



An Outcome of Demonetisation on Micro, Small and Medium Enterprise in Mumbai Region

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ABSTRACT

The research studies the impact of Demonization on Micro, Small and Medium Enterprises (MSMEs) of India by the Indian Government. A descriptive study of research was being done within area of Mumbai City on the outcome of the demonetization. An unexpected decision was taken by Honourable Prime Minister of India Shri. Narendra Modi on 8th November 2016 for demonetisation of Indian Currency Notes of Rs.500 and Rs.1000. This had a huge impact in Micro, Small and Medium Enterprise (MSMEs) sectors of India. Due to the sudden change, there was a huge shortage of legal currency notes at Public & Private Sectors Bank and other Financial Institutions in Mumbai city. As a result, there was shortage in cash transactions. Due to which Micro, Small and Medium Enterprise (MSMEs) suffered with huge losses in Mumbai city. This resulted in the close-down of many small businesses. It had a vast impact on some large businesses as well. On the other note, it was also seen as an appreciable move by our Indian Government for our future well-being on Indian economy. It had definitely affected many shopkeepers and consumers and they started using plastic money or online payment in a long run. The outcome had a great impact on the economy of the country. This research paper also shows, how much problems has been faced during the demonetisation by the Micro, Small and Medium Enterprise (MSMEs) of India.

KEYWORDS: Black money, Demonetization, Indian Government MSMEs, Mumbai

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1. Introduction

Demonetisation means a currency change in a particular economy to implement cashless system in the country, it allows to curb terrorism and pay taxes for unaccounted pile of cash and also helps in controlling corruption. This drastic step has hugely given an impact on Indian Economy for the betterment of future. Demonetisation has change in the buying pattern of the consumers. In India, the first time the currency was demonetized in the year 1946, then second time it was demonetized in the year 1978 and third time it was demonetized in the year 2016 by our Honourable Prime Minister of India Shri. Narendra Modi. Most of the businesses placed their boards of requests of using their E-wallet, credit and debit card or tender note of Rs.100 which eventually led to fall in sales in the market. Many reports stated that the Micro, Small and Medium Enterprise (MSMEs) have immensely affected after demonetisation because of the cash crunch and lack of infrastructure like digital payment system etc. 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. The main focus of this paper is on Micro, Small and Medium Enterprise (MSMEs) and how they have been affected because of this decision.

2. Review of Literature

Chadha A and Sharma R (2017) said that Demonetization refers to change of currency by a government to curb illegal activities and transactions. India initiated its controversial plan of demonetization on 8th Nov 2016, by making the Rs 500 / 1000 notes not as legal tender, this had a phenomenal impact on slowing down the growth rate of the Indian economy. The banking system is flooded with cash due to the inflow of money into bank accounts that could reduce interest rates and have a stimulating effect on different sectors giving the much needed impetus for economic growth. The worst affected social group was the poor and middle income group people. But surprisingly, they welcomed the move with open hands as compared to the affluent. Moreover, there has been an immediate slump in growth rate among the various sectors, but in the long term, demonetization will bear fruitful benefits in context to the growth of the Indian economy.

Kaur P (2017) believes that demonetization is the act of modifying the legal character of a monetary unit and represents government action where it stops producing and circulating particular forms of currency A monetary policy measure where the legality of one or several pieces of the monetary cone in circulation is eliminated, under the commitment of the local monetary authorities to cover the demand for money of the population by putting into circulation new notes that allow updating the monetary cone or replacing it with a new one.

Dash A (2017) indicates that demonetization affected the economy through a restriction on liquidity. In this context, it considers that the intensity of the effects of this measure depends mainly on the duration of the liquidity shock. And in this regard infers the presence of two types of impact: 1) social impact, effects of different nature, negative when the indisposition of health services is evident, among other services, to receive the payment with notes of the old monetary cone and the deep shortage of cash that increased as the length of the calibration process of the ATM network extended; whereas it indicates as positive the

increase in the use of electronic money and the entrance in disuse of the physical money that will reduce in some places the crime rate; and 2) economic impact, the banking sector was able to recover some bad loans and improve its financial position, increased the number of transactions made in the economy through the formal banking sector, and increased the transparency of people and companies with obligations tributary.

The **Aims, objectives and Hypothesis** are as follows:

To study an impact of demonetisation and understand the crisis faced by Micro, Small and Medium Enterprise (MSMEs).

To analyse the obstacles that have taken place due to demonetization.

To analyse the advantages and disadvantages due to demonetization.

To study whether digital transactions of small businessmen have any effect on digitization of their transaction method or not.

To study the reformative measures taken by the government to solve the complex situation or confusion caused due to demonetization.

To know the perception of Micro, Small and Medium Enterprise (MSMEs) towards demonetization.

H0: There is no significant impact of demonetisation on Micro, Small and Medium Enterprise (MSMEs) in Mumbai City.

H1: There is a significant impact of demonetisation on Micro, Small and Medium Enterprise (MSMEs) in Mumbai City.

3. Research and methodology

Research Design: The research design is illustrative in nature.

Sources: This research paper indicates both Primary Data and Secondary Data.

Primary Data: Primary data is the data which is collected from various sources by preparing questionnaires and surveys. Data for the research was being done, by conducting several responses of 20 respondents within area of Mumbai City on the outcome of the demonetisation

Secondary Data: Secondary Data is the data collected from Websites & Portals for references as far as research is concerned.

The data interpretation (questions for the study) are as follows:

- 1) Do you think demonetisation made a huge impact on MSMEs in Mumbai City?
- 2) Was there any positive outcome in your businesses after the consequence of demonetization?
- 3) After the effect of demonetisation did you face any problem on your businesses?
- 4) Did you face any problems in financial transactions after demonetisation in Mumbai City?

4. Findings

- 1) 90% of the respondents said yes that it has gravely impacted on Micro, Small and Medium Enterprise (MSMEs) in Mumbai City and 10% said no that it has not affected to Enterprises businesses.
- 2) 70% of the respondents said no they disagreed, as there was no productive impact of demonetisation on their enterprise businesses, where as 30% of the respondents strongly agreed with the positive effect of demonetisation on their enterprise business.

- 3) 66% of the respondents said no that they did not face any problems in their enterprise businesses, where as 34% of the respondents said yes that they faced issues in their enterprise businesses.
- 4) 89% of the respondents said yes that they face problems in financial transactions after implementation of demonetization, whereas 11% of the respondents said no that they did not face any problems in financial transactions after implementation of demonetization.

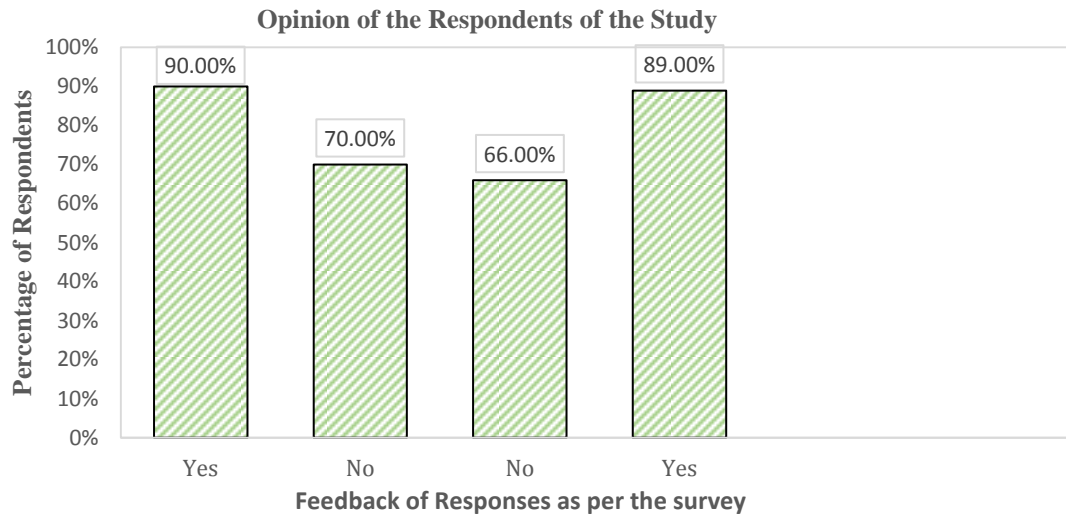


Figure 1: Graphical Representative

As per the t-test hypothesis, as p value is less than 0.05 ($P \leq 0.05$) i.e., 0.04 hypothesis here is accepted i.e., as it shows that there is a significant impact of demonetisation on Micro, Small and Medium Enterprise (MSMEs) in Mumbai City.

5. Conclusion

As per the result of hypothesis, it can be concluded in the study that demonetisation had created significant problems in Mumbai city. Due to this problem many Public & Private Institutions has faced financial problems after effect of demonetization. Measures were taken to stop black money extortion, corruption and circulation of illegal fake currency notes that has been circulating all over years in India. Due to this, resolutions were passed to demonetize legal tenders of Indian Currency Notes which had a significant impact on Indian Economy.

The suggestions are as follows:

- 1) The Micro, Small and Medium Enterprise (MSMEs) can switch to contactless transactions which will help them to keep a record of all their financial transactions.
- 2) The Micro, Small and Medium Enterprise (MSMEs) should be made aware about the practical impacts of demonetization.
- 3) The Micro, Small and Medium Enterprise (MSMEs) can take this as a scope and make use of their resources to the fullest.

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ETHICAL CONSIDERATION

Authenticity of the texts, honesty and fidelity has been observed.

CONFLICT OF INTEREST

Author/s confirmed no conflict of interest.