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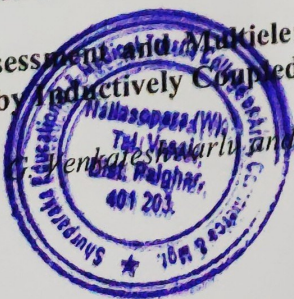
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A Study on Impact of Demonetization on Small Scale Industries V/S Small Businesses

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ABSTRACT

This paper aims to understand the impact of demonetization on the small scale industries/ businesses. A descriptive study was done by conducting a survey and collecting the responses from 20 respondents consisting of both male and female. Demonetization means removing or stopping the currency from the circulation with the legal framework of the country. On November 8, 2016, Honourable Prime Minister Narendra Modi in a surprise announcement said the existing higher denomination currency (Rs 500 and Rs 1000) would cease to be legal tenders. The decision to demonetize Rs 500 and Rs 1000 currency notes had a huge impact on the small industries / small businesses in Mumbai. No doubt that Demonetization is a great move for a better future on India and its economy. It definitely is influencing many shoppers to start using plastic money in the long term. The impact of Demonetization was also on consumers, facing sudden cash shortage, long queues accumulating in front of Banks and ATMs. This paper also shows how much problems has been faced by shopkeepers, how their business got effected.

Keywords: Demonetization, small industries, small businesses, plastic money, economic system

1. INTRODUCTION

The currency was demonetized first time in 1946 and second time in 1978. On November 2016, the currency is demonetized third time by the present Modi government. This is the big step taken by the government of India for the betterment of the economy and country. Demonetization is done when a country wants to change its currency so that, the country become cashless economy, curb terrorism, push people to pay taxes for the unaccounted pile of cash. The Reserve Bank of India on August 30, 2017 released its report on demonetization. In the report, it is said 99% of the banned notes came back into the banking system, which trashes all claims of Narendra Modi that the move will flush out the black money and counterfeit currency. To demonetize Rs 500 and Rs 1000 currency notes was the decision that had a huge impact on the small industries/small businesses in Mumbai. Most small business placed a notice at their entrances, declaring their compliance with the government's order and requesting customers to tender notes of Rs 100 denomination or use E-wallets, credit and debit cards for any purchase. This led to fall in sales. In the short to medium-term, large denomination purchases will likely be made via electronic purchases rather than through brick and mortar outlets due to this there were adverse affects in small businesses. Around 75% of purchases are not planned, so retailers view impulse buying as an important component of their business. Impulse buying behaviour is a sudden, compelling, hedonically complex buying behaviour in which the rapidity of an impulse decision process precludes thoughtful and deliberate consideration of alternative information and choices. Several researchers have reported that consumers do not view impulse purchasing as wrong; rather, consumers retrospectively convey a favourable evaluation of their behaviour. Other researchers have treated impulse buying as an individual difference variable with the expectation that it is likely to influence decision making across situations. Impulse buying behaviour is a reasonable unplanned behaviour when it is related to objective evaluation and emotional preferences in shopping. Impulse buying is a concept which has evolved from the simple definition of 'Unplanned buying' to more complex definitions. If each impulse buying is unplanned, each unplanned buying is not an impulse buying. Impulse buying is related to positive (hedonism, reward, etc.) and negative (bad mood, stress) emotions. Impulse buying is also linked to a deficit of self-control, and low self-esteem, can contradict long-term goals (e.g., saving money) and engender satisfaction, but also involves regrets or guilt.

The main focus of this paper is on small scale businessmen and how they have been affected because of this decision. Many reports stated that the small scale businessmen have immensely affected after demonetization because of the cash crunch and lack of infrastructure like digital payment system etc. Small traders in retail sector (grocery shops etc.), service sector (restaurants, nursing homes etc.), gems and jewellery, small traders in agricultural products, SMEs, small dealers, professionals like doctors, lawyers etc, have highly affected because of demonetization during last one year.

