



## EFFECT OF RUPEE DEMONETISATION ON INDIAN BUSINESSMEN

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### Abstract

The objective of the present study is to analyse the effect of Rupee demonetization on Indian businessmen. For this purpose questionnaires have been collected from businessmen and the same has been analyzed to find the various economic factors that have changed due to the demonetization of currency notes and the further impact that it is going to cause on the Indian market. The simple percentage analysis has been used to observe the difference in opinions and to read the level of acceptance of this move amongst the businessmen in the economy. Finally, the findings and suggestions to improve the market and to remove the loopholes in the system have been offered to develop the newly introduced system of demonetization.

**Keywords:** Demonetization, Rupee, Businessmen, Percentage analysis.

### Introduction

The demonetization of Rupee notes in the Indian economy is not the first of its kind in India. Demonetisation has been done in India previously in the years 1946 and 1978 both of which haven't produced desired outcomes. The major reasons for demonetisation include existence of black money, frauds like counterfeiting, tax evasion, tax avoidance and to bring into account the unaccounted liquid cash in India. This study covers the various effects of the demonetisation of Rupee by analysing the trend of the markets and assessing the views of businessmen who are directly and indirectly affected by the various changes in the economy due to demonetisation.

### Statement of the Problem

Black money market has been on a hike for more than a decade. It has created a parallel economy that has made the rupee value decrease in the global market. Moreover the level of corruption in the economy is a great hindrance for the businessmen. Also using the loopholes in the economic and taxation systems, the businessmen tend to evade the taxes and moreover they tend to avoid the taxes by not showing the true incomes. This has constituted a major problem as the true value of money in the economy is unaccounted for, thus reducing the value of rupee in the global market.

### Objectives

- To analyse the effect of demonetization on businessmen.
- To analyse the usage of e-transactions by businessmen.

### Tools Used for the Study

To analyse the effect of rupee demonetisation on businessmen the tool used is simple percentage analysis.

### Literature Review

**Kaushikbasu (2016)** conducted a study on India's dramatic move to scrap 500 and 1000 notes. The overnight ban on the notes was intended to crack down on corruption and so called black money or illegal cash holdings. Low income Indians, traders and ordinary savers who rely on the cash economy have been badly hit with hordes thronging banks to deposit expired money and withdraw lower demonetization..

**Ashok Knag (2016)** conducted a study about the loss caused due to demonetization. This study reflects the effect caused due to the sudden demonetization. They have concluded that the elimination of existing money stock that enables economic transaction is bound to have economic impact, apart from penalizing those who hold this money as store of their tax-evaded illegal wealth.

### Analysis and Interpretation

**Objective -** To analyse the effect of demonetization on businessmen.

#### Profile of Businessmen

Business men make a major contribution to the economy. They create employment opportunities to various people and improve the status of the economy. The responses to our queries are as follows

**Table 1, Profile of the Businessmen**

S.no	Particulars	No of Respondents	Percentage %
<b>I</b>	<b>Duration (In Years) :</b>		
1.1	5-15	12	24
1.2	16-30	18	36

1.3	31-50	20	40
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>
<b>II</b>	<b>Turnover(In 00000's)</b>		
2.1	Below 20	1	2
2.2	20-40	4	8
2.3	40-60	13	26
2.4	60-80	18	36
2.5	Above 80	14	28
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>

Source : Primary Data

40% of the respondents have been into business for nearly 31 years to 50 years. The turnover of majority of respondents lie between 60 lakhs to 80 lakhs.

**Table 2. Demonetization of the Currency Notes Being a Good Move**

S.no	Particulars	No Of Respondents	Percentage %
A	Yes	27	54
B	To some extent	23	46
C	Not at all	0	0
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source : Primary Data

54% of the respondents think that the demonetisation of currency notes is a good move. Moreover 46% of the people think that demonetisation is good up to some extent. This reveals that all the respondents support demonetization up to some extent.

**Table 3. Business Has Been Affected by Demonetization**

S.no	Particulars	No Of Respondents	Percentage %
A	Yes	34	68
B	No	16	32
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>

Source : Primary Data

68% of the people claim that their business has been affected by demonetisation. 32% of the people say that their business has not been affected. Thus the business of majority of the respondents has been affected.

**Table 4. Impact of Business Change after Demonetisation**

S.no	Particulars	No Of Respondents	Percentage %
a.	Positive	14	41
b.	Negative	20	59
	<b>Total no. of Respondents</b>	<b>34</b>	<b>100</b>

Source : Primary Data

Out of 68% of people whose business has been affected due to demonetisation, 41% of the people accept that the change has been positive. 59% of the people claim that their business has taken a negative turn.

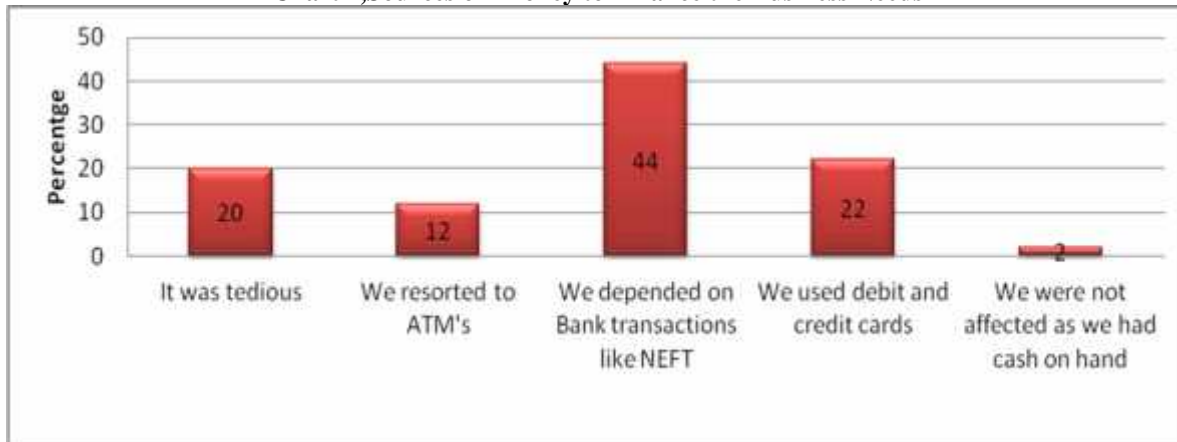
**Table 5. Sources of Money to Finance the Business Needs**

S.no	Particulars	No Of Respondents	Percentage %
a	It was tedious	10	20
b	We resorted to ATM's	6	12
c	We depended on Bank transactions like NEFT	22	44
d	We used debit and credit cards	11	22
e	We were not affected as we had cash on hand	1	2
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

The analysis shows that after demonetisation 44% of the people have started using NEFT transactions. The next weightage has moved to debit and credit cards. This shows that that the people have moved to bank transactions after demonetisation. Also 20% of the people have found it difficult to satisfy their business needs. 12% of the people resorted to the ATM's. Only 2% of the people were not affected because they had cash on hand.

**Chart 1, Sources of Money to Finance the Business Needs**



**Table 6, Acceptance of Bank Transactions by Business Associated Suppliers and Customers**

S.no	Particulars	No Of Respondents	Percentage %
A	Yes	38	76
B	No	12	24
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>

Source : Primary Data

From the analysis 76% of the customers and suppliers accept bank transactions whilst only 24 % of the respondents do not accept bank transactions.

**Table 7, Did Employees Have a Bank A/C Before Demonetisation**

S.no	Particulars	No Of Respondents	Percentage %
A	Yes	25	50
B	No	25	50
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source : Primary Data

From the study 50% of the employees of the respondents have got bank accounts and 50% of them do not have bank accounts.

**Table 8, Purchase Of assets After Demonetisation**

S.no	Particulars	No of Respondents	Percentage %
a	No	23	46
b	Yes	27	54
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the study it is known that 46% of the total respondents have not purchased any assets after demonetisation whereas 54% of them have purchased assets.

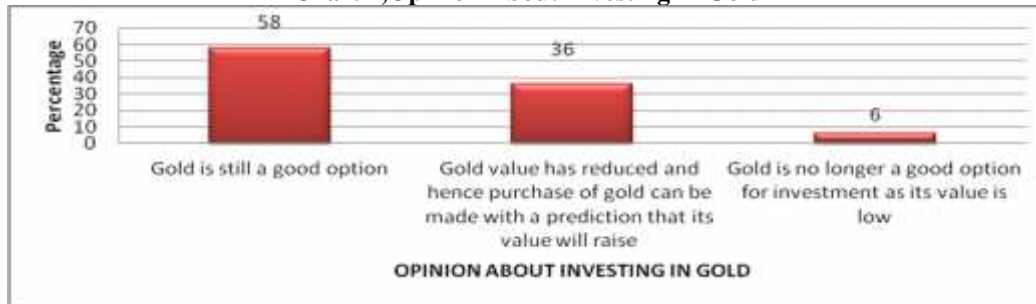
**Table 9, Opinion About Investing in Gold**

S.no	Particulars	No of Respondents	Percentage %
A	Gold is still a good option	29	58
B	Gold value has reduced and hence purchase of gold can be made with a prediction that its value will raise	18	36
C	Gold is no longer a good option for investment as its value is low	3	6
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is understood that 58% of the total respondents believe that gold is still a good option, 36% of the respondents feel that the investment is made with a prediction that the value of gold will raise in the future and 6% of the respondents believe that Gold is no longer a good option.

**Chart 2,Opinion About Investing in Gold**



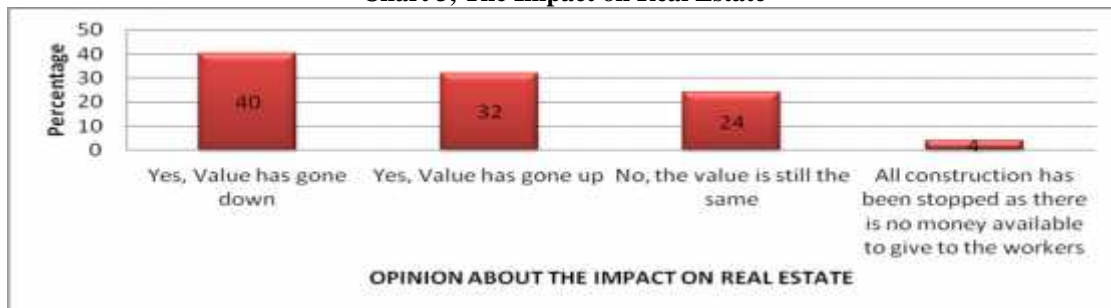
**Table 10, The Impact on Real Estate**

S.no	Particulars	No of Respondents	Percentage %
A	Yes, Value has gone down	20	40
B	Yes, Value has gone up	16	32
C	No, the value is still the same	12	24
D	All construction has been stopped as there is no money available to give to the workers	2	4
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clearly stated that 40% of the respondents stated 'Yes, Value has gone down' whereas 32% of the respondents stated 'Yes, Value has gone up', 24% of the respondents stated 'No, the value is still the same' and the remaining 4% of the respondents stated 'All construction has been stopped as there is no money available to give to the workers'.

**Chart 3, The Impact on Real Estate**



**Table 11,Savings Before Demonetisation**

S.NO	PARTICULARS	NO OF RESPONDENTS	PERCENTAGE %
A	Yes	46	92
B	No	4	8
	<b>TOTAL NO. OF RESPONDENTS</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clearly stated that 92% of the respondents stated 'Yes' and 8% of the respondents stated 'No'. The result inferred that majority 92% of the respondents stated 'Yes' regarding the level of opinion about having a considerable amount as savings before demonetization.

**Table 12,Change In The Savings Pattern After Demonetisation**

S.no	Particulars	No of Respondents	Percentage %
A	Yes	29	58
B	No	21	42
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clearly stated that 58% of the respondents stated 'Yes' whereas 42% of the respondents stated 'No'. The result inferred that majority 58% of the respondents stated 'Yes' regarding the opinion about the change in the savings pattern after demonetization.

**Table 13, Increase or Decrease In Savings After Demonetisation**

S.No	Particulars	No of Respondents	Percentage %
A	Increased	16	55
B	Decreased	13	45
	<b>Total No. of Respondents</b>	<b>29</b>	<b>100</b>

Source: Primary Data

From the above table it is clear that 55% of the respondents have stated that their savings have 'Increased' whereas 45% of the respondents stated the opposite. From the result it can be inferred that majority of the respondents stated that the change in the savings pattern has been increased.

**Table 14, Idea About Starting A New Venture In The Present Situation**

S.No	Particulars	No Of Respondents	Percentage %
A	Yes	11	22
B	No	39	78
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clearly stated that 22% of the respondents have said 'Yes' whereas 78% of the respondents have said 'No'. From the above result it can be inferred that majority of the respondents have stated that they do not have any idea about starting a new venture in the present situation.

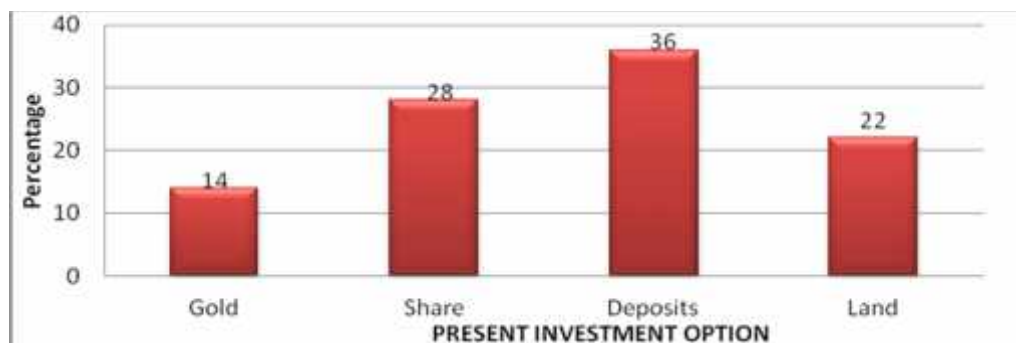
**Table 15, Present Investment Option**

S.No	Particulars	No of Respondents	Percentage %
A	Gold	7	14
B	Share	14	28
C	Deposits	18	36
D	Land	11	22
	<b>Total No. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clearly stated that 14% of the respondents stated 'Gold' whereas 28% of the respondents stated 'Share', 36% of the respondents stated 'Deposits' and finally 22% of the respondents stated 'Land'. Majority of the respondents consider 'Deposits' to be the better option in the present situation.

**Chart 4, Present Investment Option**



**Table 16, Awareness About Bank Transaction Tax**

S.No	Particulars	No of Respondents	Percentage %
a	Yes	35	70
b	No	15	30
	<b>Total no. of respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clearly stated that 70% of the respondents stated 'Yes' whereas 30% of the respondents stated 'No'. The result inferred that majority 70% of the respondents got awareness about Bank Transaction Tax (BTT)

**Table 17, Opinion About Bank Transaction Tax**

S.No	Particulars	No of Respondents	Percentage %
a	Yes	17	49
b	No	18	51
	<b>Total no. of respondents</b>	<b>35</b>	<b>100</b>

Source: Primary Data

From the above table it can be presumed that 49% of the respondents are in favour of the Bank Transaction Tax whereas 51% of the respondents are against the move.

**Table 18, Minimisation of Corruption in The Economy After This Move**

s.no	particulars	no of respondents	percentage %
a	yes	20	40
b	no	9	18
c	to some extent	21	42
	<b>Total no. of respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

42% of the respondents consider that the corruption in the economy will be minimised to some extent whereas 40% of the respondents consider that corruption will indeed be minimised in the economy whilst 18% of th respondents do not agree with the same.

**Table 19, Tax Evasion Being Minimised**

S.No	Particulars	No Of Respondents	Percentage %
a	Yes	15	30
b	No	8	16
c	To Some Extent	27	54
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it can be inferred that 54% of the respondents consider that tax evasion will be minimised to some extent whereas 30% of the respondents are positive that there will be a decrease in tax evasion. 6% of the respondents do not agree with the same.

**Table 20, Tax Avoidance Will Be Minimised**

S.No	Particulars	Respondents	Percentage %
a	Yes	13	26
b	No	13	26
c	To Some Extent	24	48
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clearly stated that 26% of the respondents stated 'Yes' whereas 26% of the respondents stated 'No' and 48% of the respondents stated 'To some extent'. From the result it can be inferred that majority of the respondents stated that the opinion about tax avoidance will be minimised to some extent.

**Table 21, Understanding The Reason Behind Pm Modi's Move**

S.No	Particulars	No Of Respondents	Percentage %
a	Yes	20	40
b	No	13	26
c	To Some Extent	17	34
	<b>Total no. of Respondents</b>	<b>50</b>	<b>100</b>

Source: Primary Data

From the above table it is clear that 40% of the respondents stated 'Yes' whereas 26% of the respondents stated 'No' and 34% of the respondents stated 'To some extent'. Majority of the respondents claim to have understood the reason behind PM Modi's move.

### Findings

1. All the businessmen support the move of demonetisation to some extent
2. The major grievance faced by the businessmen is that the money to buy necessities were curbed
3. On account of demonetisation, there has been a change in business which has brought about a negative impact to the respondents
4. NEFT has been the most popular form of transactions among businessmen when demonetisation was brought into effect.
5. Majority of the suppliers and customers of the respondents have been accepting bank transactions even before demonetisation.
6. There hasn't been enough awareness among the employees in opening bank accounts.
7. Bank accounts and ATM cards have been maintained by all the businessmen before the act of demonetisation which shows that all the businessmen have been accounting their transactions even before demonetisation.
8. The purchase of assets has decreased considerably after demonetisation.
9. Even after demonetisation businessmen still think that gold bonds and other such gold investment is still a good option for investment.
10. There has been a decrease in the value of real estate after demonetisation.
11. In the present situation businessmen consider deposits as a good option compared to gold, land and shares
12. All the businessmen had considerable amount as savings before demonetisation. There has also been a positive increase in the amount of savings after demonetisation.
13. E-transactions have been popular among businessmen even before demonetisation.
14. Businessmen do not consider starting a new venture feasible in the present situation.
15. Majority of the businessmen are aware of Bank Transaction Tax but do not approve the same.
16. Businessmen think that corruption, tax avoidance and tax evasion will be minimised up to some extent after demonetisation.

### Suggestions

1. Awareness should be created among the employees to promote e-banking.
2. Businessmen consider gold still a good option for investment and hence white money should be invested in gold to bring up the gold reserve in India.
3. The intents behind PM Modi's move should be clearly explained to gather the support of the citizens.
4. The Bank Transaction Tax is a good replacement which sums up all the major divisions of taxation and hence the same can be implemented.

### Conclusion

The study about the effect of demonetisation on businessmen has revealed that they support demonetisation up to some extent. Businessmen have been using bank transactions and e-banking services which bring most of the currency into account. The act of demonetisation will tend to bring up an increase in the savings of the economy. They also consider that corruption, tax avoidance and tax evasion will be minimised. This move leads to strengthen the economy of the country.

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