



BEING PROACTIVE THE KEY TO POSITIVE CHANGE - IMPACT OF DEMONETIZATION ON UNORGANIZED RETAIL SECTOR IN VIJAYAPUR CITY

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ABSTRACT

The demonetization move had come like a shock to the nation where it brought the transactions of the economy to a minimum because of reduction in liquidity and people sprouting to what all other modes of payment were possible. This paper focuses on the impact of demonetization on the retailers and especially the unorganized retailers since they usually transact and save in cash. This paper is descriptive in nature. It aims to study the challenges faced by the unorganized retailers post demonetization, awareness level of the unorganized retailers of the various modes of payment and alternatives adopted by the unorganized retailers to reduce the impact of the demonetization and face the challenges smoothly. This study concludes that the payment of daily expenses to sustain the operations of their business being one of the main challenges which of course is a consequence of the challenge faced for exchanging new currency, availability of new currency and of course low sales. Post Demonetization we find that E-Wallets is used as an alternative mode of payment which has been adopted mostly by the retailers and have found popularity.

KEYWORDS: Retail Sector, Demonetization, and Unorganized.

INTRODUCTION:

The demonetization move of the PM Narendra Modi on November 8th, 2016 has taken whole economy on a shattering swirl. According to Investopedia, "Demonetization is the act of stripping a currency unit of its status as a legal tender". This move has removed 86.4% of the total currency in circulation. This has had come like a shock to the nation where it brought the transactions of the economy to a minimum because of reduction in liquidity and people sprouting to what all other modes of payment was possible.

The definition of retail is the business or person that sells goods to the consumer, as opposed to a wholesaler or supplier, who normally sell their goods to another business.

The Indian retail industry is divided into two sectors-Organized and Unorganized. Organized outlets are "any retail chain (more than two outlets) which is professionally managed (even if its family run), has an accounting transparency (with proper usage of MIS and accounting standards) and organized supply chain management with centralized quality control and sourcing (certain parts can be locally made) can be termed as an "organized retailing". But unorganized retailings are the outlets which are run locally by the owner or caretaker of a shop that lacks technical and accounting standardization. The supply chain and sourcing are also done locally to meet local needs. Organized retailing is based on the principle of unity and unorganized retailing is based on the principle of singularity.

The organized retailers are already familiar with the banking transactions and many have a PoS installed in their stores. But it's the unorganized sector mostly that faces the brunt of demonetization as



they contract in cash and save in cash. According to the IBEF (2016), the Indian retail market is in the nascent stage and the unorganized retail market accounts for a whopping 92 per cent of the total Indian retail market. In the year 2019, it is estimated that unorganized retail market will account for 87 per cent of the total retail market.

The remainder of this study is organized as follows: Section II presents the problem and methodology used in the study, Section III reviews the related literature, Section IV reveals the empirical results and analysis. The last section V summarizes and concludes the study.

STATEMENT OF THE PROBLEM:

India being an economy which is largely cash driven has made the demonetization move to have repercussions on the retail sector out of which 92 per cent is belonging to the unorganized retail sector and is largely cash based. Due to demonetization, adopting to the order of the day is a prerequisite for them. The push for adapting to other modes of payments is considerably made by government and other financial technological companies but still the economy is yet to reach that close.

OBJECTIVES OF THE STUDY:

- To study the difficulty faced by the retailers' post demonetization.
- To analyze the awareness of the retailers regarding the modes of payment.
- To find the alternatives adopted by the retailers to reduce the impact of the demonetization and challenges faced by them in the process.

METHODOLOGY:

This research paper is descriptive in nature. The study is based on Primary data. The primary data has been collected through structured questionnaire from the unorganized retail stores set up in the Bangalore City, Karnataka by conducting personal interviews. Primary data have been collected from the unorganized retailers located in Bangalore city Region, Karnataka. The convenient sampling method was used were 10 samples were taken from each region.

LITERATURE REVIEW:

Impact of demonetization on the retail sector:

Business Today (2016) observes that with 92 per cent of the country's workforce belonging to the informal sector, the economic slowdown due to the move is having a wide impact, the immediate effect of demonetization is collapse of retail activity and trade in goods and services, including daily-wage services. The activity will recover as the transaction demand for currency is met.

Business World (2016) in its opinion on Demonetization states that since around 86 per cent of the money circulation was abolished whose replacement takes around 3-4 months exercise. Therefore, discretionary spending will have a lag effect. At least for two quarters will be affected.

A working paper at the National Institute of Public Finance and Policy observes that the impact of demonetization will be more severe on the individuals who earn incomes in cash and spend it in cash. To a lesser extent on the individuals who earn incomes in non-cash forms but still need to withdraw money for consumption purposes. It also observes that the impact of demonetization will also be in terms of the sectors of the economy mainly those sectors which are backed by cash, especially those not within organized retailing. There would be two types of effects; one is that if the supply exceeds demand there would be a fall in the price but if at all supply too gets curtailed for want of medium of exchange prices might in fact raise.

Exposure to Digitization:

An insight into the future of retail automation, 2015 observes that the local kirana shops, owner-manned general stores, chemists, footwear shops, apparel shops, pan shops, hand-cart hawkers and pavement vendors are still going strong and they are still not yet digitized with the Point of Sale.

Need to adapt to change:

According to a recent study by Assocham-RNCOS titled “Indian M-Wallet Market: Forecast 2022” the mobile wallet industry is projected to jump from Rs 20,600 crore to Rs 55 lakh crore. “Before demonetization, Wallets were an option. Now they are a need,” says founder of mobiwik, a mobile wallet company.

The USSD platform, which is hosted by the National Payments Corporation of India (NPCI), allows transactions to be conducted on the cheapest phones without the need for even an internet connection. Users can make peer-to-peer payments, generate mini statements and carry out even other required transactions by just dialing *99# on the GSM phones. The government is also giving incentives to encourage more cashless payments: On USSD they have had around 100 winners announced every day since December 25 and they have been given prizes.

Indian Retail Trade:

According to Vodafone survey identifies that as much as 92 per cent of the \$800 billion worth of annual retail purchases in India are made in cash, which was done prior to launching a digital wallet app M-PESA PAY in the country. BCG report: Digital Payments 2020 observes that India’s average number of card transactions per capita, at 6.7 which is among the lowest in the world when we compare it to Australia, Brazil and China.

India Today (2017) states that there is a reluctance to use credit and debit cards because there is always a traditional preference for the look and the feel of cash. But since there is less cash, and as e-cash technologies flourish, it is a natural progression for any country. It also observes another issue of Digital Economy that is the complexity of digital payments which of course impacts universal acceptance. Another issue is the lack of awareness and clarity while transferring money from an e-wallet to one’s bank account, and there are fears of fraud and hidden fees. There’s also that people perceive the technology is inferior and the support infrastructure is poor. It finally concludes that the fee structure should be kept low so that it attracts the unorganized retailers.

Nandan Nilekani former UIDAI boss and Infosys co-founder to an interview to India today (2016) that by putting all the weight behind the digital transactions and increasing their proportion, liquidity will be brought back into the economy. He also states that the PoS (Point of Sale) machines are less in India and above that there are transaction fees charged. He observes that 350 million people have a featured phone; they have a data support channel called Unstructured Supplementary Service Data (USSD) which can also do banking transactions and 250 million people who have smart phones use the Unified payment Interface which is a very advanced mobile-to-mobile payment system.

DATA ANALYSIS & INTERPRETATION**Table 1: Respondents Characteristics and classification**

Demographic Item	Categories	Number of Respondents	Valid Percent	Cumulative Percent
Sex	Male	34	85.0%	85
	Female	6	15.0%	100
Age	18 - 27	11	27.5%	27.5
	28 - 37	16	40.0%	67.5
	38 – 47	7	17.5%	85.0
	48 and Above	6	15.0%	100
Nature of Business	Service business	11	27.5%	27.5
	Manufacturing Business	5	12.5%	40.0

	Merchandising Business	16	40.0%	80.0
	Hybrid Business	8	20.0	100

Table 1 gives the details of the respondents based on gender. It shows that 85 % of the respondents are male while only 15 % are female respondents. This shows that highest percentages of entrepreneurs are male members.

It also gives the detail of the classification of the age group of the unorganized retailers. It shows that 40 % of the respondents fall between the age group of 28 years and 37 years. The next highest age group of the retailers falls between 18 years and 27 years.

It also gives the details of the nature of business of the unorganized retailers. It shows that 40 per cent of the respondents are dealing with merchandising business.

Table 2: Extent of Operations backed by Cash

Extent of Operations backed by Cash	Number of respondents	Percentage	Cumulative Percent
Fully	28	70%	70
Partly	12	30%	100
Total	40	100%	

Table 2 gives the details of the extent of business operations which is backed by cash of the unorganized retailers. It shows that 70 percent of the respondents are dealing their operations by cash and where as remaining 30 percent are dealing partly in cash and partly with other means of payment already adopted.

Table 3: Repercussion on the Activities of the store

Impact on the store	Number of respondents	Percentage
Yes	40	100.0%
No	00	0.0%
Total	40	100.0

Table 3 very clearly states that all the respondents have had an impact on the operations of their business.

Table 4: Repercussion on the activities of the store

Ways of repercussion	N	Minimum	Maximum	Mean	Standard Deviation
Exchanging for new currency	40	0	1	.40	.496
Accessibility/Availability of new currency	40	0	1	.60	.596
Payment of daily expenses	40	0	1	.10	.304
Unsold/Slow moving inventory	40	0	1	.20	.405
Decrease in prices	40	0	1	.10	.304
Total	40				

Table 4 gives the mean scores of the various repercussions on the operations of their business. The table shows that the respondents have had the maximum challenge in the payment of their daily expenses which has a mean score of 4.40. The minimum challenge faced by the respondents is decrease in prices of their commodities with a mean score of 2.50.

Table 5: Awareness level of the different modes of payment

Awareness Level of Retailers	Frequency	Percent	Cumulative Percent
Don't know	8	20.0%	20.0
Know to Some extent	28	70.0%	90.0
Know to substantial Extent	4	10.0%	100
Total	40	100.0%	

Table 5 gives the details of the awareness level of the different modes of payment. It shows that 70 percent of the respondents know the various modes of payment other than cash to some extent.

Table 6: Alternatives adopted by Retailers to reduce the impact of Demonetization

Measures adopted to face the challenges	N	Minimum	Maximum	Mean	Standard Deviation
Credit	40	0	1	.40	.496
E-Wallets	40	0	1	.60	.596
PoS	40	0	1	.20	.405
Acceptance of illegal tender	40	0	1	.10	.304
BHIM_app	40	0	1	.10	.304
Others	40	0	1	.10	.304
Valid N (list wise)					

Table 6 gives the details of the alternatives adopted by the respondents to reduce the impact of the demonetization. It shows that the alternative adopted or used by the respondents to reduce the impact of the demonetization is E-Wallets with a mean score of 0.60.

Table 7: Challenges faced to adapt to modern technology

Challenges faced	N	Minimum	Maximum	Mean	Standard Deviation
Not adopted	40	0	1	.20	.405
Lack of Clarity	40	0	1	.28	.452
Complexity	40	0	1	.30	.464
Traditional Preference for cash	40	0	1	.50	.506
Poor Infrastructure	40	0	1	.10	.304
Hidden transactions fee	40	0	1	.20	.405
Poor technical support	40	0	1	.10	.304
Others	40	0	1	.10	.304
No Challenges	40	0	1	.10	.304
Valid N (list wise)					

Table 7 gives the details of challenges faced to adopt to modern technology or alternatives to different modes of payment. It shows that the traditional preference for cash is one of the main challenges faced by the respondents to adopt to modern technology with a mean score of 0.50.

CONCLUSION:

The demonetization undertaken by the government has been surely a shock to the people in the economy. But it has been adopted quite well by the people. Change is inevitable but how well do we face and adapt to the changes is relevant. The unorganized retailers though are dealing mostly in merchandising business and fully in cash. Even though the awareness level of the different modes of payment among the retailers is to some extent but many have been still transacting in cash. This may be due to the traditional preference for cash. We see that they have had various challenges to face the brunt of demonetization. The

payment of daily expenses to sustain the operations of their business being one of the main challenges which of course is a consequence of the challenge faced for exchanging new currency, availability of new currency and of course low sales. Post Demonetization we find that E-Wallets is the alternative mode of payment which has been adopted mostly by the retailers and have found popularity. Though the retailers have had a significant impact on the operations of their stores they have had been proactive enough to adapt to latest changes in the economy and accept it with open arms.

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