

Impact of Demonetisation on Micro, Small and Medium Scale Enterprises

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Abstract

Demonetisation or the 'notebandi' of One thousand Rupee and Five Hundred Rupee currency notes denominations on 8th November, 2016 by the Indian government (RBI 2016b) has been by far the most drastic monetary measure to impact the Indian economy in recent memory. The rather untraditional monetary measure was championed by the government of the day as a surgical strike on black money, terror financing, counterfeit currency and corruption. The demonetization was definitely designed to be a great disruptive policy decision primarily aimed at moving the economy from a cash reliant to a technology driven economy. The note bandi was a bolt from the blue for the MSME's especially for the unorganized sector. MSME's were most severely hit post demonetisation. The unorganised segment which are traditionally 100% cash reliant were hit the maximum. The extent of compliance will be known only in the long run and is a subject matter of investigation for researchers in the near future. All India Association of Industries (AIAI) President Vijay Kalantri while lauding the intent behind demonetisation process cautioned against pushing for a total digital cash economy given the severe lack of digital infrastructure and a dismally low level of digital literacy.

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