

## **An Empirical Study on the Major Problems Faced Due To Demonetization by the Small Retailers in Erode City**

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**Abstract:** All currency notes of denominations of Rs.500 and Rs.1000 have lost their legal sanction from the midnight of 8<sup>th</sup> November, 2016. The objective behind this withdrawal was to curb black money and corruption. Only short span of time was given to get these currency notes exchanged or deposited in banks and post offices, and one is expected to adapt to the new currency system within a reasonable time. Although people with black money obviously stood the most affected, there were several implications that had to be faced by the average middle class person, farmers, banks and the economy as a whole. The businessmen were no exception. An attempt was, therefore, made in this research to analyse the various problems faced due to demonetization by the small retailers in Erode city.

**Keywords:** Demonetisation, Retailers, Net Banking

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### **I. Introduction**

Demonetisation has hit, to a greater extent, the cash-based retail businesses in India, witnessing an estimated sharp fall of 25 per cent since the government banned 500 and 1,000 rupee currency notes. Given the high tendency of Indians to deal in cash, the immediate aftermath of demonetization announcement has caused significant difficulties among retailers and their customers. Small traders and vendors have been affected largely as they are facing a huge fall in sale. Most of these small retailers are not ready enough to make provisions of digital payments for their customers, and for this reason they are sure to go through a lot of hardships. Organized, large retailers and malls too are facing sales reduction and decreasing amount of store footfalls, but in the long run we can expect a normal condition as customers increasingly adapt to making payments digitally.

### **II. Impact of demonetization on small businesses**

There is no doubt that demonetization is a big move for an improved future of Indian economy. It will surely influence many more customers to start using plastic money in the long-term. As the Indian retail industry generates a lot of cash transactions, a reduction in sales is sure to continue in the short-term, i.e. one-two quarters. This impact is felt to a greater extent by small retailers and the unorganised retailing segment widespread on many streets across the country, when compared to the organised retailing and malls. Lower footfalls in malls is a passing phase and is expected to stabilize in a few weeks when more of the newer currency denominations come into circulation, increasing the purchasing power of consumers again. The long-term growth scenario of Indian retail continues to be flexible and growth-oriented.

### **Objectives of the study**

The objective of the study was to identify the major problems faced due to demonetization by the small retailers in Erode city.

### **III. Research Methodology**

Both primary and secondary were used for the purpose of the research. Primary data was collected by circulating well-structured questionnaires among 50 small retailers in Erode city. Convenience sampling method was used. Secondary data was also collected through internet source. Percentage analysis and weighted average ranking method was used to analyse the data.

#### IV. Data analysis and Interpretation

**Table No. 1** Demographic Variables of the Respondents

S.No.	Variables	No. of Respondents	Percent	
1	Gender	Male	23	46
		Female	27	54
2	Age (in years)	18-25	22	44
		25-35	13	26
		35-50	9	18
		>50	6	12
3	Educational Qualification	School Level	15	30
		UG Level	25	50
		PG Level	7	14
		Profession	3	6
4	Annual Profit (in Rupees)	<50000	20	40
		50000-100000	22	44
		100000-200000	6	12
		>200000	2	4
5	Type of Business	Grocery shops	7	14
		Petty Shops	6	12
		Flower Shops	3	6
		Fruit Shops	3	6
		Vegetable Shops	5	10
		Ice Cream Parlours	6	12
		Restaurants	5	10
		Fancy Stores	5	10
		Milk & Dairy Products	2	4
		Textiles	2	4
		Medical Shops	4	8
		Books & Stationeries	2	4

**Table No. 2** Problems faced by Small Retailers in Erode city

S.No	Problems	Mean Score	Ranks
1	Inconvenience to make small purchases	329	1
2	Limited cash received from bank	280	4
3	Rush at banks	301	3
4	In appropriate denomination to be paid as balance to customers	259	6
5	Waste of time at bank/ATM	317	2
6	Network problem in case of net banking	229	7
7	Decrease in sales	268	5
8	Use of swipe machine	199	8

#### V. Findings

- It was found that majority (54%) of the respondents is female and 46% of the respondents are male.
- It was found that majority (44%) of the respondents belong to the age group of 18-25 years.
- It was found that majority (50%) of the respondents are UG graduates.
- It was found that majority (44%) of the respondents earn an annual profit that ranges between Rs. 50000 and Rs. 100000
- It was found that majority (14%) of the respondents are in grocery business while the rest are engaged in other businesses such as flowers, fruits, vegetables, milk and dairy products, medicines, books and stationeries, ice cream, textiles and so on.
- Among the many problems faced by the small retailers, majority of them have ranked the problem of 'inconvenience to make small purchases' as first, followed by problems such as Waste of time at bank/ATM, Rush at banks, limited cash received from banks, decrease in sales, In appropriate denomination to be paid as balance to customers, Network problem in case of net banking and use of swipe machine.

#### VI. Conclusion

Thus it is clear from the research that due to demonetization most of the small retailers have faced many difficulties while dealing with banks. However, this is not a permanent condition. The economy is expected to recover soon after the circulation of new currency notes.

### **References**

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