

# Odisha's Micro Entrepreneurs and Demonetization: An Overview

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**ABSTRACT:** *On 2<sup>nd</sup> week of November 2016, two high-value currencies were removed from circulation, bringing the year to a close. It was initially dangerous, and it still comes up in many high-profile socio-economic debates. Even intellectuals, much of the alone political parties, had differing viewpoints. In a similar vein, in several states, serpentine lines formed in front of banks and ATM machines were out of cash. True to expectations, the poor, disadvantaged, and small business owners suffered the brunt of the consequences. Surprisingly, the country's most vulnerable citizens backed the government's proposal, hoping that it would help eradicate corruption and black money from the system. Entrepreneurs considered ways to reduce the risks of red tape and make conducting business easier. In this context, a research was conducted to determine how demonetization has impacted small business owners in Bhubaneswar, the state capital. The surveys were individually administered to a sample of 100 people. Microentrepreneurs and their businesses suffered the greatest burden, according to data analysis. However, their personal relationships, as well as their willingness to adhere to conventional company practices and commercial savvy, have helped them retain clients and weather the storm. Surprisingly, despite their support for demonetization and preference for digitalization, relatively few micro businesses were discovered to have converted to electronic payment. The rest of the time, it was business as usual, with cash reigning supreme in all manner of small transactions.*

**KEYWORDS:** *Demonetisation, Digital Economy, Electronic Transaction, MSME, Micro Entrepreneurs.*

## 1. INTRODUCTION

One of the primary goals of demonetisation was to reduce the use of banknotes in the society. When we consider that the estimated 1.2 billion people use six hundred million debit cards and more than twenty million credit cards, it seems plausible [1]. The major stumbling block is the lack of point-of-sale solutions terminals, which cost a pittance of 1.5 million dollars, creating the idea that there would be less cash, which will not be the case in India. Furthermore, only approximately three percent of total of the population is taxed, with the unorganized sector accounting for 70 to 80 percent of the economy, resulting in a tax-to-GDP proportion of seventeen percent, compared to a worldwide average of 24 percent. Furthermore, according to a 2015 PwC study, cash payments contribute for about 95 percent of overall quantity and 65 percent of total worth of cash payments in India [2]. In addition, according to a World Bank report published in July 2010, India's shadow economy increased to twenty-three percent of GDP in 2007 from twenty percent in 1999. It was thought that the short-term discomfort would usher in the long-term benefit. Various research and studies indicate that it has had an impact on GDP growth, particularly in the MSME sector.

However, the citizens had to endure unspeakable sufferings. Following demonetisation, long lines formed at banks for both withdrawals and deposits. It's unclear if black money and the underground economy have been eradicated. According to the latest government estimates, about ninety-nine percent of the demonetised notes were restored to the economy, raising questions about the demonetization's effectiveness. New phony currencies have already emerged in the economy, which only adds to the government's well-intentioned goals being undermined. The majority of the black income has reappeared in the system via Jan-Dhan accounts, which have almost twenty-five percent cut on the capital and have been transformed to white [3].

## 2. LITRATURE REVIEW

Companies and individuals from all walks of life have been impacted by demonetisation. The pain was severe in the short to medium term. However, the prospect of long-term benefit remained. There seems to be no doubt that black money should always be removed from the economy. However, it'd be foolish to claim that demonisation is really the only way out in the lack of concrete evidence. As a result, it's critical to assess the economy's short and medium-term consequences. Likewise, the amount of credit, expenditure, activity level, and national budgets will all have an effect [4]. It would have had a beneficial effect, but only when it is applied in the correct spirit will it be realised [5]. It has had an impact on store sales as well as major brands. While attention was focused on the key areas of the business, the plight of the handicapped were overlooked, denied access and received no special treatment from banking institutions throughout the cashless economy experience.

Ahmed et al. concentrated on reform-driven efforts aimed at transforming India into a developed nation [6]. They anticipated a detrimental impact of cashless economy on the informal sector, as well as good long-term possibilities. They discovered that demonisation boosted the official economy while shrinking the informal one. They went on to say that it had an impact on the informal loan market and that digitization is the way to combat the black economy. However, given the difficulties faced by the individuals and the complexity in executing it, demonetisation should be seen as an emergent tactic for strategic choices rather than a regular instrument.

According to several estimates, the shift cost the economy 1% of GDP. Many corrupt people, according to some, have had their backbones shattered. However, the development of new phony currencies and a rise in deposits in Jan-Dhan accounts pose numerous concerns about its efficacy [7]. It is generally assumed that ill-gotten gains have found a safe refuge, with the poor paying the price. As a consequence, someone has created a fable that says, "For murdering 10 crocodiles, the authorities drained out all the water from the lake, destroying eight thousand fishes inside the lake, but the alligators strolled out with dry sand." It is typical of most economic changes; there still are quick, apparent, and frequently unequal costs, while the benefits are somewhat difficult to quantify. Regardless if satire or truth, the decision to demonetize is a bold one that demonstrates the governments strong will to combat corruption and illicit money. Another factor in the government's favour is the public support it has garnered. People, with the exception of a handful, have swallowed the demonetisation bullet [8]. Given that the biggest denomination of currency in circulation in the country, many have criticized its usefulness and implementation flaws. However, the same backdrop gives one the impression that there has been no one-size-fits-all approach to tackling black money and it's difficult to see how the resulting cash shortfall could have been addressed in advance without risking news leakage.

Many additional researches on India's shadow economy similarly cited the Indian legislative system's emphasis on forming commissions instead of executing its recommendations as one of the major causes for the creation of black money. As a result, the necessity of the moment is for the legislation to be adequate and well enforced in order to bring in black money [9]. It wasn't only individuals or companies that were affected; even families who had planned social events such as marriages had to postpone them. Farmers and daily wage workers had to abandon farming since they couldn't afford to pay their expenses [10]. This had a knock-on effect. Since the financial institutions were limiting cash, people would have to cut down on their expenditures. Sellers, motorbike and taxi drivers, transport operators, labours earning on daily basis, and small and medium scale merchants were among those who were unable to find employment.

### 3. DISCUSSION

The current investigation is focused on both direct and indirect data. Primary data was gathered from 100 small and medium entrepreneurs, including hawkers, small merchants, and vending zone proprietors, who live and work in the regional capital Bhubaneswar. About 70 of the gathered surveys were determined to be worth analysing. Views of individuals published in different paper articles, journals, and other publications have been incorporated in the secondary source due to the novelty of the idea and the smalltime-interval. To make relevant conclusions, primary data was analysed using means and proportions.

Demonisation was a remarkable event for many individuals throughout generations, classes, and businesses, who were frightened, bewildered, and disappointed. However, as shown by the press and past observations, some segments of society were much more impacted than others. According to different research, the cashless economy or demonetisation action affected the poorest individuals the most, including daily wage workers, minor sellers, micro businesses, and others. People who had social events planned, such as weddings or medical care, were especially hard affected. However, certain sectors and businesses, like as those that manufacture point-of-sale (PoS) devices, debit and credit cards, and fintech firms such as Paytm, prospered at this time. Though it might be too soon to determine, there has been a 0.2 percent change in financial capital employed. To get over the difficult times, several people have devised novel business strategies. Others, on the other hand, are on the verge of being destroyed. A survey was conducted among small and medium entrepreneurs in Bhubaneswar to determine trends and views. The following are the key studies:

**Table 1: Lists the participant's demographic profile.**

Age	No.	Percentage	Qualification	No.	Percentage
0-10	0	0.00%	Illiterate	3	4.23%
11-20	2	2.82%	Below 10th	11	15.49%
21-30	17	23.94%	10th	24	33.80%
31-40	27	38.03%	12th	14	19.72%
41-50	14	19.72%	Graduate	12	16.90%
51-60	7	9.86%	Post-Graduate	6	8.45%
61-Above	2	2.82%	Others	1	1.41%
Seasonal Business	2	2.82%			
<b>Total</b>	<b>71</b>	<b>100%</b>	<b>Total</b>	<b>71</b>	<b>100%</b>

As shown in Table 1, the majority of respondents involved in microbusiness are between the ages of 21 and 40, with 41-50 years accounting for approximately 20% of the total. In terms of education, the majority of respondents have completed matriculation, followed by upper secondary, while approximately 15% have not completed matriculation. It's worth noting that approximately eight percent of the participants were post graduates some of whom are involved in microbusinesses. The demographic composition of the respondents reflects not just the trend but also the perspective of small companies in Bhubaneswar and throughout the nation. They have a lower level of education and are beyond their prime. Any changes which go beyond their developed business model will put them out of business. As a result, future changes must address this problem so that their socioeconomic foundations are not shattered.

**Table 2: Illustrates the type of business with its percentage.**

Type of Business	No.	Percentage	Type of Business	No.	Percentage
Badam Seller	1	1.41%	Momo Shop	1	1.41%
Betel shop	6	8.45%	Omfed Stall	2	2.82%
Book Store	2	2.82%	Saloon	4	5.63%
Chat Stall	1	1.41%	Shoe Shop	1	1.41%
Cloth store-Street side	1	1.41%	Snacks Stall	2	2.82%
Egg Shop	1	1.41%	Stationary Shop	5	7.04%
Fast food	2	2.82%	Tailor	2	2.82%
Florist	4	5.63%	Tea Stall	4	5.63%
Fruit stall	1	1.41%	Umbrella Seller	1	1.41%
Fruit Vender	1	1.41%	Seasonal	6	8.45%
Groceries	3	4.23%	Variety Store	2	2.82%
Gupchup	5	7.04%	Vegetables & Stationary Shop	1	1.41%
Juice centre	1	1.41%	Vegetable Vender	4	5.63%
Mixture Shop	1	1.41%	Xerox	2	2.82%
Mobiles & accessories	4	5.63%	Total	71	100%

As can be observed in Table 2, the majority of micro businessmen work in betel shops or temporary businesses, accompanied by gupchup and office-supply shops. The majority of those polled also work in

floristry, cell-phone repair, saloons, tea stalls, and veggie sales. That would be in accordance with person's everyday needs that are affected by socio-cultural variables, and the majority of payments in these companies are performed in cash.

**Table 3: Illustrates perceptions and demonetization support.**

Perception			Support		
Yes	51	71.83%	Yes	55	77.46%
No	20	28.17%	No	16	22.54%
<b>Total</b>	<b>71</b>	<b>100.00%</b>	<b>Total</b>	<b>71</b>	<b>100.00%</b>

Table 3 shows that, like the rest of the nation, more than 77 percent of Odisha's small companies not only endorsed demonetisation, but also backed the anti-corruption campaign, in the expectation that the bribery problem would be eradicated once and for all. However, this assistance came at a price, as 76 percent of merchants saw a drop in their company turnover over the same time, while just 5% saw an increase. Following that, approximately 48 percent recovered the losses, while nearly the same proportion was unable to compensate the deficit, as indicated in Table 4. Because one of the goals of demonetisation was to encourage consumers to switch to digital transactions, many merchants attempted to follow suit. However, given the nature of their company and the kind of clients they service, the most pressing issue for these micro enterprises was ignorance, followed by a lack of funds. It was encouraging to discover that just around 7% of businesses had to deal with consumer opposition to adopting the virtual payment method.

**Table 4: Illustrates the effect on monthly turnover and loss coverage.**

Impact on Business			Loss Covered		
Same	13	18.31%	Covered	34	47.89%
Decreased	54	76.06%	Uncovered	33	46.48%
Increased	4	5.63%	Unknown	4	5.63%
<b>Total</b>	<b>71</b>	<b>100.00%</b>	<b>Total</b>	<b>71</b>	<b>100.00%</b>

Despite the advantages and convenience, many people disliked the digital method of payment, which may be due to socio-cultural and behavioural reasons. The merchants were stuck in a catch-22 position, trying to figure out how to automate transactions while also persuading consumers to do so. They didn't have time to prepare for the unexpected given the way it was presented.

**Table 5: Illustrates the demonetisation's innovative practices and expected prospects.**

Steps Taken to Retain Old Customers			Opportunities after Demonetization		
Door to door delivery	5	7.04%	Transparency	22	30.99%
Building customer relations	39	54.93%	Going Cashless	23	32.39%
Special offers	7	9.86%	Security	5	7.04%
Acceptance of old notes	1	1.41%	Reduced Credit	5	7.04%
others	19	26.76%	Others	16	22.54%
<b>Total</b>	<b>71</b>	<b>100.00%</b>	<b>Total</b>	<b>71</b>	<b>100.00%</b>

Though many ceased to persuade or transition to the current scheme after demonetisation, they focused mostly on achieving customer satisfaction (54%) and used many conventional ways to stay in business, such

as special deals (9%), home delivery (7%), and, in certain instances, accepting old notes (1%), as listed in Table 5. It was just a survival tactic, demonstrating their never-say-die mentality and capacity to adapt to any circumstance. Most businesses, true to their entrepreneurial spirit, viewed demonetisation as an opportunity towards becoming cashless and more credible, followed by additional possibilities like as higher business volume, quick product disposal, and so on.

**Table 6: Illustrates the gain after demonetisation.**

Less than a Month	22	30.99%
1-2 Months	27	38.03%
2-3 Months	7	9.86%
Still Struggling	14	19.72%
No Loss Suffered	1	1.41%
<b>Total</b>	<b>71</b>	<b>100.00%</b>

Table 6 indicates that, although being severely impacted, about 38% reverted to profitability after a gap of 1 to 2 months after demonetisation, and 30 percent in even less than one month. Surprisingly, approximately 1% claimed to have experienced no losses at all since they had long-term clients and never sacrificed on their strategy or service. However, the sad reality is that up to 20 percent of businesses are still suffering and unable to recover from the effects of demonetisation.

#### 4. CONCLUSION

Demonetization, although deadly, isn't just an end in itself. It's simply a toy that has the ability to backfire. Small businessmen, who've been gradually filling the job vacuum and responding to the various needs of the average person, have been severely harmed. Most of them already have accepted the demonetisation and are enthusiastic about it. However, the aftermath will be noticed after a period of time. People's confidence for the leadership should be used to the greatest degree possible. In addition, certain more measures should be done in the long term to soothe the public. In India, malfeasance is a socio-psychological phenomenon to some degree. Defeating ISIS with such severe measures would need the provision of fundamental necessities. Without a question, the shift has aided businesses and individuals in switching to plastic money rather than hard currency, but the availability of a strong and consistent internet connection is critical to its effectiveness. This effort may potentially be hampered by cyber theft. Financial and technical education, as well as the potential dangers of cashless transactions, must be pushed towards the public's attention. The administration, for its part, must leave no stone unturned in resolving today's issues as well as those that may arise in the future.

There are many assessments of the risks and revenues of every daring action at the conclusion. Authorities and thinkers continue to ponder if people who have been injured will be properly paid, and whether there is any other secret plan of action to assist those who are most prone to be adversely affected. This is critical in light of potential dramatic changes that may be required to transform the nation. Individuals might not even come out to defend projects if appropriate support mechanisms are not in place, resulting in the initiative's failure. As a result, aggressive actions must be backed up with enough backstage preparation and alternate resolution options.

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