

IMPACT OF DEMONETISATION ON SMALL SCALE INDUSTRIES IN KANYAKUMARI DISTRICT

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ABSTRACT

The main aim of the study is to study the impact on demonetization on production and sale of product, the impact of demonetization on the employment and the reasons for demonetization among the SSI entrepreneurs. For achieving the objective of this study and to conduct the investigation, data have been collected from both the primary as well as the secondary sources of data collection both methods were use to get appropriate result and more accurate conclusion. Multi stage sampling design was adopted in the study for selecting the sample. 125 samples were selected from the universe by adopting incidental purposive sampling technique. Demonetization was not gaining significance among small business unit's owners in Kanyakumari district; there was not enough evidence of acceptance and their stance towards the implementation of demonetization. For one to accept that system need to be validated, for which the views of respondents need to be analyzed the impact of demonetization on selected business units in Kanyakumari district. The study found that, most of the respondents were unhappy about sudden change in the monetary system in the economy and also, they expressed their views on demonetization is to increase the ATM centers and withdrawal per day limits and to demonstrate how to utilize the digital transaction by all people, so that the benefits of demonetization would reach each and every person in the society. For this, the government should take initiative to educate and create more awareness and usages of digitalization in the rural areas and with

illiterates and further the government can promote and make available more online facilities to small business people.

KEY WORDS: Demonetization, SSI Entrepreneurs, Impact, Digitalization

1.1 INTRODUCTION

Demonetization is a monetary policy where a certain currency unit ceases to be used as a form of legal tender. Further, it is an act of stripping a currency unit of its status as legal tender. Governments take decisions to stop circulation of some denominations or completely replace old currency for various reasons. During demonetization process demonetized currency is withdrawn from circulation and deposited in banks and replaced by currency which is in circulation or with new currency.

The small-scale industrial units are the roots and fruits of economic activities. They provide way of life to a greater number of people. With less amount of capital investment, this sector contributes more towards GDP, provides more employment opportunities, offers unique product and service offerings, and serves customers with personal attention. Since the ancient India, the small-scale industry has been largely regarded as a culture for uplifting the weaker sections of the population whether it is handloom weavers, handicraft workers, rural SSI entrepreneurs spinning at home. The main causes behind this idea of demonetization were to stop the fake currency and thereby funding terrorism. Apart from that promotion of digital cashless transaction which will help to furnish Indian digital economy, was another aim.

1.2 STATEMENT OF THE PROBLEM

In this context, it is imperative to analyse the impact of demonetization on small scale industrial sector whose survival is largely dependent on everyday transactions in local and surrounding markets. This sector of the economy deals with local people where cash transactions are very large in size both in rural and urban areas. Their dealings in short period purchases of raw materials and in retail sale are in the form of cash. It is likely that demonetization policy has its first hit on these small-scale producers. Hence the present study is taken up to examine impacts of demonetization on small scale industries in Kanniyakumari district.

1.3 REVIEW OF LITERATURE

- ❖ **Madhuchandra Bhaduri M. (2018)** in her study titled” **Impact of Demonetization on Small Businesses in Indian Economy - an Empirical Study on Small Businesses at Cooch Behar District, West Bengal** “with the main objective of this paper is to study the impact of demonetization on the small-scale traders. Many reports stated that small traders have immensely affected after demonetization because of the cash crunch and lack of infrastructure like digital payment system etc. Many reports stated that Country’s automobile and real estate sectors are highly affected and World Bank has downgraded the Indian economy’s growth forecast as sharp falls. The empirical findings suggest that the impact of demonetization on GDP growth during 2016-17 was mostly felt in construction and real estate, but the good thing was that because of stronger growth in manufacturing, agriculture, mining and electricity the overall impact on gross domestic product growth was modest. The study may reflect the status of small traders for entire country.

- ❖ **Honnappa.S (2020)** in his research” impact of demonetization on Indian economy - a micro level analysis” with the objectives of to study the impact of demonetization on common person of India to study the impact of demonetization on economy of India. Indian government adopted demonetization on 08 November 2016 to tackle with black money and make India a cashless digital economy. As a rural populated country most of the rural population are engaged in agricultural activities as most of the population of rural areas depends on agriculture. Agriculture forms the backbone of the country’s economy. The agricultural sector like forestry, logging and fishing accounted for 17% of the GDP contributes most to the overall economic development of India. The present study aims at examining the people impact on demonetization- a macro level analysis.

1.4 OBJECTIVES OF THE STUDY

- To identify the problems faced by the SSI entrepreneurs during demonetization
- To study the impact of demonetization on production level of SSI entrepreneurs.

1.5 METHODOLOGY

In due consideration of the above-mentioned objectives, the following methodology has been adopted for conducting the present study. Data has collected from 125 respondents from the Kanyakumari district. The sampling method used in this study was convenience sampling.

1.5.1 COLLECTION OF DATA

There are two outstanding research methods.

i.Primary Data

The study is mainly based on the primary data collected from 125 SSI entrepreneurs in Kanyakumari district. The data were collected with prepared questionnaire.

ii.secondary Data

Secondary data has collected from various books, journals, articles, e-magazines and websites.

1.5.2 SAMPLING DESIGN

Hundred and twenty-five SSI entrepreneurs have been chosen for the current study. These 125 samples were obtained from the Kanyakumari district using the convenience sampling technique.

1.6 ANALYSIS AND INTERPRETATION

1.6.1 PROBLEMS OF SSI ENTREPRENEURS:

The following table shows that problems of SSI entrepreneurs during demonetization

Table 1

Problems of SSI entrepreneurs

SL.NO	Problems	GARRETT MEAN SCORE	RANK
1	Challenging in expanding his own business	50.28	IV
2	Challenging to make payment borrowed money	50.37	III
3	Slump job	53.66	I
4	Changes in life style	45.625	V
5	The unexpected declaration of demonetization caused currency issues	52.07	II

Source: primary data

From the above table shows that the problems faced by the respondents during demonetization. The main problem regarding demonetization was “slump job” get I rank with mean score 53.66, II rank goes to “the unexpected declaration of demonetization caused currency issues” with mean score 52.07, III rank goes to “challenging to make payment borrowed money” with mean score 50.37, IV rank goes to “challenging in expanding his own business” with mean score 50.28, V rank goes to “changes in life style” with mean score 45.625.

1.6.2 THE IMPACT OF DEMONETIZATION ON PRODUCTION LEVEL OF SSI ENTREPRENEURS.

T-test has been used to find out the significant difference between the two means. In the present study, t statistics has been used to the impact of demonetization on production level between male and female respondents.

TABLE 2**Impact of demonetization on production of SSI**

SLNO	IMPACT ON PRODUCTION	MEAN SCORE		T- STATISTICS	P VALUE
		MALE	FEMALE		
1	The abrupt termination of demonetization temporarily halted production	3.84	4.10	1.178*	.001
2	Raw material prices are extremely expensive or fluctuate	3.19	3.71	-2.002*	.001
3	Difficult in procuring labours	3.42	3.49	-.308	.758
4	A slowdown in new techniques	3.63	2.78	3.773*	.000
5	Non availability of raw materials	3.79	3.86	.011*	.024

Source: primary data***Significance at 5 percent level**

The above table shows that, the main impact of male respondents is “The abrupt termination of demonetization temporarily halted production” and “Non availability of raw materials”, since they have highest mean scores of 3.84 and 3.76 respectively. The lowest impact is “raw material prices are extremely expensive or fluctuate” and “Difficult in procuring labours” which has the mean value of 3.19 and 3.42 respectively.

The main impact of female respondents is “The abrupt termination of demonetization temporarily halted production” and “Non availability of raw materials” has the highest values of 4.10 and 3.86 respectively. The least impact is” A slowdown in new techniques” and “Difficult in procuring labours” has lowest mean value of 2.78 and 3.49 respectively.

The significance difference between gender and impact of SSI entrepreneur in variable such as, the abrupt termination of demonetization temporarily halted production, Raw material prices are extremely expensive or fluctuate, A slowdown in new techniques and Non availability of raw materials. Since the respective T-test are significant at five present level.

1.7 SUGGESTIONS

- ❖ Money crises due to demonetization can be avoided by using digital transaction but during demonetization many peoples are not aware about using digital transaction. So, it is suggested that it will became helpful if the government has provided proper awareness about digital transactions at the time of demonetization.
- ❖ Government should provide more loan facilities to SSI Entrepreneur without too many rules and restrictions.

1.8 CONCLUSION

It is concluded that the decision of demonetization was widely accepted by the SSI entrepreneurs in order to bring more transparency and accountability in the economic and political system, it is essential to go with more digital system. Due to wrong planning and implementation of demonetization, the entrepreneurs who operate on small scale industries were hit the most because their sales fell down, they faced huge financial losses and most of them closed down their units. The study found that, most of the respondents were unhappy about

sudden change in the monetary system in the economy and also, they expressed their views on demonetization is to increase the ATM centers and withdrawal per day limits and to demonstrate how to utilize the digital transaction by all people, so that the benefits of demonetization would reach each and every person in the society. For this, the government should take initiative to educate and create more awareness and usages of digitalization in the rural areas and with illiterates and further the government can promote and make available more online facilities to small business people.

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