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### EFFECTS OF COMMON MAN, SMALL BUSINESSES BAN ON RS. 500 AND RS.1000 WITH REFERENCE TO SPSR NELLORE DISTRICT.

C. Prakash<sup>\*1</sup>, K. Kalyan Kumar<sup>2</sup>

<sup>\*1,2</sup>Assistant Professor, Rao's Institute of Management Studies

#### ABSTRACT

In one of the verifiable changes of the economy of India, Rs 500 and Rs 1,000 notes were banned viable Tuesday midnight. This was one of the boldest developments by the Government of India reported over a 40-minute discourse. This plan has gotten blended responses till now. The dominant part of industry and ordinary people alike responded to this choice with overpowering backing. Though a few segments are of the assessment that it is a draconian plan making hardships individuals. It has likewise been contended that it would've been exceptional if a few days' notice had been given. That would, truth be told, have vanquished the whole reason for the plan on the grounds that by then the cash would have been coursed. Generally, this plan will affect the organizations and money related foundations – all at some level or the other.

**Keywords:-** ban of currency notes, small merchant business, general population.

#### I. INTRODUCTION

Accept at this point, each Indian must realize that Rs. 500 and 1000 coin notes would never again be acknowledged as substantial cash in India. i.e. they have been banned totally with quick impact from the midnight of 08Nov2016. This was the boldest choice ever.

Since we as a whole know about the choice, we should comprehend the impacts on different enterprises/organizations, regular man and different areas of the general public. Take note of that the effect of this choice will be for a brief span. Also, as things smooth and new notes get into dissemination, organizations will be back obviously.

#### The scheme

The rate of fake Indian cash notes in higher division has expanded. For conventional people, the fake notes seem to be like certifiable notes, despite the fact that no security highlight has been replicated. The fake notes are utilized for hostile to national and unlawful exercises. High category notes have been abused by fear based oppressors and for storing dark cash. India remains a money based economy henceforth the dissemination of Fake Indian Currency Notes keeps on being a hazard. So as to contain the rising frequency of fake notes and dark cash, the plan to pull back has been presented.

The lawful delicate character of the notes in divisions of Rs 500 and Rs1000 stands pulled back. In result thereof pulled back old high division (OHD) notes can't be utilized for executing business and additionally store of significant worth for future utilization. The OHD notes can be traded for esteem at any of the 19 workplaces of the Reserve Bank of India or at any of the bank offices or at any Head Post Office or Sub-Post Office.

#### II. SUBSTANTIAL UNFRIENDLY EFFECT ON THE ACCOMPANYING DIVISIONS

##### Dark cash hoarders

The main thrust behind this chronicled choice was to destroy dark money. A late study had pegged India's underground market economy at over Rs 30 lakh crore or around 20 percent of aggregate GDP. This is significantly greater than the GDP of nations like Thailand and Argentina.



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With this move in play, dark cash holders are left with only two choices – either course this cash through banks, pronouncing it to be their salary or smolder the stashed document. On the off chance that they settle on the primary choice, they should announce it as wage. Thus, the question emerges that how could they gain that wage? Their records would be subjected to examination and a base assessment of 60 percent (30 percent general duty rate with 100 percent punishment) would be payable on the pronounced sum on the off chance that it is observed to be undisclosed past pay. Regardless of the possibility that they demonstrate this as salary in the ordinary course of business, they should pay imposes on it according to current rate.

### **Fake note circuits**

A report by Washington-based research organization Global Financial Integrity assessed that India lost \$344 billion in illegal reserve outpourings somewhere around 2002 and 2011. PM Narendra Modi additionally said activists working against India were utilizing fake notes of Rs 500, worth about \$7.50 at current trade rates. "Fear based oppression is a terrifying thing ... But have you ever considered how these psychological oppressors get their cash? Adversaries from over the fringe have run their operations utilizing fake coin notes. This has been continuing for a considerable length of time," Modi said. (Source: Media Reports).

Henceforth, pulling back the whole arrangement of these high-esteem notes and acquainting new notes certainly equivalent with a surgical strike on these gatherings.

### **Rustic economy**

An exceptionally solid feedback of the plan that ran over is the conceivable draconian effect it can have on the country economy. India apparently has some place around 10 lakh bank offices all over India. In any case, there are 6.8 lakh towns alone and the vast majority of these towns are without a bank. Country economy for the most part flourishes with coin exchanges. The greater part of the populace does not have the smallest thought of saving money. This is probably going to appear to be a gigantic stunner for such areas. Jan Dhan conspire, UPI/computerized installment stack, and installment banks are still in the incipient stage. It will be quite a while before rustic India moves to totally cashless exchanges. In the short term, individuals in country India who have a lot of Rs 500 and Rs 1000 notes, however no official type of ID, will have an intense time in trading their notes.

### **Local/family area**

The rationale behind this demonetisation is to check the utilization of these high-esteem notes operating at a profit currency showcase. Nonetheless, prior demonetisation just affected the super rich, enormous dark marketers, and bootleggers / hawala administrators as just they kept high section notes.

Presently, practically everybody has Rs 500/1,000 notes. How do you expect individuals running staple shops, chaiwallas, and housekeepers to leave their organizations and remain in a line to store these notes in the bank?

### **Duty asylums and outside records still undiscovered**

The huge fish will be forgotten whose dark cash is as remote coin, gold, and buried in duty havens. The plan is not influencing the enormous volumes of dark cash stopped in Swiss/Panama Banks, seaward records, gold, and property, and so on. How the administration arrangements to grab these wrongdoers is yet to be seen.

### **Illegal race assets of political gatherings**

We as a whole know how much dark cash is utilized by political gatherings. It will be an exceptionally intense errand to utilize trucks of cash in any event for the forthcoming five state races.

### **Good effect for the accompanying:**



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### ***Bank stores will spike***

Banks are required to witness a surge in deposits. Especially, from individuals and organizations who have a great deal of legitimately earned money (for money based organizations). Furthermore, according to the new plan, up to Rs 4,000 will be quickly traded by banks and the adjust sum would be credited to the record holder. This will build bank's stores by a colossal edge. This, thusly, will build the loaning exercises.

### ***Collapse in the economy is normal***

The consolidated of the above effects would prompt to a more extensive effect on the economy, to be specific flattening. The coming six to seven months are relied upon to witness an impressive level of emptying. Divisions like land, development material, sloppy exchange and administrations will see critical agony in the close term.

### ***Affect on gems and land business***

The choice of the administration was broadly invited by the adornments business everywhere throughout the nation. The general assessment being gold request will ascend as individuals will have more confidence in the gold than the cash notes. It will for sure make destabilization for a little time, however general it is required to profit the business. Sloppy manufacturers and optional (resale) property market would be unfavorably affected after the administration's choice, as indicated by land engineers and advisors. Lodging costs could witness descending weight, resuscitating request in the languid lodging portion.

### ***Blended effect on the provincial division***

Notwithstanding the solid feedback that the provincial economy is probably going to confront the brunt of this plan, the conceivable constructive outcomes can't be invalidated. The vast majority of rustic exchanges occur in money notes and undocumented loaning and borrowings. Since the Rs 500 note is not any more legitimate delicate, rich landlords, and country lawmakers need to hurry to banks in the city

### ***While in transit to cashless economy***

With as far as possible on ATM withdrawals being confined to Rs 2,000 every day, withdrawals from financial balances restricted to Rs 10,000 a day and Rs 20,000 a week, it will drive the card installments the nation over (in less complex words card exchanges will gradually supplant the trade exchanges out day by day exercises).

### **Commonsense troubles that individuals will confront**

- ✓ The proprietors of the purchaser perishable stock like vegetable merchants, neighborhood food merchants, drain and organic product dealers will confront colossal inconvenience. Do they give their stocks a chance to decay and decline to acknowledge the Rs 500 note?
- ✓ Medical care is additionally prone to endure. According to the plan, government doctor's facilities would acknowledge these notes. Be that as it may, a large number of these administration healing centers request that you purchase prescriptions from outside. How are those exchanges to be settled? Additionally, more than 80 percent of social insurance is through private healing centers and nursing homes. How would they accommodate basic care and surgeries?
- ✓ How do visitors handle their exchanges? Do sightseers need to line up outside banks, changing Rs 4,000 at once at whatever point the banks get new cash stocks and open once more?
- ✓ Not more than 10 percent of Indian populace know 'how to work an ATM'. Thus, there will be immense lines in the banks and people (including every day wage laborers) should apply leave to remain in those long lines.
- ✓ In the instance of organizations taking after trade premise of bookkeeping too, there will be some viable challenges. For instance, cases where credit deals have been made and indebted individuals are expected for installment in these two days. The installments will get deferred and will add to the liquidity crunch.



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- ✓ There will be some real cases like the father pulling back enormous sum (say 10 lakh) of cash for his girl's wedding in next one to two days.

### III. OBJECTIVES OF THE STUDY

- To know the effects of Common Man, Small Businesses Ban on Rs. 500 and Rs.1000.
- To know the relationship between impact of Business and Ban of Currency notes.

### IV. RESEARCH METHODOLOGY

The data collection pertaining to the study involves on the basis of primary data and secondary data. The primary data have been collected from Small merchants who are doing business Nondurable goods, Consumer durable goods and Capital Goods. Nondurable goods include fast-moving consumer goods such as cosmetics and cleaning products, food, condiments, fuel, beer, cigarettes and tobacco, medication, office supplies, packaging and containers, plastics, personal products, rubber, textiles, clothing, paper and paper products and footwear. Consumer durable goods include automobiles, books, household goods (home appliances, consumer electronics, furniture, tools, etc.), sports equipment, jewelry, medical equipment, firearms, and toys. Capital Goods are seeds, fertilizers, tools, machines, raw materials and common people like students, professionals. The secondary data is undertaken from different websites.

The survey is conducted from the Small merchants and common people. Areas covered Ayyapagudi, Vedayapalem, Padmavathi Center, Kotthur, Gandhi Nagar, Vedayapalem, Dikas Road. Sample studies were selected sample size is 120 in Nellore town.

The following statistical techniques have been for the study

Correlation, t-Test and percentage method was extensively used for findings various details. It is used for making comparison between two or more series of data. It can be generally calculated.

Percentage of customers is given by = (Number of customers / total customers) \* 100

#### Hypothesis:

**Null Hypothesis  $H_0$ :** The population correlation coefficient IS NOT significantly different from 0. There IS NOT a significant linear relationship (correlation) between Change of currency and impact on business in the population.

**Alternate Hypothesis  $H_a$ :** The population correlation coefficient IS significantly DIFFERENT FROM 0. There IS A SIGNIFICANT LINEAR RELATIONSHIP (correlation) between Change of currency and impact on business in the population.

**Table – 1.1**  
**Problems faced by the Small merchants (Nondurable goods) ban of 500 and 1000 Rs. Notes**

Mode of Purchasing	No. of Respondent	Percentage
Yes	59	49%
No	33	28%
Somewhat	28	23%
<b>TOTAL</b>	<b>120</b>	<b>100%</b>



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**Interpretation:** 49 percent of nondurable goods merchants are faced by the problem for ban of 500 and 1000Rs. Notes, 28 percent given no problem faced and neutral is only 23 percent of merchants.

*Table – 1.2*

*Problems faced by the Small merchants (Consumer durable goods) ban of 500 and 1000 Rs. Notes*

Mode of Purchasing	No of Respondent	Percentage
Yes	72	60%
No	21	18%
Somewhat	27	23%
<b>TOTAL</b>	<b>120</b>	<b>100%</b>

**Interpretation:** 60 percent of consumer durable goods merchants are faced by the problem for ban of 500 and 1000Rs. Notes, neutral are 23 percent of merchants and only 18 percent given no problem faced.

*Table – 1.3*

*Problems faced by the Small merchants (Capital Goods) ban of 500 and 1000 Rs. Notes*

Mode of Purchasing	No of Respondent	Percentage
Yes	78	65%
No	19	16%
Somewhat	23	19%
<b>TOTAL</b>	<b>120</b>	<b>100%</b>

**Interpretation:** 65 percent of capital goods merchants are faced by the problem for ban of 500 and 1000Rs. Notes, neutral are 19 percent of merchants and only 16 percent given no problem faced.

*Table – 1.4*

*Problems faced by the common people (Professionals) ban of 500 and 1000 Rs. Notes*

Mode of Purchasing	No. of Respondent	Percentage
Yes	71	59%
No	21	18%
Somewhat	28	23%
<b>TOTAL</b>	<b>120</b>	<b>100%</b>

**Interpretation:** 59 percent of professionals are faced by the problem for ban of 500 and 1000Rs. Notes, neutral are 23 percent of merchants and only 18 percent given no problem faced.



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**Table – 1.5**  
**Problems faced by the common people (Students) ban of 500 and 1000 Rs. Notes**

Mode of Purchasing	No of Respondent	Percentage
Yes	64	53%
No	32	27%
Somewhat	24	20%
<b>TOTAL</b>	<b>120</b>	<b>100%</b>

**Interpretation:** 53 percent of students are faced by the problem for ban of 500 and 1000Rs. Notes, 27 percent given no problem faced and neutral are only 20 percent of merchants.

From the above hypotheses, two variables are obtained for obtaining Change of currency does not show the impact on business or Change of currency show the impact on business. Yes and somewhat as X variable and No is Y Variable

**Table – 1.6**

Attributes	X	Y
<b>Nondurable goods</b>	87	33
<b>Consumer durable goods</b>	99	21
<b>Capital Goods</b>	101	19
<b>Professionals</b>	99	21
<b>Students</b>	88	32

**Table – 1.7**

## **t-Test: Paired Two Sample for Means**

	X	Y
Mean	94.8	25.2
Variance	45.2	45.2
Observations	5	5
Pearson Correlation	-1	
Hypothesized Mean Difference	3	



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Df	4
t Stat	11.0754153
P(T<=t) one-tail	0.00018899
t Critical one-tail	2.13184678
P(T<=t) two-tail	0.00037798
t Critical two-tail	2.77644511

**Decision:** REJECT the null hypothesis.

### V. CONCLUSION

There is sufficient evidence to conclude that there is a significant linear relationship between Change of currency and impact on business, because the correlation coefficient is significantly different from 0.

### Suggestions and conclusion

- Do not surge. It is a wrong idea that you don't have time. You have time until December 30, 2016, to trade your notes and store your entireties. Truth is told, even after December 30, 2016, these old notes can be traded from the RBI workplaces till March 31, 2016. The administration will concoct facilitate notices and elucidations for facilitating issues. Along these lines, it is fitting to sit tight for quite a while, say eight to 10 days before hustling with the store and trade.
- The division will monitor each person, their PAN card detail, and count it with assessment recording done amid the end of the year. Submit legitimate and honest to goodness reports.
- A part of individuals are additionally tolerating and saving the money equalizations of their companions and relatives indiscriminately in their own particular record without legitimate archives. This can lead you constantly towards investigation on wellspring of creating money without appropriate KYC and right source.
- Keep as a main priority that the Income Tax office will be always on check for exchanges of money trades past Rs 2.5 lakh or store in bank account past this farthest point. Subsequently, keep a note of your current record adjust roof before storing them into your record.
- ATMs won't acknowledge money stores. Thus, store the sums in your separate bank offices.
- Finally ban of currency notes are showing more impact on small merchant business.

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