

Post Impact of Demonetization on Retail Sector: A Case Study on Retail Outlets at Malur Town of Kolar District

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Abstract

Demonetization is the act of stripping a currency unit of its status as legal tender. The Government of India declared that the Five Hundred and one thousand rupee notes will no longer be legal tender from midnight, 8th Nov 2016. This move is expected to cleanse the formal economic system and discard black money from the same. This paper tells about that what are the post effects of demonetization on retailers. This paper also throws light on how much problems faced by shopkeepers, how their business effected and the effects on most popular brands sale.

Keywords: Demonetization, Retailer, Consumer, black money, economic system

Introduction

The Indian Retail Industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10% of the country's GDP and around 8% of the employment. India is the world's fifth-largest global destination in the Retail Space. Indian Retail Industry has immense potential as India has the second largest population with affluent middle class, rapid urbanization and solid growth of internet. India's retail Market is expected to increase by 60% to reach US \$ 1.1 trillion by 2020, on the back of factors like rising incomes and lifestyle changes by middle class and increased digital connectivity.

Demonetization and Retail Outlets

Demonetization is done when a country wants to change its currency. The introduction of demonetization address black money issues and also helps to increase the digital economy in India. The step taken by the Central Government is considered as the courageous step to fight against the unaccounted money in India. The demonetization had an impact on several sectors, and it has impacted the retail industry due to a liquidity crunch. As the Indian Retail industry generates a lot of cash transactions a reduction in sales will continue in the short-term. This impact is being felt largely by small traders and the unorganized retailing segment prevalent on many high streets across the country as compared to the organized retailing and malls. Some Sectors like jewelry and the luxury segment have been impacted more than others and doubtlessly take much larger to revive. However, the use of plastic money and transactions through online payments will continue to release money into the retail Market. In the Medium-to-long run, domestic consumption will be stable owing to India's strong economic base and favorable demographics. In addition, as more retailers encourage alternative/digital payment solutions the market ecosystem will become more transparent and structured going forward. However, demonetization has resulted in visibly reduced low footfalls in shopping Malls, but this effect is temporarily and will turn around in few weeks as more currency circulates in the system and improves the purchasing power of consumers. The long-term growth story of the Indian Retail Sector continues to be one of resilience and growth.

Objectives of the Study

1. To analyze the post impact of demonetization on Retail outlets.
2. To study the background of demonetization in India.
3. To know the trends and behavior change in consumers and shopkeepers buying.
4. To know the effect of demonetization on top brands

Research Methodology

The study is based on the combination of both analytical and descriptive. The survey was conducted on selected shopkeepers based on convenience sampling Method and also data collected through secondary sources.

Finding of the Study

1. 80% shopkeepers told that from 9th Nov 2016 to 10th Dec 2016 there was 20% increase in their sale due to accepting the old currency but after 10th Dec 2016 there was 50% decrease in sale due to not availability of proper cash.
2. The wholesalers denied to extend the credit span of time
3. Shopkeepers started paytm and cheque facilities for consumers.
4. 50-60% shopkeepers had to extend the credit facilities for consumers
5. Brands like P&G, HUL, Parle etc demand effected only 15-20% due to brand loyalty
6. Spend per customer per visit drop by 40%
7. Items bought per customer decreased by 20%
8. The impact is Temporary but huge 30% drop in sales at organized place while in unorganized places it will go down by over 65%
9. The impact has been more in rural areas and relatively less in urban areas.
10. The impact is felt more by the small traders and the unorganized retailing segment like low-cost retailing such as the local kirana shops, owned Manned general stores, paan/beedi shops, convenience stores, pavement vendors, rather than the organized retailers like Reliance, Big Bazaar, More etc.,

Positive Impact

- There is no doubt that demonetization is a great move for a better future of India and its economy. It will definitely influence many more shoppers to start using plastic money in the long-run.
- The trend of e-wallet will rise substantially in the long term as such payment methods became more mainstream.
- Retailers will encourage alternate/digital payment solutions will help the market place become more transparent and structured.
- The luxury segment with its historically high incidence of black money acceptance will see more transactions in white than ever before.
- E-wallets lead to more cashless economy which may take the transaction cost down and resulting in more productivity.

Negative Impact

- As Indian retail segment generates a lot of cash transactions there might be reduction in the sales.
- Demonetization could impact the country's economic growth significantly in the short-term.
- Currency demonetization has caused consumption to fall at the rate of 30% in segments including luxury and food beverage.
- Demonetization has resulted invisibly reduced low footfalls in shopping Malls, but this effect is temporary
- All the share of digital transaction because of demonetization has increased with 100% respondents agree into this fact but the retailers believe that it would not have any positive impact on the business.

Conclusion

To sumup, the study shows that initially the demonetization effects on market were painful but this also instigate the shopkeepers and consumers to adopt cashless wallets. Even though there is sufferings and agony among the masses right at the moment but the forecast is that its benefits will be seen in the long run. It is clear that demonetization has impacted the retail industry. The consumers are buying more products through online instead of retail shop due to cash crunch.

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