

Small businesses bear brunt of demonetization

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On 8th November 2016, PM Modi's announcement became the breaking news across the country when he declared that I Rs.500 and Rs.1000 notes were no longer legal tenders of republic of India.

PM the aim of the step was to remove all counterfeit (fake) currency from market which is used in tax evasion, corruption and even in funding terrorist activities. On one hand demonetization was a really a masterstroke which would help in fighting against corruption, black money, and tax evasion but also to increase economic growth, decrease poverty, and have an affordable health care and living. But on the other hand, demonetization is harmful for small business. India there are some small entrepreneur have their whole business on cash basis. They suffered very badly during that time. Some small business man said they faced much difficulty in paying cash even hawkers for intra- city transport and workers, who paid weekly. Even that period some tiny business man sells their product on credit. In India there has million plus tiny and small units. "There will



be no production for a month and a half". Medium sized enterprises can easily tide over cash crunch. But most tiny and micro enterprise is proprietors owned and are managed by just one person. They are in terrible shape that time. Handicraft is the first sector which was affected by demonetization. Because all worker in this sector work on cash bases. **Example of how an entire chain of business in the handicraft sector was adversely affected?** In Uttar Pradesh there is large no. of brass industry. The raw material for brass is supplied by people who deal in scrap. They sell scrap to the condensation who buys it in cash. The scrap is melted. It is turned into brass

bar. Every of stages are based exclusively on cash. And then the brass products come into the distribution network. That too, works on cash. It is apocalypse for micro, small and medium enterprises. And that is because the entire sector is mostly cash based. If the government realizes it has created a blunder, it can seek to undo the blunder through reforms proportional with the problems these enterprises encounter. Many small units are still recovering their losses from the demonization.