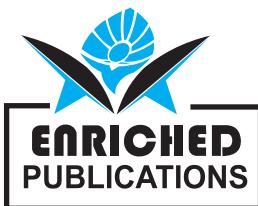


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Impact of Demonetization on General Public: An Empirical Study of People's Experiences During Demonetization Days

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Abstract

Demonetization has given a sudden shock to all the constituents of economy. People at once could not understand what to do. Indian economy has always been known as cash economy. People love to make cash transactions to save tax and also to make the exchange happen. A large section of the society who did not even hear about Paytm and other cashless transactions, was with no clue to run his/her business. This section included Thelawalas, daily wages labours/ factory labours, farmers, servants, drivers, dhabas being run on highways etc. Transactions take place when both the parties are connected to a common cashless platform, since there was a huge lack of money due to demonetization. However, one hand tech savvy people were with cashless platforms but non-technical and a particular segment of the society were not. Getting change of Rs. 2000 currency note was again a big problem. The present study is empirical in nature and it is qualitative as well as quantitative. 17 persons were interviewed to share their experiences during demonetization. The interviews were analyzed with the help of 'Diction' which is software that helps in qualitative data analysis and also to convert qualitative data into quantitative data. The data converted from qualitative to quantitative was further analyzed through SPSS with the help of t-test and cluster analysis. The results were mixed. Some of the respondents faced a lot of problems due to demonetizations, the others managed somehow with the help people around them and rests managed purely through the cashless platforms.

Introduction

It wasn't just a customary announcement by the Prime Minister onth November, 2017, like extending festival wishes to the people of his country. It was a shock for the country of more than 1 billion of population and world's one of the largest cash driven economy. People directly linked terrorism, counterfeit currency, black money, corruption and so on. However, the very next day problems started. There were a large number of vendors of household items, who were not ready to respond without cash. Paytm and cashless banking were something beyond their imaginations. There were long queues in front of banks and bank ATMs. Marriages were on peak and lots of unorganized vendors were not ready to accept payment in cash. Finally, the lots of deals were cancelled, lot of business was lost by people, Sales of a large variety of items drastically went down, and money (small currency like Rs. 100 currency note) got its real respect.

There were lot of mechanisms applied by people. A large number of factory owners gave advanced salary to their labours. It was also noticed that rich people hired persons to get their old currency exchanged. But there were two prominent problems for people 1) buying daily needs and household items 2) paying off for the marriage expenses. Table 1.1 shows the problems faced by people during early days of demonetization and their expectation from demonetization for the betterment of the country.

Table 1.1 Problems and Solutions during Early Demonetization Days

SL. No.	Problems During demonetization	SL. No.	Solutions or Alternative arrangements
1	Unavailability of small currency/cash for buying the basic household items.	1	Paytm, which emerged as the most important vehicle and made the transactions happen
2	Problem Paying off to a wide variety of vendors in marriages	2	Struggling class – drivers, maids etc. who got the currency exchanged for their employers
3	Non-availability of cashless systems at all places	3	Help from neighbors, friends and vendors in form of borrowing money and taking goods on credit.
4	Problem in travelling	4	Using cheques to make payments and making use of apps and other methods of online payments set up by government.
5	Huge lines in front of bank branches and ATMs	5	Use of coupons in form of money by local vendors in villages and rural areas
6	Problem of 'change' of Rs. 2000 currency note	6	Use of plastic money – debit and credit cards

Despite of a large number of problems, people appreciated demonetization with the hope that it would reduce corruption, black money and also terrorism funding etc. Expectation from demonetization for the betterment of the country have been listed under table 1.2

Table 1.2 Expectations of General Public from Demonetization

Expectations from Demonetization	
1	Decrease in corruption
2	Curbing black money and making black money to come in the main stream economy.
3	Destroying the counterfeit currency
4	Reduction in terrorism
5	Reduction in Naxalites' problems
6	Increase in Liquidity in banks
7	Downfall in the real estate prices
8	Decreased housing loan and other loan rates

Literature Review

Numerous qualitative and quantitative studies have been carried out on impact of demonetization. However, most of the studies discussed about the short-term impact of demonetization on general public. It has been deliberated that impact of demonetization of may be discussed as short term impacts and long term impacts on general public and economy; like downfall of GDP would be a short term impact along with the low rate of inflation, however, formal banking in long term will be boosted. Similarly, demonetization has affected the small scale business much as compared to the mid-sized and large sized business .

As an impact of demonetization there happened a boost in the cashless system. General public also feel connected with the cashless patterns of Indian banks which was already in place but used less by people. The author also argued that cashless transactions are safer than the cash transactions. During the period of demonetization, there happened a sudden rise in the cashless transactions through e-wallets, UPI, plastic money, Aadhar Card based transactions and Online banking . discussed the impact of demonetization on various sectors. In the context of general impacts of demonetization the authors highlighted the impacts such as

problem of short-term liquidity in the market, downfall in the real estate, absorption of purchasing power of general public on the negative side. However, there were positive impacts also at the same time such as increase in bank's liquidity, lower costs of funds for corporate etc.

The process of making digital payments in India is not easy, and is time consuming. Making digital payments is costlier either for the merchant or the customer, or both. Digital payments can lead to major security risks. It requires many pre- requites such as technological literacy, sound telecommunication networks, efforts by banks and government/ government agencies etc . A quick impact of demonetization on general public was the lack of adequate cash, the demonetization-driven cash crunch rendered Indian economy paralyzed for short duration as the informal sector which comprises of 40 percent share in GDP became unviable. Many people do not have bank accounts in India, where they were paid in cash and were facing severe problem. Hours of working was being wasted in standing in queues for exchange. For physically frail and senior citizens, it was grave problem to obtain new notes. Number of deaths occurred for want of medicines as the doctors refuted to take old currency notes. Change for 2000 note for small transactions was another big problem for the common people .

Few of the most popular and prominent impacts of demonetization were – downfall in the prices of consumer goods, total consumer demand, real estate and effect on prices etc. However, it was expected that in spite of the initial hiccups and disruptions in the system, eventually this change will be well assimilated and will prove positive for the economy in the long run .

Demonetization controlled the demand pull inflation, idle assets were converted into financial assets, boosted savings and reduced the interest rates. There was also a boost in the tax collection, reduction in the corruption and finally, reduction in the overall demand . A concerted effort to make individuals aware of the advantages of cashless payments is the starting point. The positive relationship between regular inflows into accounts and cashless payments is strong. However, given that less than 10% of the labor force is in the organized sector, few will have a steady flow into their accounts .

Objectives and Methodology

1. To analyze the experiences of general public during demonetization
2. To classify the people's segments on various aspects highlighted by them in their experiences and compare the segments.

The present study is descriptive in nature which uses qualitative data collected through personal interview in the form of narrations from the general public. The sample size in qualitative research is best determined by the time allotted, resources available, and study objectives (Patton, 1990). However, Creswell (1998) recommends five to 25 and Morse (1994) suggests at least six. Considering this the sample size of the current study was collected determined as 17 respondents. The data was collected in the forms of narrations of around 50-70 words each.

Qualitative sample size may best be determined by. The qualitative data collected through questionnaire was converted in quantitative data for applying quantitative techniques namely cluster analysis and t-test. The data analysis has been done on two different levels:

- a) Analysis of qualitative data
- b) Analysis of classified segments on the basis of quantitative data.

Data Analysis and Interpretation

1. Qualitative analysis:

Thematic Analysis:

The data collected from 17 respondents were qualitatively analyzed and following four themes were developed from the narratives.

a) Cash / Liquidity Problem: Cash/ Liquidity problem was highly prominent during demonetization. This may be seen with the help of the following extracts from the narratives:

“The first few days experiences included worries about the availability of cash and also the ability to successfully dispose of the not so useful cash which now remained in the pocket...”

“The first few days we were literally counting coins at our house...”

“One of the problems was that ATMs were not having cash and were closed for most

of the time..."

"I was tensed and I went to ATM to remove money and I landed up in having old notes..."

The problem of cash and liquidity was due to the lack of small currency notes at with people when the announcement was done of discontinuation of Rs. 500 and Rs. 1000 currency notes. Further, due to the long queues in front of ATMs and disbursement of old currency notes from ATMs made it more severe.

b) Moving towards Less Cash / Cashless

During demonetization, in a very short span of time, people started moving towards cashless ways of transactions. People taught each other about the cashless methods and also started paying through Paytm, Debit and Credit Cards and also Cheques. It has been evident from some of the excerpts from narratives:

"...thinking that paytm is already in use so it should not be a problem for me to have a plate of pani puri..."

"....so I decided to enable them with usage of paytm, phone pay, ola, uber etc."

"I have a habit of using all cashless methods including paytm debit cards, net banking etc... spent around 50000 without any difficulty by different means of cash less methods. I issued cheques..."

"But, it is good to go cashless with the new apps like paytm, mobikwik, plastic money and internet banking..."

"...manage with maximum digital transactions and less cash transactions."

"Though I was using my debit card already for payments, but PayTm was new to me. Inspite of this shift towards more online payments..."

c) Enhanced Social Connectivity – Getting help and Helping others:

During early days of demonetization, it was also found that people started helping others in one or the other way. Some thought of teaching other the new technology and cashless methods of transactions the others helped people with currency notes of small domination. Some excerpts below presents the relevant evidences:

"I was worried about my two elder brothers in mid 70sThey were not using any

technology living alone independently. So I decided to enable them with usage of paytm, phone pay, ola, uber etc."

"Some of our family friends came to our rescue who had some contacts in the bank. So they could help us borrow some 50000 rupees."

"It started with getting help from people in form of 100 rupee notes and further helping the other people whoever in need including peons and other fourth class employees.... my maid got exchanged the old currency twice for me..."

"....just went to bank once and got money immediately. This helped me to help my maid and other related staff."

"....he trained me to use electronic ways to go cashless and to avoid any kind of inconveniences"

d) Change in transaction/spending Behaviour: This is the last but one of the most important theme. There was a change in the behavior of people. However some may consider it as a temporary change but no one can deny that there was a change in the transactions and spending behavior of people. Here are some excerpts from the narratives which made it evident:

"In this process I curtailed my discretionary expenses..."

"I issued cheques to all 11 pandits who I invited to pooja who accepted happily"

"After hearing the news about this big change, the first reaction was obvious that is to check the cash we have with us..."

"But, it is good to go cashless with the new apps like paytm, mobikwik, plastic money and internet banking."

"I had to plan my expenses and manage with maximum digital transactions and less cash transactions."

"I had got accustomed to a new lifestyle, and the much touted digitization had forced it's way into my spending habits."

2. Converting Qualitative data into Quantitative Data:

The data was analyzed through qualitative data analysis software diction and the following results of 17 narratives were obtained. *Interpretation of the Master*

variables has been explained in annexure – 1

Table 1.3 Scores of Five Master Variables

Respondents	Activity	Optimism	Certainty	Realism	Commonalities
Normal Range Low	46.74	46.37	46.9	46.1	46.86
Normal Range High	55.48	52.25	51.96	52.62	52.28
Respondent 1	51.32	44.34*	39.02*	48.83	51.03
Respondent 2	45.48*	42.05*	37.24*	53.5**	51.17
Respondent 3	48.64	44.76*	32.79*	47.42	46.37*
Respondent 4	46.59*	44.21*	42.35*	48.51	50.99
Respondent 5	48.66	57.36**	45.09*	57.44	50.95
Respondent 6	48.41	49.72	39.24*	42.33*	50.95
Respondent 7	48.72	49.24	48.26	48.59	50.69
Respondent 8	52.9	48.23	47.81	49.4	42.04*
Respondent 9	33.78*	53.96**	39.3*	46.47	51.49
Respondent 10	51.71	48.85	42.88*	49.9	49.03
Respondent 11	44.86*	51.64	38.75*	49.59	52.00
Respondent 12	49.36	49.45	41.65*	45.69*	48.07
Respondent 13	41.85*	53.32**	37.62*	48.19	43.16*
Respondent 14	48.29	47.24	43.18*	52.6	50.24
Respondent 15	51.85	50.71	42.42*	49.29	50.03
Respondent 16	49.65	39.82*	38.07*	42.91*	50.64
Respondent 17	44.31*	50.67	33.99*	49.65	48.22

**Below the lower range of score*

*** Above the normal range*

Table 1.3 shows the values of five master variables related to the narratives taken from 17 respondents. The master variables are – Activity, Optimism, Certainty, Realism, Commonalities. Activity is a measure of “movement, change, [and] the implementation of ideas and the avoidance of inertia. Optimism is a measure of “language endorsing some person, group, concept or event or highlighting their positive entailments. Certainty is a measure of language “indicating resoluteness, inflexibility, and completeness and a tendency to speak ex cathedra”. Realism, a measure of language “describing tangible, immediate, recognizable matters that affect people's everyday lives”; and Commonality is a measure of language

“highlighting the agreed-upon values of a group and rejecting idiosyncratic modes of engagement.

It has been found from the table that a large number of respondents have a low certainty score. This shows more flexibility, less completeness and fewer tendencies to speak ex cathedra. Few of the low scores have also been observed in context of Optimism, Activity, Realism and Commonalities. The data of table 1.3 was further analyzed with the help of SPSS applying cluster analysis and t-test.

Table 1.4 Clusters

Initial Cluster Centers		
	Cluster	
	1	2
Activity	49.65	48.66
Optimism	39.82	57.36
Certainty	38.07	45.09
Realism	42.91	57.44
Commonality	50.64	50.95
Final Cluster Centers		
	Cluster	
	1	2
Activity	47.77	47.20
Optimism	45.08	51.00
Certainty	37.53	42.70
Realism	47.59	49.72
Commonality	49.91	48.77

Table 1.4 shows the initial cluster centers and final clusters centers after iterations regarding Activity, Optimism, Certainty, Realism and Commonality. These cluster centers are used to compare the proximity and distance of respondents.

Table 1.5 No. of Respondents in Each Cluster

Number of Cases in each Cluster		
Cluster	1	7.000
2		10.000
Valid		17.000
Missing		.000

The respondents were divided into two clusters by k-means cluster. First contains 7 Respondents and 2nd Contains 10 respondents. The cluster membership along with the master variables' scores is given in table 1.6:

Table 1.6 Cluster Membership with Scores of Five Master Variables

Respondents	Activity	Optimism	Certainty	Realism	Commonalities	Cluster Membership
Normal Range Low	46.74	46.37	46.9	46.1	46.86	
Normal Range High	55.48	52.25	51.96	52.62	52.28	
Respondent 1	51.32	44.34*	39.02*	48.83	51.03	1
Respondent 2	45.48*	42.05*	37.24*	53.5**	51.17	1
Respondent 3	48.64	44.76*	32.79*	47.42	46.37*	1
Respondent 4	46.59*	44.21*	42.35*	48.51	50.99	1
Respondent 5	48.66	57.36**	45.09*	57.44	50.95	2
Respondent 6	48.41	49.72	39.24*	42.33*	50.95	1
Respondent 7	48.72	49.24	48.26	48.59	50.69	2
Respondent 8	52.9	48.23	47.81	49.4	42.04*	2
Respondent 9	33.78*	53.96**	39.3*	46.47	51.49	2
Respondent 10	51.71	48.85	42.88*	49.9	49.03	2
Respondent 11	44.86*	51.64	38.75*	49.59	52.00	2
Respondent 12	49.36	49.45	41.65*	45.69*	48.07	2
Respondent 13	41.85*	53.32**	37.62*	48.19	43.16*	2
Respondent 14	48.29	47.24	43.18*	52.6	50.24	2
Respondent 15	51.85	50.71	42.42*	49.29	50.03	2
Respondent 16	49.65	39.82*	38.07*	42.91*	50.64	1
Respondent 17	44.31*	50.67	33.99*	49.65	48.22	1

It is evident from the table 1.6 that two clusters come out to be significantly different more on the Optimism criteria. However, it was interesting to know that which of the master variables have contributed in making in dividing the 17 variables into clusters, independent sample t-test was applied. The clustering shown above was again connected to the narratives and it was found that most of the respondents who were in cluster 2 did not face much of problem with demonetization and also shown high optimism than respondents of cluster 1.

Table 1.7 Independent Sample t-test

	t	d.f.	Sig. (2 tailed)
Activity	.281	12.943	.783
Optimism	-3.343	11.078	.006
Certainty	-3.077	13.892	.008
Realism	-1.175	11.616	.264
Commonality	.876	14.347	.395

Table 1.7 shows the results of independent sample two test based on the samples (groups divided by cluster analysis). The results show that the difference between two groups is significant for only two master variables namely Optimism (significance value .006, which is below the critical value of p viz. .05) and Certainty (Significance value is .008). The mean difference for other three master variables is not significant between the two groups.

Findings and Conclusion

The present study is qualitative as well quantitative in nature which explores a variety of facts during early demonetization days in India. The study uses narratives of general public and it was evident from the narratives that people face liquidity problem and big currency denomination problem in the early days due to Rs. 2000 currency note. Secondly, people used all possible methods of cashless transactions along with the popular methods they were earlier using to make and accept payments. Thirdly, people helped each other with small currency notes and by teaching others the cashless transaction methods and lastly, there was a change in behavior of spending and methods of transactions. People curtailed their expenses and saved 'cash' for urgent daily needs.

The second phase of study divides general people into two clusters / segments / groups. These two groups are though same in most of the aspects but differ in optimism and certainty score. The mean score of group 2 is significantly higher than the mean score of group 2 in case of Optimism (Mean score of group 2 = 51.00 and group 1 = 45.08) as well as Certainty (Mean score of group 2 = 40.57 and Mean Score of group 1 = 37.52).

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Effect of Demonetization on GDP

Sachin

Research Scholar

Abstract

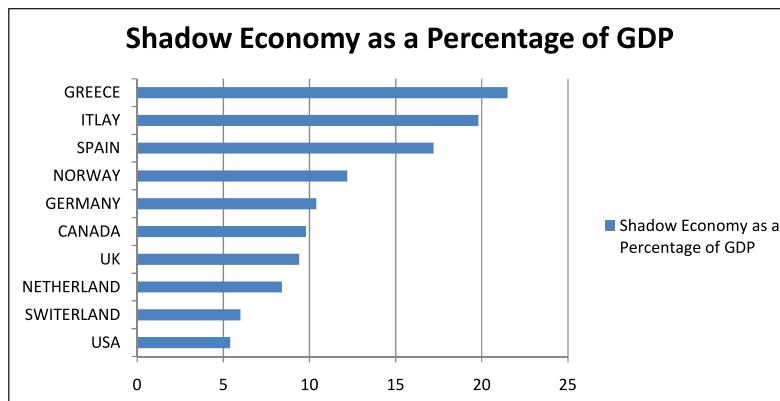
Demonetization is the act of stripping a currency unit of its status as legal tender. On 8th November 2016, Indian Prime Minister Mr. Narendra Modi announced that Indian government has decided to demonetize the Rs 500 and Rs 1000 notes from its currency system effective immediately. These currencies accounted 86% of country's total circulating cash in the market that was approximate 14,00,000crores. The decision of demonetization was taken to combat fake currency (counterfeiting), inflation, terrorism and corruption. This was not the first instance when Indian government took the decision of demonetization, before this Indian government had already demonetized two times in 1946 and 1978. In fiscal year 2016-2017, RBI fixed the growth rate of Indian economy at 7.6%. After three months of demonetization, RBI trimmed the GDP growth rate for the current fiscal year sharply to 7.1% from earlier targeted rate. Many others like IMF also trimmed India's growth forecast to 6.6 on note ban woes against its earlier estimate of 7.6%. But in the month of November, data of IIP of Indian economy shows a positive growth rate at 5.6% and -0.2% in the month of December 2016 on month basis. This paper aims at measuring the impact of demonetization on Indian GDP in short run and long run.

Keywords: Demonetization, IIP, GDP and Indian Government.

Introduction

Demonetization is the act of stripping a currency unit of its status as legal tender. The decision of demonetization was taken to combat fake currency, to combat inflation, to combat corruption and black money. The problem of black money is not limited to developing countries only like Asian countries but many industrialised countries also have fairly large shadow economies. Greece's shadow economy is

more than 20 percent of their total GDP. A new study published by I.A.E.R. (Institute for Applied Economic Research) of Germany at University of Tübingen shows that Italy and Spain both of which have been through financial turmoil also have large shadow economies. But the surprise is that more upright economies like Norway and Germany are not immune to this malaise. **A Shadow economy is that where goods and services are sold for cash and not declared for taxation**



Source: Forbes

On 8th November 2016, Indian Prime Minister Mr. Narendra Modi announced that Indian Government has decided to demonetize the 500 and 1000 rupee notes from its currency circulation system to combat fake currency and black money effectively immediately. This was a very big challenge for the government because this currency accounted 86% of country's total circulating cash (1400000 crore).

Replacing such a big currency notes was praised and criticised by rating agencies, World Bank, IMF and others. This was the third time when Indian Government took demonetization decision, before this, Government had already taken the decision of demonetization in the year 1946 and 1978. In 1978 the largest Indian rupee note of rupee 10000 was demonetized.

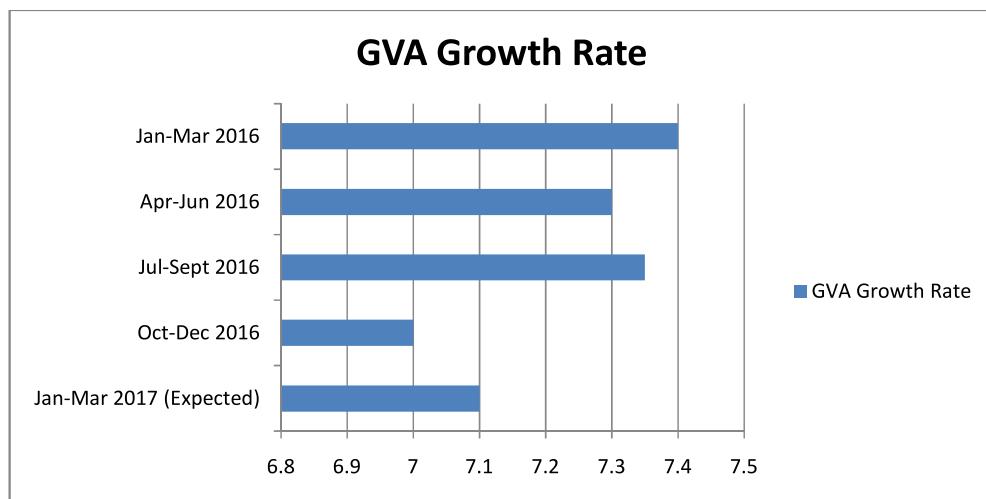
Research Methodology

This is a descriptive paper which is based on secondary data. This paper aims at measuring the impact of demonetization on Indian GDP in short run as well as in long run.

a descriptive paper which is based on secondary data. This paper aims at measuring the impact of demonetization on Indian GDP in short run as well as in long run.

Indian GDP and Demonetization

As we know that India is the world's third largest economy on the basis of Purchasing Power Parity and seventh largest economy in the world on the basis of Normal GDP. India is one of the fastest world growing economy which was estimated to grow at 7.6% by Indian Government in the fiscal year 2016-17. But after demonetization RBI also trimmed the GDP growth rate forecast for the current fiscal to 6.8% from a previous forecast of 7.4%. IMF cuts India's GDP growth forecast to 6.6 on note ban woes against its earlier estimate of 7.6%. The effect of demonetization will vary in short run and in long run. There is no doubt that in short run the effect of demonetization will be somehow negative. The demonetization of the 500 rupee note and the 1000 rupee note, the two highest currency denomination will hit the economy hard in short run but will be fruitfull in long run. The surprise move is expected to grind the consumption activity in the economy to a virtual halt. The service sector which dominates economic activity and involves a sizable chunk of cash transactions will likely be hit the hardest. Economists are expecting the growth rate for the fiscal year slashed by 0.5 percent from 7.6 percent to 7%.



Sources: Central Statistics Office

The base year for calculating the GVA is 2011-12.

GVA= GDP-Taxes on products + Subsidies on Products

Growth of Indian economy remained solid in the first two quarters from April to June 2016 and July to September 2016. The fall in economy growth rate due to demonetization can be seen in the second and third quarter. As a result GDP and GVA growth in the quarters from September can be seen significantly lower than previous year 2015-16. Some bounce back might be seen in the first quarter of the fiscal year 2017-18. In the medium term, the economy can grow considerably after curbing the debilitation caused by counterfeit money and an increase in economic activities.

Small Medium Enterprises and Demonetization

In India small sector contributes 8% of total GDP where 80 million people are employed. The negative impact of demonetization has been on Small Medium Enterprises. This sector is based and survived on cash transactions but after demonetization this sector faced liquidity crunch and many small units closed down due to cash problem. Many economists believe that in the next fiscal year also, there will be a problem for small sector.

Outlook of world agencies on Demonetization

RBI and other agencies trimmed the Indian GDP on note ban woes. Asian Development Bank said in a report that India's surprise demonetization of large bank notes will likely dampen/ trim growth this year to 6.8 from a previous forecast of 7.4%. A World Bank report (Global Economic Prospects) released that India's GDP growth will scale back from 7.6% to 7% in 2017 as a direct result of the demonetization. The world's largest rating agency Moody also trimmed Indian growth rate from 7.6% to 6.8%. Indian rating agency ICRA also cut down the growth rate. Fitch Ratings lowered India's GDP growth forecast for the fiscal to 6.9% from 7.4% saying there will be temporary disruptions to economic activities post demonetization.

Index of Industrial Production and Demonetization

IIP is an index for India which details out the growth of various sectors such as mining, electricity and manufacturing. The all India IIP is a composite indicator that measures the short term changes in the volume of production of a basket of industrial products during a given period. It is measured month on month basis and which is compiled and published by Central Statistical Organisation. India's IIP grew at 5.7% in November despite note ban, it was feared that cash crunch will hit all sectors. In actual the impact of demonetization could be seen starting from November because demonetization had no effect on IIP in the month of October 2016. As per the data, IIP growth during April-November period this fiscal remained almost flat at 0.4% compared to 3.8% a year ago. In the month of December 2016, IIP contracted by 0.4% on the back of demonetization of high value currencies. The 76th round of the RBI industrial outlook survey suggested that financing conditions facing the manufacturing sector have worsened in Q3 of 2016-17 and is expected to remain tight in Q4 also. In the month of January 2017, IIP shrank by 0.5% on the back of demonetization.

Consumer Confidence Survey and Demonetization

The Consumer Confidence Survey conducted by the RBI also shows decline in Current Situation Index sharply to 102 in December 2016 from 108.7 in November 2016. The survey captured respondents' perception on the current situation as compared with the position a year ago on a three point scale- improved, remained the same and worsened. The survey was conducted in six metropolitan cities- Bengaluru, Hyderabad, Kolkata, Chennai, Mumbai and New Delhi. However the Future Expectation Index (FEI) reached an all time high in the history of survey. It reached to 129.7 in the month of December 2016, it means that demonetization has negative impact only in short run.

Demonetization effect on Tax collection

The impact of demonetization was clearly visible and seen with tax collection figures in double digits. There was a 22.6% increase in central indirect tax collection;

excise duty is up by 43.5%, service tax by 27.5% and custom duty by 5.6% till the end of 30th November 2016 and 14.2% increase in central indirect tax collection in December 2016 compared to December 2015. But all the taxes and duties were paid in old currencies. The net Direct Tax collections up to January 2017 are at 5.82 lakh crore which is 10.79% more than the net collection for the corresponding period last year.

Conclusion

In shortrun demonetization will have negative impact on small traders, SME's, agriculture sector and others in the last two quarters of 2016-17 and first two quarters of 2017-18. But in long run Government's revenue will boost up as more earnings will be declared. It will lead to better business environment, less corruption and more transparency. NITI Aayog Vice Chairman Arvind Panagariya said the government's demonetization drive will leave a very positive impact on the economy in the long run as more people will move digital transactions.

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Impact of Demonetization on Indian Economy

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Abstract

Demonetization is the act of stripping a currency unit of its status as legal tender. The old unit of currency is removed and replaced by the new currency unit. The currency was demonetized for the first time in 1946, for the second time in 1978 and for the third time in 2016. On Nov. 2016, Modi government announced to demonetize the 500- and 1000- rupee notes, the two biggest denominations in its currency system for the betterment of the country. The immediate after effect of demonetization was a cash crunch like never before. The research was done to analyse the effect of Demonetization in India.

Keywords: Demonetization, Black Money, Underground economy, Digitization

Introduction

Demonetization of currency means discontinuity of the particular currency from circulation and replacing it with a new currency. In the current context it is the banning of the 500 and 1000 denomination currency notes. When PM Modi announced that Rs with the denomination of 500/- and 1000/- would cease to be the legal tender from 9th of Nov, the whole country was stunned. This decision caused sensation in the whole country. Social Media was flooded with messages and information.

The government's stated objective behind the demonetization policy are as follows:

- 1) It is an attempt to make India corruption free.

- 2) It is done to curb black money.
- 3) To control escalating price rise.
- 4) To stop funds flow to illegal activity.
- 5) To make people accountable for every rupee they possess and pay income tax return.
- 6) It is an attempt to make a cashless society and create a Digital India.

The Reserve Bank of India has issued a series of notifications on rules and regulations to implement the Narendra Modi government's decision to demonetize old Rs500, Rs1,000 notes on 8 November. The RBI has periodically changed the rules on cash withdrawal and deposits at banks through the notifications.

Demonitisation is a very good tool to arrest black money. It was implemented with a very good intention to make India free of parallel black economy and black money. But the actual problem was in implementation. A lot of homework was needed for taking into account few critical issues of common people like critical illness, small business, old age people's concern , farmer's issues, inefficiency of rural banks etc. It is because demonetisation brought a phobia of non-eligibility of old currencies in hospital and other vital shops even after permission of the government for critical issues of common people. It is because government cannot manage each and every person. It has been noticed that many institutions and medical shops have denied to accept old currency. It is also because these person or institution might had black money and were unable to accept more old currencies. These are the hidden issues that must be thought before theoretical homework. A macro and micro assessment were needed for ground level problems.

Demonetization was a major move in keeping with the Government's promise to tax all undeclared assets in the nation. Over the course of the years the government had asked citizens to declare their undeclared assets with increasing fines the later they declared it. The fines levied increased rapidly during the course of the last two years with 10% tax being levied at the start of the tenure now increasing to 45% tax for those who declare undeclared assets by September 2017. The prime minister in

his speech announcing demonetization said that 1.25 lakh crore rupees of black money had been already retrieved.

The main objective of this move was to curb the black money, corruption and fake money menace. The move was targeted towards tackling black money, corruption and terrorism. The immediate after effect of demonetization was a cash crunch like never before.

Objective

- To study the concept and meaning of demonetization
- To analyse the impact of Demonetization in India
- To study the concept of Digitization of Indian Economy

Impact of Demonetization in India

1) Black Money

Black money stored in the form of Rs 500 and Rs 1000 notes will be taken out of our system. As predicted by ICICI Securities Primary Dealership the government's plan to scrap ₹500 and ₹1,000 notes will uncover up to ₹4.6 lakh crore in black money.

2) Terror funding

Fake Indian Currency Notes (FICN) network will be dismantled by the demonetisation measures. Taking out 500 and 1000 rupee notes out of circulation will have a lasting impact on the syndicates producing FICN's, thus affecting the funding of terror networks in Jammu and Kashmir, North-eastern states and Naxalite hit states.

3) Real estate may see significant course correction

The demonetization decision is expected to have far reaching effects on real estate. Resale transactions in the real estate sector often have a significant cash component as it reduces incidence of capital gains tax. Black money was responsible for sharp appreciation of properties in metros; real estate prices may now see a sharp drop.

4) Political parties in crisis ahead of polls

With nearly five state elections in 2017, demonetization has stunned political parties. Especially, in large states like Punjab and Uttar Pradesh, cash donations are a huge part of "election management". In one stroke, big parties will find themselves hamstrung as cash hoards are often undeclared money. Parties will have to completely rejig campaign strategies in light of expected cash crunch.

5) Moving towards digital payments

Demonetization will likely result in people adopting virtual wallets such as Paytm, Ola Money etc.: This behavioural change could be a game changer for India.

6) Temporary chaos and confusion

Public will face minor problem for a few days owing to the scarcity of lower denomination notes in the system.

Digitization of the Indian Economy

It will achieve its initial objectives of the demonetization exercise, as the program progresses it has become increasingly clear that the entire exercise has clearly fast forwarded the program of "digitization of the Indian economy".

We can see all around us, hitherto small traders and businesses which were primarily operating in cash, opening bank accounts and now have started operating with POS machines acquired in a hurry as well as e-wallet payments. The labor force working in the informal sector has also realized that the way forward is to open bank accounts and carry on with their lives.

Digitization Post Demonetization

The banks have also started steps for rapid digitization by adopting villages as well as using the payment infrastructure provided by the NPCI (National Payments Corporation of India) for including using the infrastructure for USSD technology including micro ATMs for payments to be made using an ordinary non-featured phone apart from smart phones.

The internet/broadband issues are now additionally being addressed by the 4G revolution in the country. Some experts are of the view that India will upgrade to 5G rapidly. This revolution has not only expanded reach to Tier II and Tier III towns but also to rural and semi-urban places.

It is becoming very clear that mobile phones of all types will be the centre piece for ushering in this digital revolution across the country.

Aadhaar Card In Demonetized India

The Aadhaar card program is also expanding rapidly to cover all the citizens of India. This card will also be the central one point unique identity as we go into the future for various purposes including all financial transactions in the country.

The Government through its portal has also laid down plans for various purchases of services as well as products from various vendors at the state, centre, PSUs etc to be done through the online portal. This market place can then, in terms of size rival the Alibabas, Amazons and the Flipkart etc of the world. Coupled with this the introduction of Rupay credit/debit cards and wallets etc would make the GOI a major player in the future digital economy.

Conclusion

The government is taking all the necessary steps and actions to meet the currency demand and soon the trial and tribulations of the people will be over with the smooth flow of the new currency.

There is no doubt that e-transaction will strengthen the people of India. It will bring transparency in the economy. We can hope for a good future with this decision. The black money must be arrested at any cost. We should learn quickly the e-transaction process to make a paperless economy.

Suggestions

- Proper training programs should be made for training people for using debit card/credit card, internet banking/Mobile banking.

- Zero balance bank accounts should be encouraged.
- No transaction fees should be charged for doing online payment.
- Seminars should be conducted to make people more aware about digitalization.
- Different authorities should be set for checking the frauds or misuse of net banking or online payments.

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A Conceptual Study on After Effects of Demonetisation and Problems of Using E-wallets by the People in Urban and Rural India

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Abstract

Several financial technology companies and payment banks have hailed the Demonetisation as master stroke to establish a cashless economy from 9 Nov 2016 when it was declared that the union government to demonetize 500 and 1000 rupee notes. Many journalists, economists and politicians have criticized this and it was reported that reduction in retail turnover Since, e- wallet firms reported an increase of deposits by 35 % to 50%, which shows that digitalization of currency and payment systems driven by wallets and cards which leads towards ensuring the transparency and way pavement for faster evolution of payment gateway (Fintech) companies which shall supplements cashless economy in our country. But still the penetration of e-wallets is still limited in India because of lack in infrastructural and digital banking service in our country. This paper aims to explore the using pattern of e wallet in urban and rural India in which we must have an detailed eye to develop it further more for creating a cashless environment which leads toward the elimination of corruption and black money.

Key Words: Demonetisation, Cash-less economy, E- Wallet, Banking Technology.

Introduction

India is slowly beginning to experiment with innovative policy measures. Demonetisation is one such measure which is considered to be a big political risk

that India has seen so far. Globally the central banks follow a practice in which older currency notes are recalled and new currency notes with enhanced security features are issued so as to overcome the menace of counterfeit currency. In India all the currencies issued by RBI can be used as a legal tender as the value they carry is promised by RBI and once the value has been demonetized or recalled or revoked, the currency note cannot be used. The Government of India has taken a bold step on November 8th 2016 to demonetise Rs 500 and Rs 1000 notes, similar to two such instances of demonetization during 1946 and 1978. The current demonetisation was implemented to tackle the menace of black money, reduce cash transactions and to prevent the cash being used for terrorist activities/terror funding. Can Government of India achieve these objectives? Indians today want to be taken into confidence on questions relating their future policies. It is time for the government to come out with concrete confidence building measures.

Objectives of the Study

The recent demonetisation of the high value currencies with objective to unearth the black money and to curb the corruption, counterfeit currency as well as terror financing is considered as biggest cleanliness drive in the history of Indian economy.

- o To analyse the customer's awareness regarding the various E-Wallets.
- o To study the e-wallet utilization pattern among the banking customer's in Urban and rural India
- o To suggest measures to improve the utilization of E-Wallet services more effectively.

Cashless Transaction

Cashless Transaction in India, an initiative, is a process of buying daily eatables from vendors in India, using a feature phone, without any internet connection as required in smart phone or mobile phone, instead of cash payment.

E Wallet - Defined

A digital wallet refers to an electronic device that allows an individual to make

electronic transactions. This can include purchasing items on-line with a computer or using a smartphone to purchase something at a store. An individual's bank account can also be linked to the digital wallet. They might also have their driver's license, health card, loyalty card(s) and other ID documents stored on the phone. The credentials can be passed to a merchant's terminal wirelessly via near field communication (NFC). Increasingly, digital wallets are being made not just for basic financial transactions but to also authenticate the holder's credentials

Reasons for Preferring Digital Wallets:

The following are the reasons for preferring and need to go as cashless economy

- o **Wallet Theft:** Some times if anybody lost their physical wallet means the situation would be a pathetic, but if the wallet is safeguarded with some password or OTP means, nobody can touch upon it. Since these e wallets are very safe for holding and transacting our financial transactions..
- o **Mobile Theft:** There are several digital wallets available today, which allow cashless transactions in places like movie theatres, ticket booking, utility bill payment etc. user can load money to these wallets digitally through your plastic money (debit cards and credit cards) or by internet banking. What if the mobile is stolen? In case the digital wallet didn't have money preloaded, the thief would have hard time using the digital wallet for purchasing anything because he needs to load the wallet with money from bank account. This will mean that the thief either needs to know user card's CVV number or the login credentials of internet banking.
- o **Reduced Cost of Printing Money:** If all transactions go cashless, the money spent on printing currency notes shall be reduced drastically. This means, crores of rupees will be saved and the government treasury will stay full. That money can be spent for a number of purposes like repaying foreign loan, spending for infrastructure development, spending for providing education facilities to children and hospital facilities in remote places of India.
- o **Reduced Logistics Cost:** Just printing money is not the end of the story. The money has to be sent to banks and ATMs. This requires heavy logistics. Once

transactions go cashless, those logistics costs will be reduced at maximum and this will lead to strong government treasury.

- o **Counterfeit Currency Can Be Controlled:** If cash is not used, the problem of counterfeit currency will come to an end. Counterfeiting is possible only if paper money is in circulation. If counterfeit currency is stopped, a number of good things will happen. The most important being brakes on terrorism and strong economy.
- o **End of Black Money and Corruption:** Once transactions go cashless, every single dime spent and earned will be tracked. This means, all money will be accounted for and government can track everyone's financial strength. The problem of black money will be ended immediately. People cannot accept bribes through digital transactions because those transactions will be immediately tracked.
- o **Instant Payment:** Using cashless options like payments through plastic money or mobile wallets or internet banking allows people to pay money or receive money almost instantly. There will be no waiting time.

Usage of Digital Transactions

- Purchase of groceries.
- Salon and parlor expenses.
- Payment to helpers like newspaper man, maids, milk man, laundryman and more.
- Petrol purchase in case of owned vehicles. Payment for tickets in case of public transport.
- Payment of utility bills, taxes, phone bills etc.
- Payment of fees for schools and colleges.
- Paying for investments like PPF, mutual funds etc.
- Shopping clothes and other stuff.

E-wallet Process

E-Wallets allows adding money using either cards which includes both Debit Card

and Credit Card or by using Net Banking. User can select the amount of money that they want in their wallet and follow the instruction to load money through savings bank account or through credit card. Once the money is added, user can now use it to pay for a number of things like mobile bills, mobile recharge, DTH services, electricity bill, flight or railway ticket booking, ordering food etc. The only condition is that the vendors that user needs to pay to have to accept the mode of payment. There are a number of such E-Wallets that have tied up with various vendors across India which are accepted by majority of the vendors. Interestingly, these E-Wallets have a number of promotional offers as well which can help the people to save a lot of money. These offers have a promo code that need to apply every time while user want to make a purchase or want to make a payment. The most popular of all are the cash back features which when used allow user to earn back some cash. The cash you earn back is credited directly to customer E-Wallet account. Many of these E-Wallets have even tied up with vendors who do not have online existence and people can purchase products through those vendors directly through these wallets.

Discussion :using Pattern of E Wallets

In this section the researcher intended to analyses the demographic profile of users of E- Wallets

Table 1: Frequency table of gender of respondents

	Frequency	Percentage
Male	113	63
Female	67	37
Total	180	100

Source: Primary Data

Table 2: Frequency table of E- Wallet experienced by respondents.

	Frequency	%
Less than 5 Months	126	70
More than 5 months	54	30
Total	180	100

Source: Primary Data

It is found that majority of the (63%) E – Wallets users are male and the remaining (37%) are only female. While considering their banking experience, it is quite surprising that aftermath of demonetisation the e wallet user's rate is increased from 30% to 70 % so drastically there is a increase of 40%.

Table :3- Frequency Table and ranking the purpose of using E-Wallets

Facilities	Frequency	Percentage	Rank
Recharges	124	69	3
Offline shopping	84	47	4
Deliveries	35	19	6
Taxies	74	41	5
E-Commerce	128	71	2
Ticket Booking	180	100	1

Source: Primary Data

Findings of the Study

- 100% of the respondents using the e wallets for ticket booking and other allied activities. Even though most of them are credit and debit card users, since they have some hesitations for using the cards.
- E-commerce in the 2nd rank since, many people using this e wallet that is digital money because of user friend features of e wallets for e commerce.
- 69% of the respondents are using this E-Wallet for recharging their mobiles; DTH cards etc, there are some exclusive e wallets are available for these types of recharges.
- Offline shopping and Taxi booking stood 4th and 5th places respectively as nearly 47% of respondents are using E wallets for offline shopping and for taxi booking by which they can enjoy some offers like cash back and discounts etc.
- Around 68% of the respondents are fully aware of using this e wallets for all the facilities discussed in table.
- People have a fear regarding the safety aspect, new concept of these e wallets.

- Guidelines and using methods of these wallets are varying from each other.
- The usage of this digital wallet which is also known as E-Wallets are purely depends on the education level of the people.
- Income and the amount transacted in these wallets are the factors which determine the facilities which they are using at minimum level.

Suggestions

- Measures to improve the utilization of E- Wallets effectively
- People still have problem on loading and depositing the amount in their digital wallets, so banks and e wallet companies can provide them clear instructions to be followed in this regard.
- The speed of internet and working speed of wallets should be increased at maximum level.
- Charges levied for using these e wallets shall be eliminated or reduced to minimum level, so that it can increase the amount of people using the same.
- Bankers and e wallet companies should also carry out some researches by which the convenience of using such facilities is assured to public.

Conclusion

It is generally perceived that demonetisation has brought down the life and made the life difficult. But there are plenty of options are open for the people, where they can simply take care of their day to day financial transactions expenses without the need for having a single penny in pocket. It is our country and we should be proud if black money and corruption can be eliminated. Today's pain will bring happiness tomorrow. So, work towards going cashless. Once you get the hang, you will find it easy, efficient and time saving. But the research reveals that the system is unnoticed and underutilized. So the RBI and its associated banks and E wallet companies should create awareness among the people especially in rural for the better utilization of this E- Wallet which is need of an hour.

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A Study on Impact of Demonetization On Small Venders in Delhi

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Abstract

Demonetization refers to withdrawal of a particular form of currency from circulation. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be removed and substituted with a new currency unit. The currency was demonetized first time in 1946 and second time in 1978. On Nov 2016 the currency was demonetized third time by the present Modi government. This is the bold step taken by the government for the betterment of the economy and country.

The Reserve Bank of India's (RBI) data suggests that the proportion of 500 and 1000 rupee notes were 86.4% of total value of notes in circulation on March 31, 2016, amounting to 14 trillion. Much of this money was also considered as the black money pumped into the economy to fund terrorist activities. At the stroke of midnight on 8th 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. Government's major step to introduce 2000 rupee note did not help much as the buyers were left with a bigger currency note that the retailers or the sellers were unable to exchange.

The study aims to understand the impacts of demonetization on the small and marginal traders and the change in their daily business and innovative ideas that they have undertaken to overcome this problem.

Introduction

India has demonetized its currency notes 3 times:

First on 12 Jan 1946 (Saturday),
Second on 16 Jan 1978 (Monday),
Third on 8th November 2016(Tuesday).

Firstly, the measure did not succeed, as by the end of 1947, out of a total issue of Rs. 143.97 crores of the high denomination notes, notes of the value of Rs 134.9 crores were exchanged.

Secondly, In January 1946, banknotes of 1000 and 10000 rupee were withdrawn and new notes of 1000, 5000 and 10000 rupee were introduced in 1954. The Janata Party coalition government had again demonetized banknotes of 1000, 5000 and 10000 rupee on 16 January 1978 as a means to curb counterfeit money and black money.

Thirdly i.e. recently, on 8 November 2016, Prime Minister of India Narendra Modi announced the demonetization in an unscheduled live televised address to the nation at 20:15 IST. In the announcement, Modi declared circulation of all ₹500 and ₹1,000 bank notes of the Mahatma Gandhi Series as invalid effective from the midnight of the same day, and announced the issuance of new ₹500 and ₹2,000 banknotes of the Mahatma Gandhi New Series in exchange for the old banknotes.. Notes of one hundred, fifty, twenty, ten, five, two and one rupee will remain legal tender and will remain unaffected by this decision.

With the older 500 and 1000 notes being scrapped, money supply was expected to reduce, until the new 500 and 2000 rupees notes get widely circulated in the market. In the short run, the cash transaction was reduced, until the new notes are spread widely into circulation, certain sections of the society faced short term disruptions in facilitation of their transactions. The overall demand was expected to be effected. The Price level on non MRP products, groceries, green groceries, fruit, snacks etc. was 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.

Literature Review

The currency impacted small businesses like roadside restaurants as banks struggled to dispense enough valid notes for the seventh day in a row amid long-winding queues.

The biggest problem, according to V K Agarwal, former president of Fisme, is that the fine distinction between unaccounted cash and black money is lost. "Money that is derived from illegal activity is harmful, but money circulated in small businesses only adds to economic activity," he says.

With 86% of the currency taken away with the withdrawal of old Rs 500 and 1000 notes, small businesses - from vegetable vendors to dhabas and small kirana stores - that use cash as mode of transaction were the worst hit.

Vegetable and fruit wholesale markets as well as food grain mandis in many parts also reported very low business due to shortage of cash.

Even big hotels and malls reported a drop in footfall as out-of-cash public decided to skip them." [Reference: Daily News & Analysis, Thu, 17 Nov 2016-08:33am , New Delhi , PTI]

NIPFP stated that," The short-term effect on the economy would depend on the speed with which and the extent to which the cash is replaced by the authorities. If the entire cash is replaced within a short duration of time, the effects beyond the very short term of 1-2 months might be little. But a few sectors are likely to be seriously affected. To give an example from two sectors which are supposed to have large employment effect on the economy, we can talk about agriculture, automobiles and construction. Also with demonetization, there would be a significant strengthening of the informal sector credit market in the rural economy. Further, if there are agents who do not get access to credit from the informal sector agents, their sowing activity and hence their incomes in the next season would be adversely affected. Thus, in spite of a good monsoon in large parts of the country, the farmer might not get the benefits."

International Journal of Informative & Futuristic Research (IJIFR) Volume - 4, Issue - 3, November 2016, stated that," Consumers are tightening their purses post

demonetization is not good news for FMCG and packaged food companies. While there has been a slowdown in sales mostly across kirana and mom-and-pop stores; analysts hint at the possibility of a hit in third quarter earnings. “There may be some short term pain, especially when Q2 of the fiscal saw good growth. Even Q3 results may take a dip, but it is a bit early to say,” said Anil Talreja, Partner, Deloitte Haskins & Sells. Another analyst firm, Edelweiss toed a similar line. “Clearly... some green shoots of recovery is likely to be delayed,” its recent report stated.

According to B Krishna Rao, Category Head of biscuit-major Parle Products, the company has seen a 10-12 per cent decline in November sales this year, over the same month last year. (Incidentally, FY16 was considered to be a bad year because of poor monsoons.) “There has been a slowdown in orders that we are receiving from distributors,” he said. For example, if a distributor used to place orders for 100 Skus with Parle, he is now going for 70-odd Skus or even less. “The majority of our distributors dealing with cash payments are badly hit,” Rao maintained. Companies or products that have a higher direct reach will have less of an impact, sources maintain.”

All these findings came at same conclusion that small vendors are hard hit by demonetization. This is why the research is focusing on impact of demonetization on small vendors.

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.

- A. Primary Data:** Primary data was collected randomly through the structured questionnaire in Delhi & using convenience based random sampling. The areas covered were Rohini, Nangloi, and Dilshad Garden.
- B. Sample Size:** The study was limited to those participants who willingly elected

to complete the instruments in their entirety. There were a total of 50 respondents, of which a figure of 45 was selected for the study.

- C. 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.
- D. Area of Research:** Delhi
- E. Period of Study:** The data collection has been done for a period of 3 days after demonetization between 16th March and 18th March.
- F. Secondary Data:** The secondary information or data was collected from newspapers and other sources of news.
- G. Research Instruments:** A summated closed end questionnaire was used with different viewpoints of customers. In this questionnaire, all the questions were positively framed.
- H. 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.

Analysis and Interpretation:

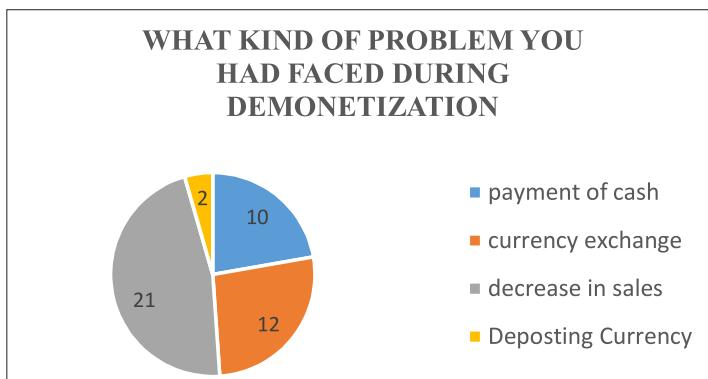
If we talk about the impact of demonetization on the small vendors it has impacted them a lot. For example: Raju Sharma a vegetable vendor at Koperkharane Sector 10, was not disturbed by the whole scenario rather than he found it a very innovative method. He said that, "I told all my customers bring your old notes to me 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 24th Nov.2016)

Anjali an onion, potato and garlic vendor at Turbe Sector 21 "All is lost, people are

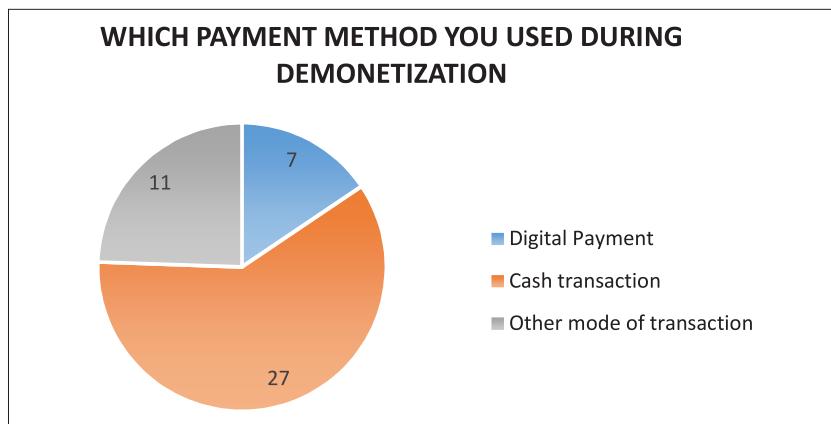
not buying enough vegetables and those who are buying are asking for 500 gms. Earlier people used to buy 1kg, 2kgs vegetables. And after purchasing vegetables they are offering old currency notes or notes of Rs 2000. See my potatoes are getting spoiled we are really suffering."(Date 23rd Nov. 2016)

Similarly we did the analysis of small vendors. For example if we talk about Harish who is having a toy shop and a turnover Rs250000-300000 before demonetization but after demonetization his sales as well as prices have been affected a lot. He said that on 8 Nov 2016 when demonetization was done he accept the old currency so that there was an increase in the sales but price went up and customers will not purchase the toys for their kids with hike in prices.

- If we look at the pie chart, 16% of the people said that the demonetization was not effective but 84% said that demonetization was effective for them.
- If we look at the graph below, the main purpose of demonetization was to remove black money from the country, people pay regularly tax to the government and also to ensure that there is no illegal transaction. So for this purpose we did a survey in which out of 45 small vendors 13 small vendors said that black money still exist, 26 small vendors said that black money exists partially and 6 small vendors said that after the demonetization the black money was disposed of from the country.
- When Prime Minister Narendra Modi announced on 8th Nov that ₹ 500 and ₹ 1000 will be considered as an illegal tender, small vendors faced a lot of problem. Their sales as well as payment of cash decreased.



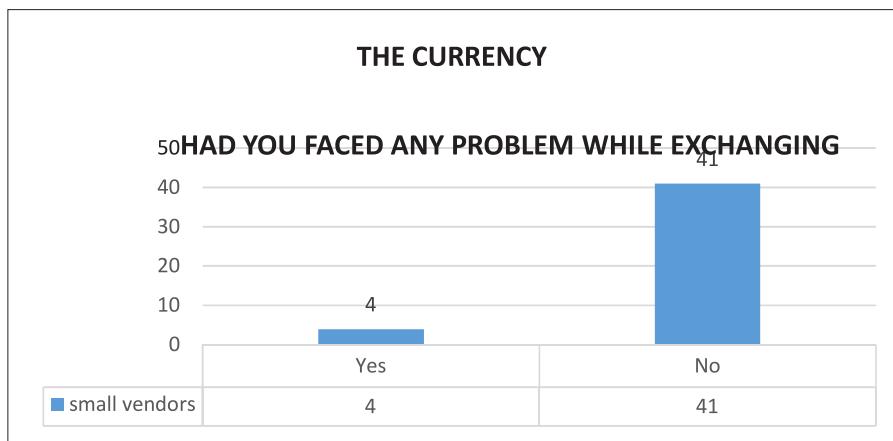
- After demonetization, small vendors opted a different method for the sale of their products. For example the kirana stores started using paytm for the cash transaction. It also helped in reducing the black money and some of them also accepted cash payment as many people were not holding bank account or having smart phones. One of the vendor said that earlier all customers were coming with old notes, how could I accept them or how could I let them go so I told them that I have a credit card reading machine as well, some of them who were having credit cards used it and others were offered credit. But it seems like the will to shop among customers has completely vanished at that moment.



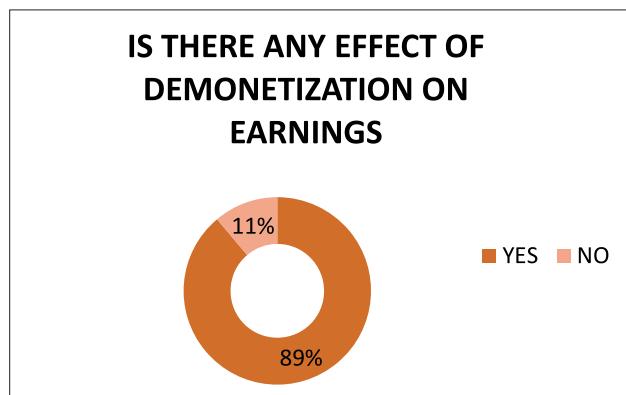
- The main aim of demonetization is to make our country digital and all the transaction could be done through banks. To create a cashless economy Prime Minister Narendra Modi introduced “Bhim App”. BHIM (Bharat Interface for Money - Bhim App) is a Mobile App developed by National Payments Corporation of India (NPCI), based on the Unified Payment Interface (UPI). It was launched by Narendra Modi, the Prime Minister of India, at a DigiDhan programme at Talkatora Stadium in New Delhi on 30 December 2016. It has been named after Bhim Rao Ambedkar and is intended to facilitate e-payments directly through banks and as part of the 2016 Indian banknote demonetization and drive towards cashless transactions. But when I did a survey about Bhim app a very few people were aware about it. So, there is a need to

increase awareness about the app.

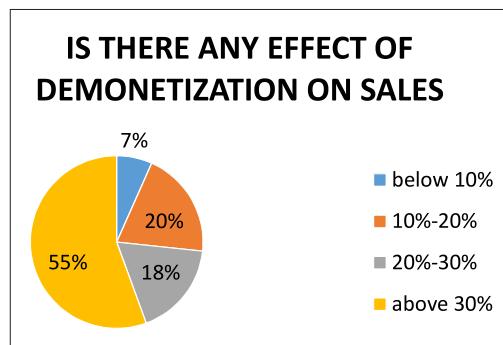
- When demonetization was announced Prime Minister Narendra Modi also announced that people can exchange their old currency from the bank till 31st Dec 2016. There were long queues outside the bank to exchange the old currency but all of them waiting outside the bank were not able to exchange their old currency into new currency notes. We did a survey on this also and found that most of them faced a lot of difficulty while exchanging the currency.



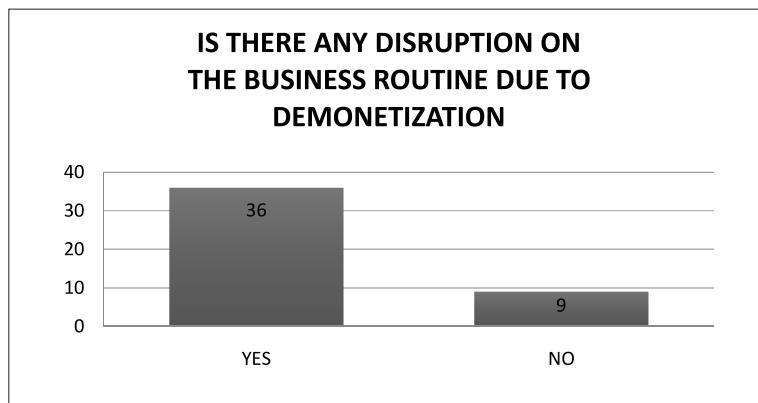
- While conducting the survey, small vendors said that their earnings have been affected a lot like the earnings before the demonetization was ₹5000 but after the demonetization the earnings reduced to ₹3500. There were a very few vendors who said that there was no effect on their earnings.



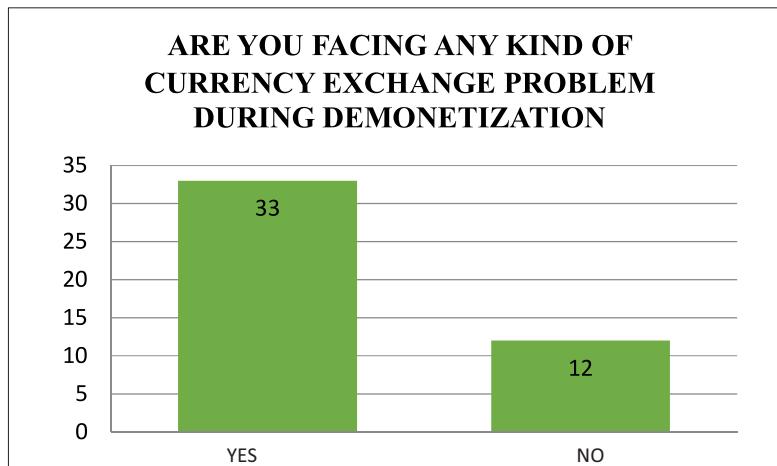
- After the demonetization there was a lot of effect on the sales. Milk, breads, eggs, cakes, butter, cornflakes, oats and other breakfast items are very essential in a working women's household. But the lack of change has affected the purchase behavior of these items too. It is noticed that people are buying goods in smaller quantities and larger quantities are being avoided. People are purchasing milk because they know the importance of the same at home but breads; eggs have seen a marginal fall and as for butter, corn flakes and oats the fall is very drastic., Other daily items like curds; lassi; buttermilk; shirkhand etc. are not moving at all."



- After demonetization it directly affected the business routine. One of the seller said that "I have not been able to sell a single item. I set up my things at 9.00 a.m. and stay here till 10.00 p.m. but nobody is buying the goods. 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".



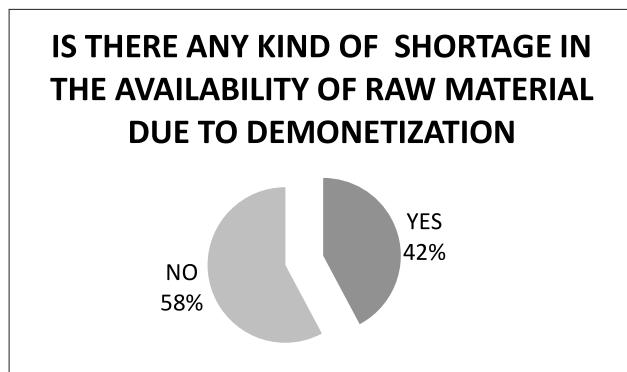
- After demonetization people always gave me the new currency of ₹2000 but I was not able to exchange the currency because at that time there was a huge shortage of currency in fact I don't have enough money to give to my suppliers. I also said to my customers that I don't have the exchange so please purchase the goods from other shop.



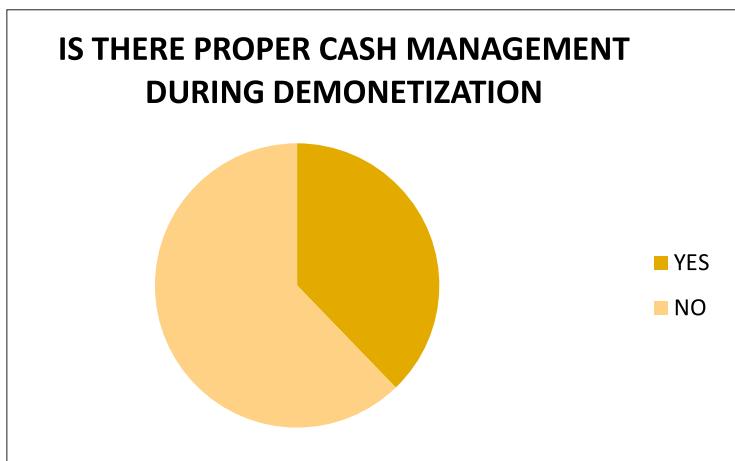
- After the demonetization there was a lot of variation in the price. Anjali Biswas sells plastic items like Nanda in Koperkherane , but has a very big variety of costume jeweler as well as ladies purses and belts she is also in a fix “ last 10 days I have sold one water bottle for ₹35 one plastic tub 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.” (20th Nov. 2016). We can very well see in the pie chart below that for increasing the sales, the sellers are reducing the prices of their commodities.



- After demonetization lot of problem was faced while purchasing the good from the supplier. Sellers don't have the enough money and they also don't have the goods to supply to their customers. "There is a problem of replenishing supplies wholesaler are not accepting old notes they are also not accepting debit/credit card and also not accepting cheques from small shop owners like us we always earlier dealt in cash with them." (26th Nov. 2016)



- After demonetization they also don't have sufficient cash because of which they were not able to perform proper cash management and also didn't have enough cash to pay to their suppliers.



Interpretation

After conducting the survey we can interpret that just like the coin has two sides i.e.

one tail and one head, similarly demonetization also had two impact i.e. one positive and one negative. Some consumers as well as the sellers faced a lot of problem. For example they were not having sufficient cash to purchase the commodities, they have to stand in long queues outside the banksetc but at the same side it has also helped the economy to identify the amount of black money circulating in the economy. Many sellers also reduced the prices of their commodities to increase their sales. Some used their brains and offered credit to their customers and increased their sales at the existing price of the commodity. In short, we can say that demonetization was both a boon as well as a curse.

Conclusion

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 ₹2000 currency notes. "Some people buy items for ₹100 and give ₹2000. We have to return ₹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 cybercrimes 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 demonetization 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.

References

- [1] Hindustan Times
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- [3] The Hindu

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