

## IMPACT OF DEMONETISATION ON SMALL VENDORS IN NOIDA

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### *Abstract*

*This paper discusses about the situation faced by the small vendors of Noida after demonetization imposed by Government in year 2016. How they feel about the demonetization and in what ways their business get affected by this. Paper highlights on several aspects that put direct or indirect impact on small vendors. Primary and secondary research has been used for which data was collected from 40 vendors of Noida. This paper also provides knowledge of future benefits for small vendors due to demonetization.*

**Keywords:** Demonetization, Small Vendors, Noida

### INTRODUCTION

Demonetization means withdrawing the legal tender rights of any denomination of currency. Units of money have deprived the status of legal tender. Demonetization is an act of taking away the legal tender rights of any currency. The units of currency will not be considered as valid currency. Demonetization is the process of ceasing a unit of money of its status as legal tender. Demonetization is a necessary condition for changing the old currency with the new units of money... It may involve the introduction of new notes or coins of the same denomination or completely new denomination. The currency has been demonetized thrice in India. The first demonetization was on 12th January 1946 (Saturday), second on 16th January 1978 (Monday) and the third was on 8th November 2016 (Tuesday). The government believes that this currency ban is required for the four main reasons. To control inflation, to fight against corruption, to remove counterfeit currency and to discourage the cash transaction. Developing country like India has to find the solution to come out of the problems like this for the betterment of the country. The government needed to keep the decision secret so that the tax evaders would not be aware of this clean-up mission before the announcement of demonetization took place.

Demonetization process is like a two faces of a coin because one side it will benefit the nation and other side it's going to create some temporary problems, we will discuss each side of coin one by one:

### **Positive outcomes after demonetization**

- Possible to stop counterfeit currency using for the terrorism activity
- Black money: by demonetization of higher currency suddenly it will take out illegally stored money from the holders.
- Transparency: moving towards digital economy may bring the transparency in the system.
- Easy monitoring: digital payment easy to monitor cash flow.
- Less chance of avoiding the taxes.
- Transparency in the system will bring more invest from the foreign countries.

### **Consequences**

- Losses to small vendors trade because of cash crunch.
- Many people do not have bank accounts in rural areas and hilly areas
- Lots of daily basis labors removed from the work
- In order to bring more transparency and accountability in the system it's necessary to go with digital economy.

### **SMALL VENDORS**

A street vendor is a person who offers goods or services for sale to the public without having a permanently built structure but with a temporary static structure or mobile stall (or head-load). Street vendors could be stationary and occupy space on the pavements or other public/private areas, or could be mobile, and move from place to place carrying their wares on push carts or in cycles or baskets on their heads, or could sell their wares in moving buses. The Government of India has used the term 'urban vendor' as inclusive of both traders and service providers, stationary as well as mobile, and incorporates all other local/region specific terms used to

describe them, such as, hawker, pheriwalla, rehri-patri walla, footpath dukandars, sidewalk traders, and more.

## **OBJECTIVES OF THE STUDY**

- To study the impact of demonetization on small vendors in Noida.
- To identify the changes they have made in their business during and after demonetization.
- To study the present scenario of their business.

## **LITERATURE REVIEW**

**Veerakumar, K. (2017)** defines demonetization as “that sudden announcement of Demonetization of 500 & 1000 notes created a huge shock for people of India. The highest currency notes are withdrawn from the economy to counter the problem of tax evasion, counterfeit currency and financing of terror activities. This lead to the fact that bank has a lot of extra money deposited in them. Demonetization also leads to progress of online transaction”.

**Abhani Dhara K. (2017)** concluded that demonetization is a success as the era is changing that is a lot of people are using mode of payment. Bank employees & people are making sure by supporting & making demonetization a successful step. He reflected the point that although it doesn't result in total capture of all black money holders but indeed created fear in their mind. At last telling Demonetization a compulsory step for country.

**Shanbhouge Girish, Kumar, A. Prashanth, Bhat, Swathi and Shettigar, Chethan (2016)** reflected the idea of currency ban as a more to stop counterfeit bank notes were allegedly used for terror financing as well as a surgical strike to black money and corruption in the country. He also tells that demonetization leads to cash shortage which determinates small business, agriculture and transportation and also led to chaos and many people facing problems at Banks and ATMs, But Demonetization also helps in preventing Black Money and Corruption in Country and also encourage digital payments.

**Muthulakshmi, E. Kamatchi (2017)** raised light on the topic ‘Impacts of Demonetization on Indian Economy- Issues and challenges’ tells when money is withdrawn from the economy, the country will not be benefited in short term while money paving in the economy will have positive and meaningful impact. She further tells the pons and cons of Demonetization.

## **RESEARCH METHODOLOGY**

A structured questionnaire was prepared and was administered to the respondent through a personal interview method. The researcher contacted the respondents personally. Here the respondents are small vendors – Fruit seller, Vegetable seller, kirana stores, road side food seller, cobblers, Junk sellers etc.

The sample to which the questionnaire was administered was based on convenience sampling techniques.

### **Data Collection**

The data is collected through primary and secondary research. The data is collected through primary research by doing field Survey in Noida and secondary research through text books, websites, previous studies etc. The scope of research is restricted to Noida and the research approach descriptive method.

### **Data Source**

**Primary Data:** Primary data was collected through the structured questionnaire using convenience based random sampling.

**Secondary Data:** The secondary data was collected from internet, newspapers and other sources of news.

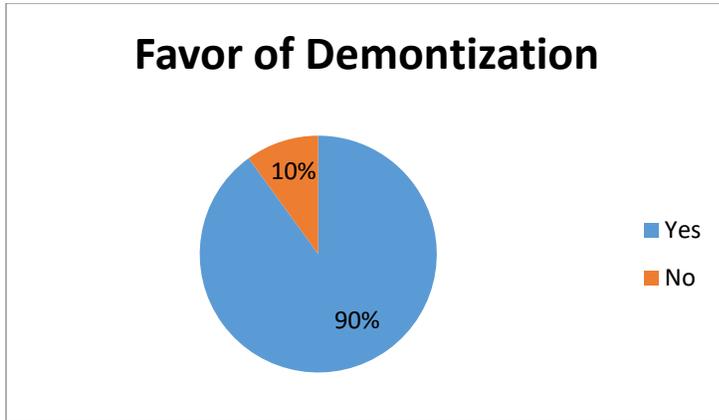
### **Sample Design**

- a) **Sample technique:** The technique of simple is convenience sampling.
- b) **Sample size:** Sample size of 40 was taken out for the study.

c) **Sample area:** Noida.

## DATA ANALYSIS AND INTERPRETATION

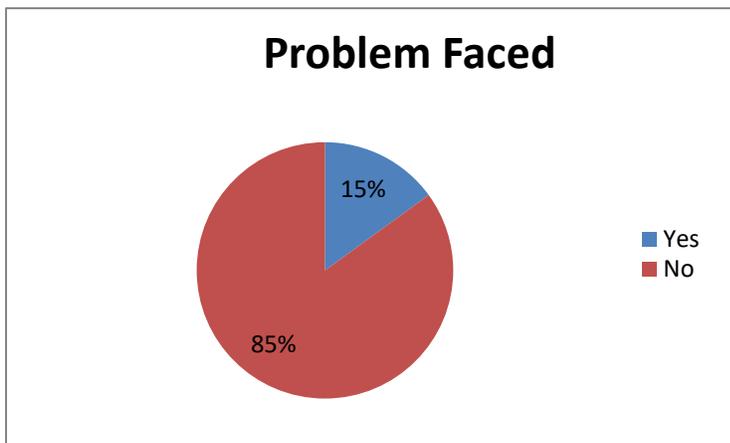
### 1. Are you in favor of demonetization?



Favor of Demonetization	
Yes	36
No	4

**Interpretation:** In this survey, we found that 90% vendors are in favor of demonetization while 10% are not support demonetization.

### 2. Have you face problem due to Demonetization?

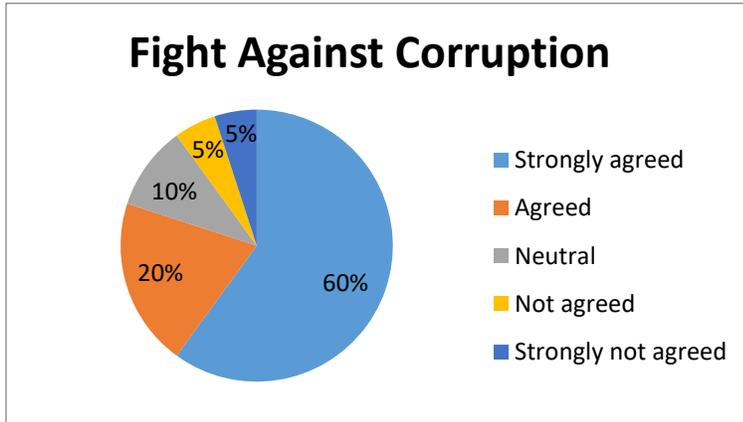


Problem Faced	
Yes	6
No	34

**Interpretation:** According to this study, 85% vendors said that they doesn't face any problem due to demonetization but 15% are accepted that they faced some problems.

### 3. What do you understand by demonetization?

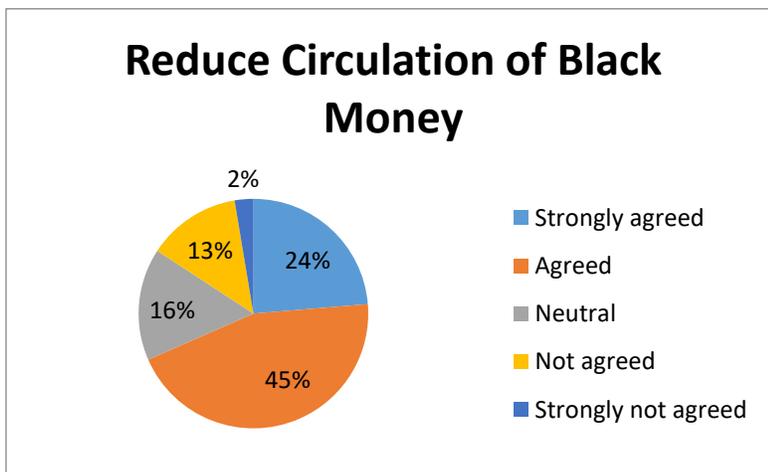
#### 3.1 Fight against corruption-



Fight Against Corruption	
Strongly agreed	24
Agreed	8
Neutral	4
Not agreed	2
Strongly not agreed	2

**Interpretation:-** 60% respondents strongly agree that demonetization fight against corruption, 20% also agreed for that. 10% respondents have no idea about it. 5% respondents are not agree with this and 5% strongly not agree with this fact that demonetization fight against corruption.

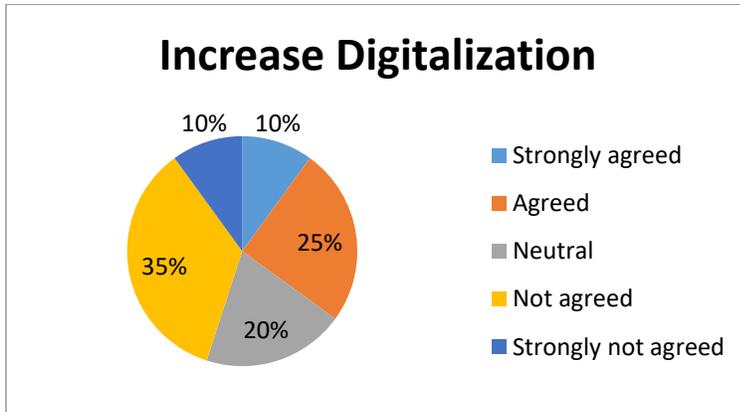
#### 3.2 Reduce circulation of black money-



REDUCE CIRCULATION OF BLACK MONEY	
Strongly agreed	9
Agreed	17
Neutral	6
Not agreed	5
Strongly not agreed	1

**Interpretation:** According to this study, 24% respondents strongly agree that demonetization reduce circulation of black money, 45% also agreed for that. 16% respondents have no idea about it. 13% respondents are not agree with this and 2% strongly not agree with this fact.

### 3.3 Increase digitalization-

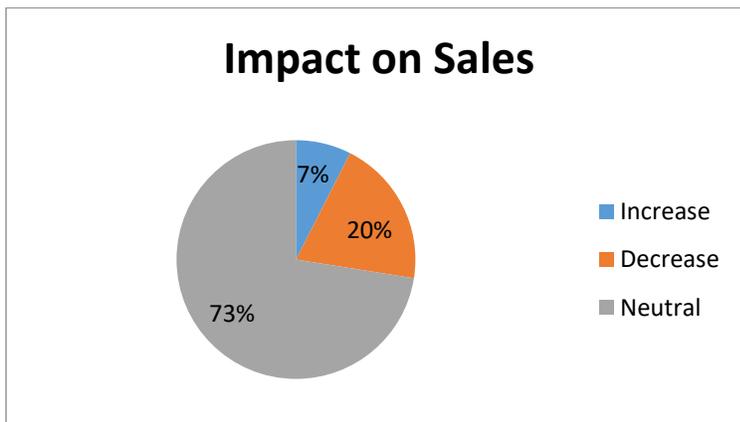


Increase Digitalization	
Strongly agreed	4
Agreed	10
Neutral	8
Not agreed	14
Strongly not agreed	4

**Interpretation:** 10% respondents strongly agree that demonetization increase digitalization, 25% also agreed for that. 20% respondents have no idea about it. 35% respondents are not agree with this and 10% strongly not agree with this fact that demonetization increase digitalization.

## 4. Problems occur due to demonetization

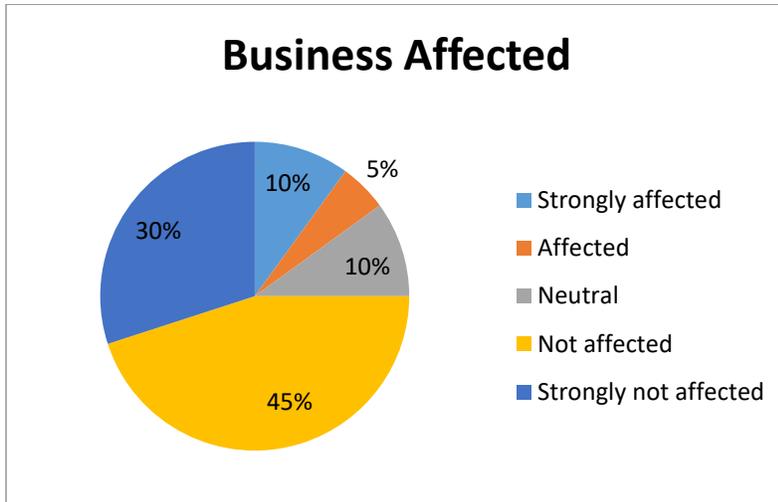
### 4.1 Impact on the sales



Impact on Sales	
Increase	3
Decrease	8
Neutral	29

**Interpretation:-** According to this data, 73% vendors said that they doesn't see any ups and downs in their sales due demonetization , 20% accepted that their sales was decreased while 7% said their sales increase due to demonetization.

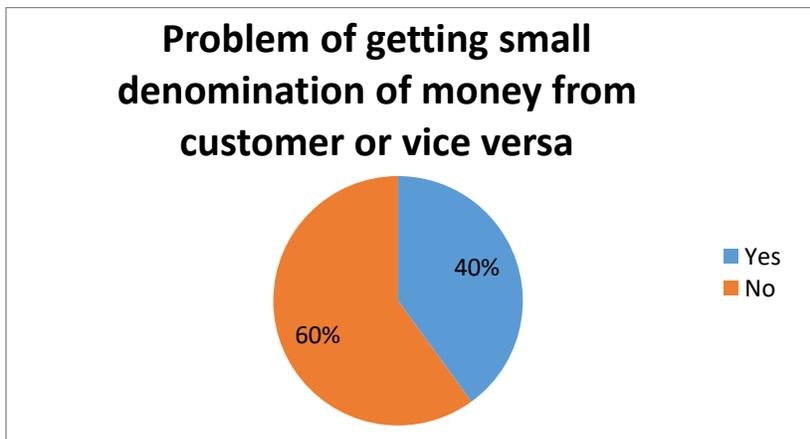
### 1.2 Business get affected:-



Business Get Affected	
Strongly affected	4
Affected	2
Neutral	4
Not affected	18
Strongly not affected	12

**Interpretation:** According to this survey report, business of 10% of vendors strongly affected and 5% vendors business is also affected to some extent. 10% vendors are not say anything on this topic. While 45% vendors accept that their business was not affected by demonetization and 30% are strongly believe the same.

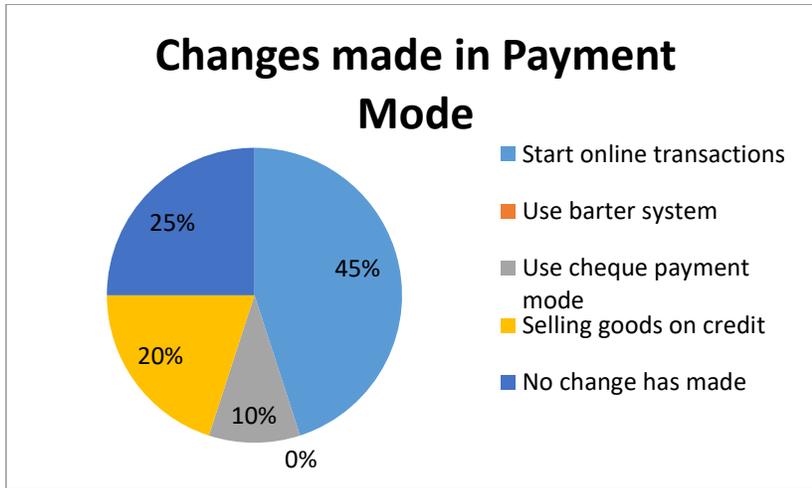
### 4.3 Problem of getting small denomination of money from customer or vice versa-



Changing of Money Problem	
Yes	16
No	24

**Interpretation:-** According to this report, 40% vendors accept that they face problem of getting small denomination of money from their customers and suppliers while 60% vendors disagree with this problem.

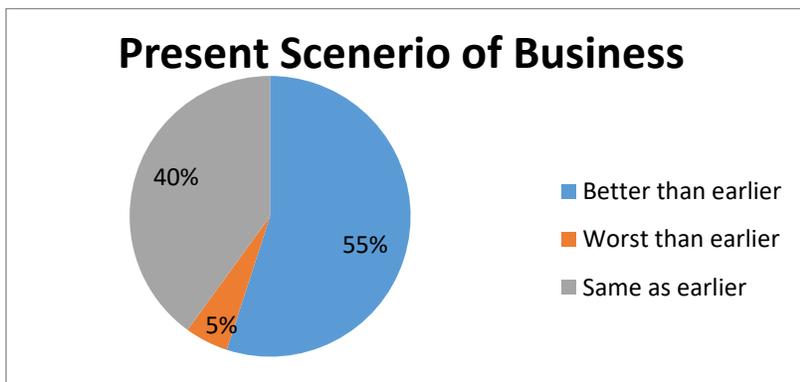
### 5. What changes they made in their payment system?



Changes Made In Payment Mode	
Start online transactions	18
Use barter system	0
Use cheque payment mode	4
Selling goods on credit	8
No change has made	10

**Interpretation:-** According to this survey, 45% small vendors start using online transaction due to demonetization and 20% vendors sell goods on credit to their customer, 10% vendors accept cheques from the customer in place of cash at that time. 25% vendors doesn't make any kind of change in their payment system. No one use barter system.

### 6. Present situation of your Business?



PRESENT SCENERIO OF BUSSINESS	
Better than earlier	22
Worse than earlier	2
Same as earlier	16

**Interpretation:** According to the survey, 55% vendors accepted that situation of their business is better than earlier because they make change in their payment system. While 5% vendors situation is worse than earlier because they are still stuck to their traditional payment system. Business situation of 40% vendors is same as earlier.

## SUMMARY OF DATA INTERPRETATION

- In this study, we found that most of the vendors are in favor of demonetization.
- They face some problem initially but according to them their business is not affected much by this demonetization. Even they are the person who give small denomination of money to their customer.
- We also found that many of the small vendors are aware of this step of demonetization that reduce circulation of black money, increase digitalization and fight against corruption.
- They made many changes in their payment system like- start online transactions, use barter system, use cheque payment system, and sell/purchase goods on credit.
- Vendors are not techno-savvy that's why they face problem initially to make payments. But with the help of family members, friends, and other people who already have the knowledge of making e-payment, can help them to make e-payments.

## CONCLUSION

Consumer footfall in the markets was low in that period but after sometime things gets neutralized. Initially Small vendors, face some problem of making payments to suppliers/customers. But these are the only people who have small denomination currency in a large number. They also give small denomination money to many customers. But as they don't have such a good income so they are restricted to help only few people. At that time their customer occurrence was decrease but for a short period.

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. 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 at that time.

But at present things are get normalized. Most of the vendors accept digitalization. Now they are very happy and ready to accept new things.

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