. This gave a positive impact in our economy and also benefited to curb financial problems in the economy.

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**Principal**  
Shurparaka Educational & Medical Trust's  
M. B. Heria College of Arts &  
A. E. Kalsekar College of Commerce & Management  
Nallasopara (W), Tal. Vasai, Dist. Thane, 401 208.