



## **Demonetization's Impact on Small Vendors- A Survey Study on Small Vendors in Rewari District in Haryana, India**

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### **ABSTRACT**

*Demonetization that was happened on 8<sup>th</sup> November 2016, in which denomination of Rs500 and Rs. 1000 note were cancelled and new currency denomination of Rs 2000 and new notes of Rs.500 has been circulated in economy of India. It has been affected each and every strata of the economy like small business, manufacturing sector, real estate, and service sector and also every individuals/citizen. The retail outlet and small vendors were also affected inversely because these are mostly dominantly cash sectors, and due to demonetization cash crunch were occurred after the banned of Rs. 500 and Rs. 1000 currency notes. This sector faced many of problems due to demonetization. The aim of the study is to understand the impact of demonetization on small vendors in Haryana. Furthermore, the study will made an attempt on problems faced by small vendors due to demonetization. The research study is descriptive cum exploratory in nature. The study is based on both primary and secondary data. We study the effect of demonetization on small vendors of Rewari District (Haryana), India. Primary data are collected through questionnaires which are distributed at random to 100 small vendors. For analyzing the collected data we used frequency tables, percentages cross tabulation, Chi-square test, t-test and ANOVA. The t-test, ANOVA, and Chi-square test are analyzing with the help of SPSS 20. The study shows that major problems are the lacks of sales and long queues at banks and ATMs faced by vendors due to demonetization.*

*Keywords: Demonetization, Small vendors, Denominations, Rewari District*

### **INTRODUCTION**

The demonetization in India was announced by Prime Minister of India on Nov 8, 2016 at 8:30 PM, in which Rs.500 and Rs.1000 notes would not be legal tender from midnight of Nov 8, 2016. These banknotes were banned from circulations. They were replaced by the new notes of Rs.500 and Rs.2000 that were circulated in economy from 10<sup>th</sup> November 2016 issued by RBI. This demonetization decision has been taken by the PM in an attempt to curb corruption, black money and counterfeit notes.

With the cancellation of Rs. 500 and Rs.1000 banknotes and new notes of Rs.500 and Rs.2000 were not widely circulated in economy, money supply has been reduced and this were resulted the cash shortage and a disruption in market. Many sectors and many citizens were affected by this.



Small scale vendors and retailers also faced disruption in their business. Small scale vendors and retailing is the most common in unorganised retailing in India. This segment consisting general stores, street stall holders and small levels shops etc. this segment of the economy have been affected by demonetization policy. The Economic Times (2016) has been reported agadia's statement that nobody has liquidity to do off the bill transaction. As retail segment basically depends upon cash transaction so there were reductions in their sales. This paper is made an attempt on the impact of demonetization from the perspectives of small vendors who primarily engaged in retail outlets and vending.

## REVIEW LITERATURE

**Subbanna & Rao et al. (2010)** accomplished a study of Street Vendors in the city of Bengaluru. The study found that, of the entire street vendors surveyed not even one vendor said he did not pay bribe. Some even went on to say that they have been continuously troubled by authorities to pay bribe, and out of fear they just give in. Failure to pay bribes usually results in the officer taking portion of their commodities and never giving it back.

**Arora and Arora (2017)** measured the impact of demonetization. The aim of the study to find out that at what extent Indian people accepted demonetization as well as to know the perception of people towards black money and corruption. A well structured questionnaire was given to 400 people in Ahmadabad to obtain their responses. The hypotheses were framed on the basis of gender and measured the inconvenience and acceptance of demonetization among male and female. Independent t- test used to formulate the hypothesis. Both the Hypothesis accepted that was indicated that there is no significance difference between inconvenience and average acceptance of demonetization among male and female. The study reveals that majority of the people believe that black money exist in country. Most of people believe that the government has been taken a massive action in form of demonetization.

**Joshi et al. (2017)** described the effect of the demonetization and cashless drive for small retailers in Surat city. The study was conducted on the basis of primary data and secondary data. Primary data was collected through well structured questionnaires with 200 respondents. The study found the 62% respondents was adopted the cashless transaction during and after demonetization. The small retailers were affected badly and their businesses were also harmed badly, but the positive point is that they adopt the debit card and cheques mostly for running their business. Also e-wallets and mobile banking was started use.

**K.M. & Merina (2017)** conducted a survey study on retail vendors in Earnakulam district in Kerala selecting 120 vendors in a sample. They examine that decision of demonetization is widely accepted as good but the planning and implementation is not effective. Furthermore, the study shows that 70% traders are using Paytm and cards to deals with cash crunches.

**Uke, Lokesh (2017)** examined the positive and negative impact of demonetization by Indian government. The study is based on secondary data, which is collected from newspapers,



magazines, websites from internet, some useful books related to topic etc. The result of the study show that Central government was tacked a well-thought out and well-implemented step which would really get rid of all the existing black money from the trend.

## OBJECTIVES OF THE STUDY

1. To study the small vendor's perception towards the impact of demonetization on e-payment system in Rewari in Haryana on demographical basis.
2. To study the problems of demonetization faced by small vendors in Rewari district in Haryana on demographical basis.

## RESEARCH HYPOYHESIS

### Null Hypothesis-

H01: There is no significant difference between small vendor's perceptions towards the impact of demonetization on e-payment system in Rewari (Haryana) on demographical basis.

H02: There is no significant association between the problems of demonetization and small vendors on the basis of demographical variables.

## RESEARCH METHODOLOGY

The research study is descriptive cum exploratory in nature. The study is based on both primary and secondary data. We study the effect of demonetization on small vendors of Rewari District (Haryana). Primary data are collected through questionnaires which are distributed at random to 100 small vendors. Questionnaires have contain closed ended questions like, dichotomous questions, multiple choice questions and Five Point Likert scale questions. Personal survey method is used to collect data from the respondents.

For this purpose, various magazines, journals, research articles, newspapers and research reports have been used for secondary data. Thus, the focus of the study is to know more about the concepts of demonetization and its impact on small vendors. Therefore, quantitative and qualitative data have been used.

### Tool and techniques of data analysis

For analyzing the collected data we used frequency tables, percentages cross tabulation, Chi-square test, t-test and ANOVA. The t-test, ANOVA, and Chi-square test are analyzing with the help of SPSS 20.

### Limitation of the study

- The study only consider the small vendors of Rewari district as a sample it not considers other area like state and country vendors.
- Sometimes the respondents don't understand the importance of the study and therefore because of the fear of misuse of their information they don't reveal the true information or opinion.
- The present study only analyzing the data only some demographical variables. The future study may have including the others socio economic variable like marital status, family background etc.



**DATA ANALYSIS AND INTERPRETATION**

**Table 1- Demographical Profile of Respondents**

Variables	Category	Frequency	Percentage
<b>Area</b>	Rural	50	50
	Urban	50	50
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Age</b>	Less than 20	3	3.0
	21-30	28	28.0
	31-40	33	33.0
	41-50	27	27.0
	Above 50	9	9.0
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Gender</b>	Male	94	94.0
	Female	6	6.0
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Types of Business</b>	Vegetables Shops / Fruits Shops	5	5.0
	Stationery Shops/Medical Stores	9	9.0
	Kirana Stores/Milk and Dairy product shops	19	19.0
	Gift Shop /Boutiques / Ladies Shop	10	10.0
	Textiles / Baby shops	19	19.0
	Tea/Juice Stall/ Pan Bidi Shops	14	14.0
	Others	24	24.0
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Education</b>	Illiterate	7	7.0
	5 <sup>th</sup>	10	10.0
	10 <sup>th</sup>	23	23.0
	12 <sup>th</sup>	32	32.0
	Degree and Others	28	28.0
	<b>Total</b>	<b>100</b>	<b>100</b>
<b>Monthly Income</b>	Less than Rs.10000	29	29.0
	Rs.10001-Rs.20000	24	24.0
	Rs.20001-Rs.30000	20	20.0
	Rs.30001-Rs.40000	15	15.0
	Above Rs.40000	12	12.0
	<b>Total</b>	<b>100</b>	<b>100</b>

Source: Survey data



**Reliability Analysis-**

**Reliability Statistics**

Cronbach's Alpha	N of Items
.881	11

Cronbach's Alpha is .881 that is greater than .7 (Nunnally, 1978), so we can say that there is reliability in responses of respondents regarding 11 statements on demonetization.

**Table 2 – Perception of the Demonetization**

	Perception to the Demonetization	Mean Score	p value
i	The decision of demonetization is good	1.93	< 0.05 **
ii	Planning and implementation of demonetization is good by Govt.	2.34	< 0.05 **
iii	Demonetization as a tool to curb black money	2.37	< 0.05 **
iv	Demonetization as a tool to curb counterfeiting or fake notes	2.21	< 0.05 **
v	Demonetization as a tool to curb corruption	2.26	< 0.05 **
vi	Demonetization as a tool to curb terrorism	1.94	< 0.05 **
vii	Demonetization as a tool to Improvement in Tax Collection	2.25	< 0.05 **
viii	Demonetization is helpful in Increases Growth (GDP) of Economy	2.38	< 0.05 **
ix	Demonetization Provide leads to Cashless Economy	1.98	< 0.05 **
x	Demonetization provide leads to Digitalization	1.74	< 0.05 **
xi	Demonetization Increases E-payment Systems	1.90	< 0.05 **

\*\* Significant at 5 % level of significance

Source: Survey data

**Inference:** While we analyzing the data we can understand from the table 2 that the decision of demonetization is widely accepted with the mean score of 1.93 and respondents thinks that demonetization is helpful to curb terrorism (1.94). Further, the respondents think that demonetization had significant impact on digitalization, e-payment systems and cashless economy.

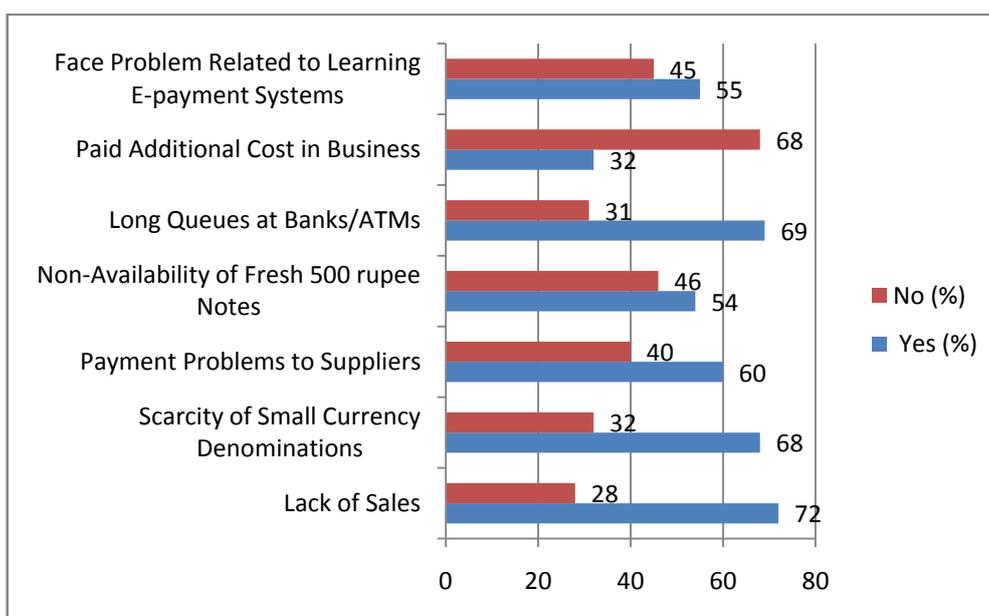
**Table 3- Perception with Socio-Economic Variable**

Variables	P value	Inference
Area	.120	Not Significant
Gender	.350	Not Significant
Age Group	.074	Not Significant
Types of Business	.290	Not Significant
Education	.301	Not Significant
Monthly Income	.813	Not Significant

Significant at 5 % level of significance

Source: Survey data

**Inference:** Socio economic variables like area, gender, age, types of business, education and monthly income are not significantly different with the demonetization impact as its p-value is greater than normally accepted level of significance (0.05).



Source: Survey data

**Figure-1 Various Problems Faced by Small Vendors during Demonetization**

**Inference:** from the figure 1 we found that major problem was lacks of the sales due to demonetization as 72 % vendors faced it. After that long queues at banks and ATMs is comes with 69 % respondents has been faced. 55% respondents agree that they faced the problems to learning e-payment systems/cashless transactions due to cash shortage they want to transaction through the e-payment systems.



**Table 4- Problems of Demonetization**

Problems of the Demonetization policy	Mean Score	p value
Lack of Sales	1.28	< 0.05 **
Scarcity of smaller currency denominations	1.32	< 0.05 **
Long queues at banks/ATMs	1.31	< 0.05 **
Payment Problems to Suppliers	1.40	< 0.05 **
Non availability of fresh 500 rupee notes	1.46	< 0.05 **
Paid Additional Cost in Business	1.68	< 0.05 **
Problem related to learning e-payment systems	1.45	< 0.05 **

\*\* Significant at 5% of significance

Source: Survey data

**Inference:** while analyzing the problems of demonetization, we can understand that the lacks of sales is the major problem faced by the vendors. It has a mean of 1.28 followed by long queues at banks/ATMs has mean score 1.31 and scarcity of smaller currency denominations (1.32) and after that comes the payment problems to suppliers (1.40). Here, paid additional cost in business is the least problems.

**Table 5- Association of Problems of Demonetization with Area**

	Problems of Demonetization Decision	p-value	Inferences
i	Lack of Sales	.656	Not Significant
ii	Scarcity of Smaller Currency Denominations	.391	Not Significant
iii	Long Queues at Banks/ATMs	.517	Not Significant
iv	Payment Problems to Suppliers	.221	Not Significant
v	Non availability of fresh 500 rupee notes	.688	Not Significant
vi	Paid Additional Cost in Business	.391	Not Significant
vii	Problem related to Learning E-payment Systems	.546	Not Significant

Significant at 5 % level of significance

Source: Survey data

**Inference:** As per above table all the problems of demonetization are not associated with area as its p-value is greater than 0.05 the normally accepted level of significance.

**Table 6- Association of Problems of Demonetization with Gender**

	Problems of Demonetization Decision	p-value	Inferences
i	Lack of Sales	.671	Not Significant
ii	Scarcity of Smaller Currency Denominations	1.000	Not Significant
iii	Long Queues at Banks/ATMs	.072	Not Significant
iv	Payment Problems to Suppliers	.036	Significant
v	Non availability of fresh 500 rupee notes	.410	Not Significant
vi	Paid Additional Cost in Business	.173	Not Significant
vii	Problem related to Learning E-payment Systems	.007	Significant

Significant at 5 % level of significance

Source: Survey data





**Inference:** Socio-economic variable education having the significant association with only one problem that is learning to e-payment systems, while the other problems are not associated with education level as p-value is greater than 0.05.

**Table 10- Association of Problems of Demonetization with Types of Business**

	Problems of Demonetization Decision	p-value	Inferences
i	Lack of Sales	.843	Not Significant
ii	Scarcity of Smaller Currency Denominations	.603	Not Significant
iii	Long Queues at Banks/ATMs	.202	Not Significant
iv	Payment Problems to Suppliers	.610	Not Significant
v	Non availability of fresh 500 rupee notes	.696	Not Significant
vi	Paid Additional Cost in Business	.046	Significant
vii	Problem related to Learning E-payment Systems	.055	Not Significant

Significant at 5 % level of significance

Source: Survey data

**Inference:** As per table we can see that problems like lacks of sales, scarcity of smaller currency denominations, long queues at banks/ATMs, non availability of fresh 500 rupee notes and problems to learning e-payment systems are not associated with different types of business but paid additional cost in business is not associated with types of business.

**Table 11- Friedman Test on ranks of different problems**

Problems	Mean Rank
Lack of Sales	3.53
Scarcity of smaller currency denominations	3.67
Long queues at banks	3.64
Payment Problems to Suppliers	3.95
Non availability of fresh 500 rupee notes	4.16
Paid Additional Cost in Business	4.93
Problem related to learning e-payment systems	4.13

Source: Survey data

**Inference:** while we ranking, we can see that the lacks of sales is the most suffered problems of the vendors as it has lowest rank 3.53 followed by long queues at banks/ATMs, scarcity of smaller currency denominations, payment problems to suppliers. The problem of paid additional cost in business is least affected problems by demonetization.

**Test Statistics<sup>a</sup>**

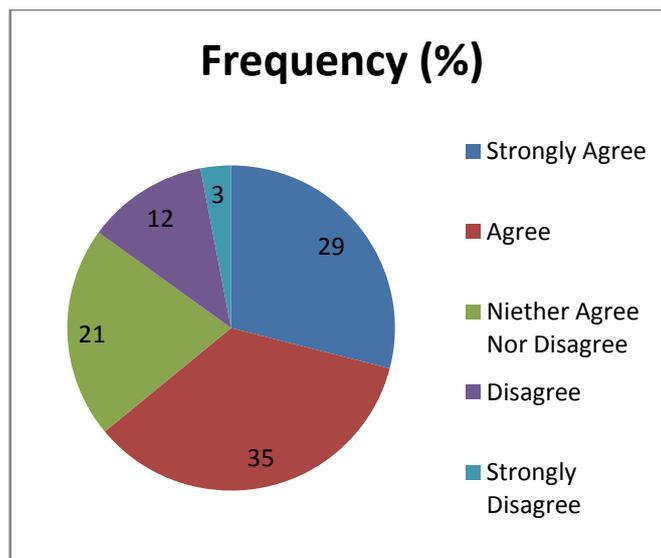
N	100
Chi-Square	63.210
df	6
Asymp. Sig.	.0001

a. Friedman Test

Since the *Sig.* value is less than 0.05, there is significant difference in the ranks associated to the different problems of demonetization decision.

**Table12- Perceptions on Improvements in Tax Collection**

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	29	29.0	29.0	29.0
Agree	35	35.0	35.0	64.0
Neither Agree Nor Disagree	21	21.0	21.0	85.0
Disagree	12	12.0	12.0	97.0
Strongly Disagree	3	3.0	3.0	100.0
Total	100	100.0	100.0	



**Figure: 2 Perceptions on Improvement in Tax Collection**

**Inference:** 64% respondents believe that there's any improvement in tax collection due to demonetization while 15% respondents think that there's no improvement in tax collection due to demonetization.

**FINDINGS**

- From the study we can see that majority (94%) of male respondents in small vendors in Rewari.



- The respondents has been widely think that demonetization provide leads to digitalization.
- Socio-economic variables like gender, area, age, types of business, monthly income and education does not shows the significant difference regarding the perceptions and impact of demonetization.
- The major problems are the lacks of sales and ling queues at banks and ATMs faced by vendors due to demonetization.
- About 64% vendors thinks that tax collection will be improved by demonetization, while 15% respondents don't think so.

## CONCLUSION

As per above analysis we can concluded that demonetization affected inversely small vendors as they faced many problems during the demonetization. Their sales fall down to banned of notes. The majority of the respondents have strong opinion towards that demonetization provides leads to digitalization and e-payment systems. The small vendors think that implementation of demonetization is not all satisfactory. So, we can say that the demonetization decision create the disruption for the small vendors and retailers. Government should prepare the proper planning and also make sufficient money supply in the market before the implementation of demonetization.

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