

‘RETAIL TRADERS’ PERCEPTION ON DEMONETIZATION’

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Abstract: Honourable Prime Minister Narendra Modi led Government's move to demonetize the currency notes of the value of 500 and 1000 on 8 November 2016, as claimed by the government, was made to curtail the shadow economy and crack down on the use of counterfeit cash to fund illegal activities and terrorism as well to expose the black money holders in the country. Other intentions were to bring more people in the tax bracket, increase government revenue, reduce individual tax burden and encourage digital transactions in order to ensure transparency in transactions. Although the move might signify a healthy establishment for the country in the future, one can't help but admit the immediate impact or the consequences it has had on various sectors within the country. The retail sector is prominent among them. Given the high propensity of Indians to deal in cash, the immediate aftermath of demonetization has caused considerable inconvenience among retailers and their customers. Small traders have been affected the most as they faced a considerable decrease in sales. Consumers in turn postponed their spending due to non-availability of cash. Many of these small retailers are not equipped enough to make provisions of digital payments for their customers, and for this reason they have to go through lot of hardships. As the retail traders form a large chunk in the distribution channel, the present study has been initiated and an effort is made through a survey to analyze their perception towards positive and negative aspects of the demonetization that influenced their businesses.

Key Words: Demonetization, Retail Traders, Cashless Economy, Traders' perception, Digitalization.

1. INTRODUCTION:

Indian retail industry is one of the pillars of the Indian economy and accounts for about 10 percent of its GDP. Indian retail sector is one of the fastest growing retail markets in the world with 1.2 billion people. India is the world's fifth-largest global destination in the retail market space. Indian retail industry is highly dependent on cash transactions. Cash is the life blood for the retail industry and demonetisation of currency notes has had a greater impact on this industry. Demonetization is the tactical move by Narendra Modi's Government to demonetize the currency notes of the value of 500 and 1000 with the intention of eradicating corruption and exposing the black money holders in the country. According to Reserve Bank of India out of the total value, higher denomination notes accounted for significant share of 86.4 percent, while remaining share of 13.6 percent was held by smaller currency notes. Though the move might signify a healthy establishment for the country in the long run, but the immediate impact or the consequences of it on various sectors within the country cannot be ignored. Retail sector has also been a sufferer of this situation as 96% of the dealers use cash transaction. As retail industry has a high volume of cash transactions Prime Minister Modi's demonetization announcement has caused considerable inconvenience among retailers and their customers. Small traders and vendors have been affected the most as they are facing a decline in their sales due to demonetisation. Most of the small retailers are not sufficiently equipped with provisions of digital payments for their customers, thus they are facing a lot of difficulties. Small retail traders are being ignored by the customers as they don't have the provision of accepting debit/credit card or any of the digital payment modes or mobile wallets. Thus, retail industry had to suffer from problems like reduction in customers, unable to make payments to creditors, increase in debtors, and availability to cash. It was however noticed that those retailers who had started non cash methods of payment before demonetisation were able to withstand the situation much better. This paper is an attempt to study the effects of demonetisation and problems faced by retailers who dealt with only cash transactions before demonetization, and the effects of their counterparts who used both cash and non-cash transactions even before demonetization.

1.1. OBJECTIVES OF THE STUDY:

- To study the mode of conducting business operations before demonetization
- To examine the mode of conducting business operations after demonetization
- To analyse the association between mode of trades and transaction dealings and other business operations
- To examine the relationship among positive aspects of demonetization
- To offer suggestions based on the findings of the study.

1.2. STATEMENT OF PROBLEM:

The study is conducted to analyse the retail business and the payments modes used by retail sector before demonetisation. It emphasizes on impact of demonetisation on retail sector with special reference to small retail traders and the steps taken by the retail sector to overcome the impact by introducing digitalisation in their payment modes.

2. REVIEW OF LITERATURE:

Pankaj Renjhe (Nov 23, 2016), “Demonetization's Impact on Indian Retail”, expressed that demonetization has impacted retail sector largely because of large cash transactions, especially, small unorganized retailers

Tarique Mansuri, (November 29, 2016), “Impact of Demonetization on Organized Retail Industry in India”, revealed that plastic money usage has increased to 55-60% in retail industry immediately after demonetization.

Pallav Singhania, (December, 2016) “The Impact of Demonetization on The Indian Markets” expressed that the downfall in Indian economic activity because of demonetization could last from 2 to 3 quarters. As a result, GDP growth rate in the quarters from September to December 2016 and January to March 2017 could be considerably lower than preceding years. Some growth might be observed in the first quarter 2017.

3. RESEARCH METHODOLOGY:

a. Research design:

The study is descriptive and mainly analytical research design.

b. Universe/Population:

The study includes various small and medium individual retail traders operating in Bangalore.

c. Sample Size:

The study is conducted on a sample size of thirty five small and medium individual retail traders operating in Bangalore city.

d. Methods of Data collection:

The study made use of both primary and secondary data

i. Primary data: collected through administering a structured questionnaire to respondents

ii. Secondary data: collected through newspaper articles, information on the web and expert opinions.

e. Sampling technique:

A simple random technique used to select the respondents, but care is taken not to include very small petty shops.

4. ANALYSIS OF DATA:

The data was collected taking considering 3 months from November 2019 to January 2020. The collected data was tabulated and analysed through SPSS software.

5. PLAN OF ANALYSIS:

a. Techniques of analysis:

The data has been analysed by using various statistical tools and techniques such as percentage, mean and Spearman Correlation.

The study has done **cross analysis between positive aspects**.

The study also analysed the association between independent and dependent variables **through Chi-square test (χ^2)**.

b. Variables:

Variables have selected to examine and comprehend the impact on the retail traders’ business immediately after demonetization

Independent variables: Two variables have been selected on **Mode of trades conducted before demonetization**

1. Cash Mode

2. Non-cash mode

Dependent variables:

Dependent variables have been divided into two groups as follows

GROUP 1- TRANSACTION DEALINGS
Faced difficulty in cash transactions
Faced difficulty in credit transactions
Difficulty in receipts (amounts) from customers
Increased deferred (credit) payments
Difficulty in getting money for day to day transactions

GROUP- 2 OTHER BUSINESS OPERATIONS
unable to pay suppliers
Non-availability of credit from suppliers
Difficulty in acquiring finance from banks
Difficulty in acquiring finance from other sources
Difficulty to procure materials
Reduction in number of customers
Difficulty caused due to lack of transportation to transport goods
Suffered temporary shutdown of business

HYPOTHESES:

Two Null hypotheses have been framed to identify the association between independent and dependent variables.

1. H₀ = There is no significant association between mode of trades and transaction dealings.
2. H₀ = There is no significant association between mode of trades and other business operations.

LIMITATIONS OF THE STUDY:

1. The study is limited to Bangalore city.
2. The study is restricted to only 35 respondents
3. The study is dependent on the admittance of information by the respondents.

6. ANALYSIS AND INTERPRETATION:

Analysis and interpretation of primary collected through structured questionnaire is explained through following tables and graphs.

A. INDEPENDENT VARIABLES

TABLE: 1- MODE OF TRADES

	Frequency	Percent
Cash basis	22	63
Non cash basis	13	37
Total	35	100

Interpretation:

Among thirty five respondents 63% of them have been adopting only cash mode of trading business only 37% of retail traders have other alternative methods

B. BUSINESS AND DEMONETIZATION:

TABLE: 2 -BUSINESS DEALINGS GENERALLY ON

Response	Frequency	Percentage	Average Ranking
Cash basis	15	42.90	II
Cash and credit basis	20	57.10	I
Total	35		

TABLE: 3-ADOPTION OF NON-CASH MEASURES BEFORE DEMONETIZATION

Measures	Frequency	Percentage %	Average Ranking
Debit card acceptance swiping machine	10	33	I
Online account transfers	4	14	II
Acceptance of cheques	10	33	I
Acceptance of online wallets	6	20	III

Interpretation:

Among 35, 13 respondents, had adopted non-cash measures before demonetization, some of them adopted more than one measures. Debit and credit card swiping machines and acceptance of cheques were mostly used to the extent of 33%. Next priority was given to wallets to the extent of 20% and last option was given to online account transfers to the extent of 14%

TABLE: 4- REASONS FOR NOT ADOPTING NON -CASH MEASURES BEFORE DEMONITIZATION

Reasons	Frequency	Percentage	Average Ranking
Unaware	9	31	II
Disinterestedness	5	17	III
Taxable	3	10	IV
Consumers preference	12	42	I
Total	29	100	

Interpretation:

On reasons for not adopting non cash measures before demonetization, 40% opted for consumer preference and 31% for unaware of the cash less methods. 17% of them expressed disinterestedness and a very few of 10% revealed that their business becomes taxable and less revenues as small traders, so becomes difficult to high taxes.

TABLE: 5- ADOPTION OF LESS CASH / DIGITAL MODE AFTER DEMONETIZATION

Response	Frequency	Percentage	Average Ranking
Yes	26	74	I
No	9	26	II
Total	35	100	

Interpretation:

The survey revealed that out of 35 respondents, 26 have adopted less cash / digital mode after demonetization and remaining 9 have not yet adopted. There is only a marginal increase of 4 traders (26-22), who have shifted to non-cash method along with cash method after demonetization

TABLE: 6- ADOPTION OF NON-CASH MODE AFTER DEMONETIZATION

	Frequency	Percentage	Average Ranking
Cheques	7	19	III
Online A/c transfer	8	22	II
Swipe Machine	7	19	III
Wallet	10	28	I
Any other	4	12	IV

Interpretation:

The 26 respondents have started adopting more than method non-cash payments. First priority was for use of wallets, followed by online transfer, cheques, swipe machines and some they also got transferred to their spouse’s accounts.

TABLE: 7-SALES TURNOVER FROM NOV2016-DEC 2016

Decrease in sales turnover %	Frequency	Percentage %
0% - 20%	3	9
20% - 40%	8	23
40% - 60%	12	34
60% - 80%	10	29
0% - 20%	2	5
Total	35	

Interpretation:

Many of the respondents (34%) have expressed that there is a drastic decrease in sales to the extent of 40%-60%, followed by 29% respondents who expressed that decreased in sales to extent of 60%-80%. Respondents of (23%) revealed there is decrease in sales is to extent of 60%-80% the balance of 9% and 5% opined decrease in sales to the extent of 0% - 20% and 0% - 20% respectively.

**C. RETAILERS’ PERCEPTION
 NEGATIVE ASPECTS OF DEMONETIZATION**

TABLE: 8- TRANSACTION DEALINGS

Mode of Trades	Transaction Dealings	(CHI-SQUARE TESTS)			Inference
		Value	df	Asymp. Sig. (2-sided)	
Cash	a) Difficulty in cash transactions	10.636 ^a	3	.014	REJECT H0
	b) Difficulty in credit transactions	2.098 ^a	3	.552	REJECT H0
Non cash mode	c) Difficulty in receipts from customers	2.373 ^a	3	.499	REJECT H0
	d) Increased deferred payments	2.319 ^a	3	.509	REJECT H0
	e) Difficulty in getting money for day to day transactions	5.114 ^a	3	.164	REJECT H0

(p-value= 0.05)-5% level of significance)

Interpretation:

The chi-square test (χ^2) conducted found a significant association between all the dependent variables in the first group (transaction dealings) and selected independent variables viz., cash mode and non-cash mode. Therefore **Null hypothesis** gets rejected. Hence it is inferred that there is a significant association between mode of trades and transaction dealings and they have substantially impacted their businesses.

TABLE: 9- OTHER BUSINESS OPERATIONS

Mode of trades	Other Business Operations	Value	df	Asymp. Sig. (2-sided)	Inference
Cash	a) Unable to pay suppliers	4.818 ^a	3	.186	REJECT H0
	b) Non-availability of credit from suppliers	3.178 ^a	3	.365	REJECT H0
Non cash mode	c) Difficulty to procure materials	12.217 ^a	3	.007	REJECT H0
	d) Reduction in number of customers	12.860 ^a	3	.005	REJECT H0
	e) Difficulty in acquiring finance from banks	3.729 ^a	3	.292	REJECT H0
	f) Difficulty in acquiring finance from other sources	1.064 ^a	3	.786	REJECT H0
	g) Suffered temporary shutdown of business	3.036 ^a	3	.386	REJECT H0
	h) Difficulty caused due to lack of transportation to transport goods	9.890 ^a	3	.020	REJECT H0

(p-value= 0.05)-5% level of significance)

Interpretation:

The chi-square (χ^2) conducted also found a significant association between all the dependent variables in the second group (other business operations) and selected independent variables viz., cash mode and non-cash mode. Therefore **Null hypothesis** gets rejected. Hence it is inferred that there is a significant relation between mode of trades and other business operations and they have substantially influenced their business turnover

D. POSITIVE ASPECTS

TABLE: 10-INCREASE IN USAGE OF WALLETS AND SITUATION RETURNED TO NORMAL						
		Situation has returned to normal				Total
		Strongly Agree	Agree	Disagree	Strongly Disagree	
Increase in the usage of wallets	Strongly Agree	0	2	1	1	4
	Agree	3	9	2	2	16
	Disagree	0	2	2	2	6
	Strongly Disagree	1	2	1	5	9
Total		4	15	6	10	35

Table 1a

Symmetric Measures

	Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig. ^c
Ordinal by Ordinal Spearman Correlation	.291	.171	1.750	.089 ^c
No of Valid Cases	35			

Table 1b

Interpretation:

In the above tables, a cross analysis has been done between increase in the use of wallets and the situation returning to normal. It revealed that nearly 20 of the 35 respondents felt that use of wallets have increased and 19 of the felt that situation returning normal after 3 months. The Remaining respondents who do not agree that there has been an increase in wallets do not agree to the situation relation to normal. Further Spearman’s correlation between both the variables is $r = 0.291$ showing a positive relationship between both the variables. Hence it is assumed that the increase in wallets have indeed had a positive impact on the effects of demonetization. However this relation is not very significant.

Bar Chart

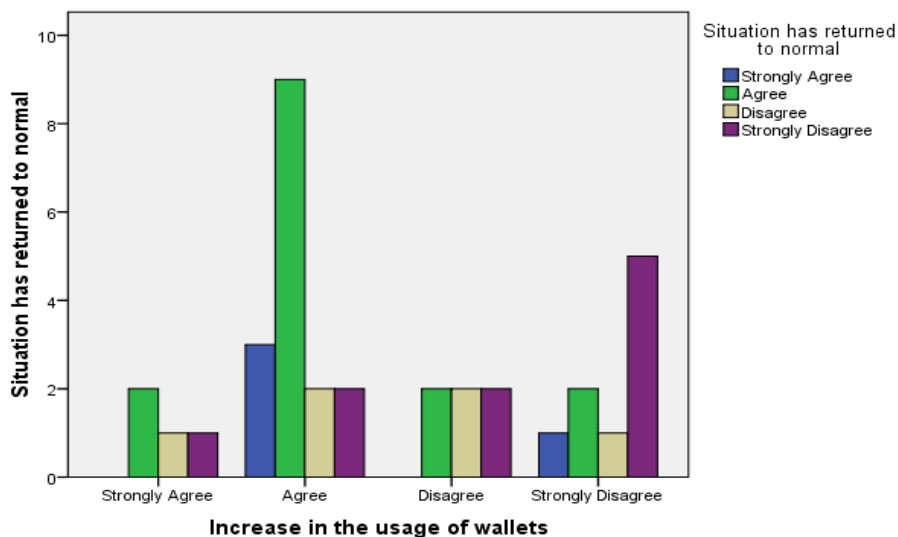


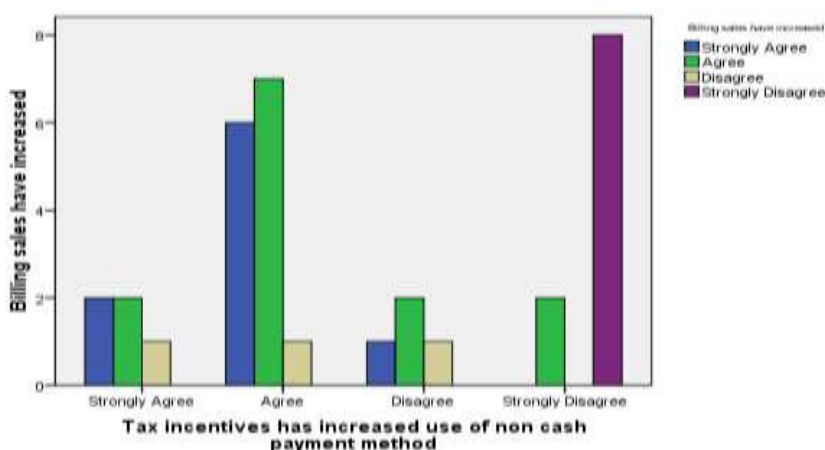
TABLE: 11-INCREASEDTAX INCENTIVES FOR DIGITALIZATION AND INCREASE IN BILLING SALES

		Increase in Billing sales				Total
		Strongly Agree	Agree	Disagree	Strongly Disagree	
Tax incentives for digitalization adoption	Strongly Agree	2	2	1	0	5
	Agree	6	7	1	0	14
	Disagree	1	2	1	0	4
	Strongly Disagree	0	2	0	8	10
Total		9	13	3	8	33

Symmetric Measures

	Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Ordinal by Ordinal Spearman Correlation	.627	.127	4.486	.000 ^c
No of Valid Cases	33			

Bar Chart



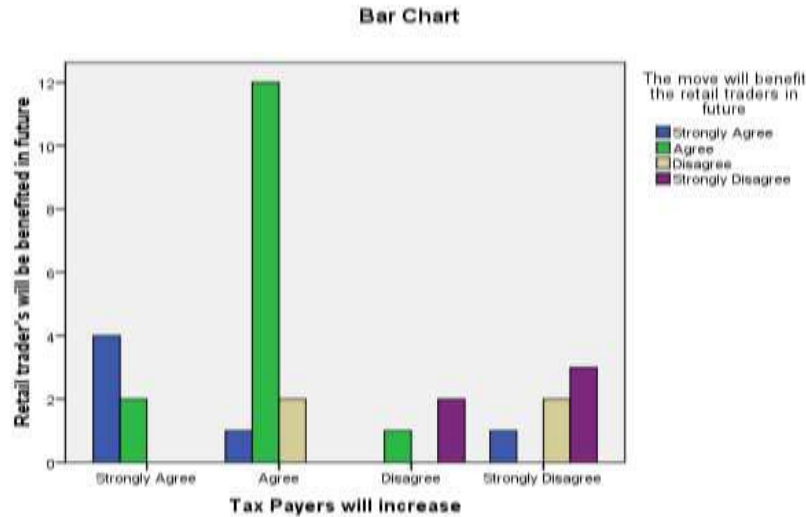
Interpretation:

Analysis: In the above tables, a cross analysis on respondents behavior regarding the tax incentives given by the government and if this has induced seller to bill every sale he makes has been analysed. About 22 respondents agree that there has been an increase in sales with bills being generated, with 19 of them of the opinion that tax incentives have increased use of non-cash payments. The remaining respondents either strongly disagreed or disagreed that it will affect sales that generate bills Further Spearman’s correlation between both the variables is $r= 0.627$ showing a positive relationship between both the variables. It can be seen that there is a very highly significant relationship between both the variables. This shows that the tax incentives steps introduced by the government will gradually start increasing sales that generate bills. However the fact that most retail traders do not issue bills due to 14.5% TDS charged on total bill amount may act as a drawback in the immediate future.

TABLE: 12-INCREASE OF TAX PAYERS AND BENEFIT OF THE RETAIL TRADING IN FUTURE

		The move will benefit the retail traders in future				Total
		Strongly Agree	Agree	Disagree	Strongly Disagree	
Tax Payers will increase	Strongly Agree	4	2	0	0	6
	Agree	1	12	2	0	15
	Disagree	0	1	0	2	3
	Strongly Disagree	1	0	2	3	6
Total		6	15	4	5	30

Symmetric Measures					
		Value	Asymp. Std. Error ^a	Approx. T ^b	Approx. Sig.
Ordinal by Ordinal	Spearman Correlation	.676	.152	4.859	.000 ^c
No of Valid Cases		30			



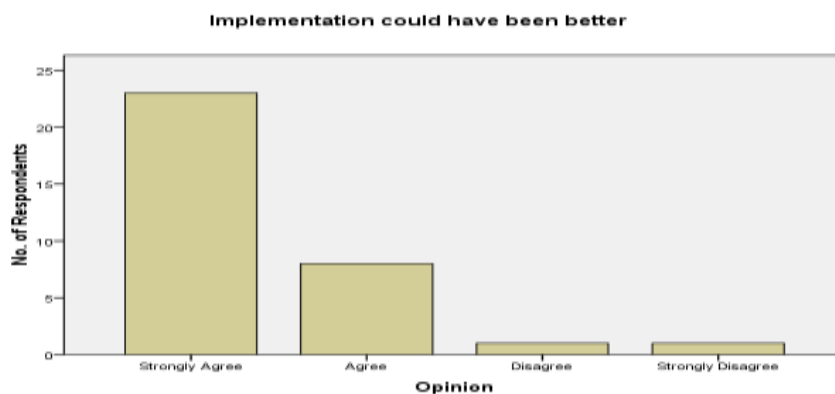
Interpretation:

Analysis: In the above tables, a cross analysis on respondents perception on whether the move will increase tax payers and it will benefit the future of retail trade has been made. Nearly 21 respondents are of the opinion that it will increase tax and in turn will benefit retail traders. But 9 traders felt there will be no change at all in tax payers and neither will it benefit the retail sector. 5 respondents never responded to the case, their reason being it was still too early to make any assumptions.

Spearman’s correlation between both the variables is $r = 0.67$ showing a highly significant and positive relationship between both the variables. Hence it is safe to assume that there will indeed be an increase in retail trading and this will indeed help the future of retail traders

TABLE: 13-IMPLEMENTATION COULD HAVE BEEN BETTER

		Frequency	Percent
Valid	Strongly Agree	23	65.7
	Agree	8	22.9
	Disagree	1	2.9
	Strongly Disagree	1	2.9
	Total	33	94.3
Missing	System	2	5.7
Total		35	100.0



GRAPH-IMPLEMENTATION COULD HAVE BEEN BETTER

Interpretation:

Around 67% of respondents strongly agreed that implementation would have been better and around 30% of them also agreed with this opinion. There it is inferred that all the respondents expressed for better implementation.

7. FINDINGS:

- Findings revealed that most of the retail traders who did not have alternative mode of trading the business dealing faced many problems
- Their Sales also have significantly decreased
- However, a considerable number of respondents have expressed that the move of digitalisation, tax incentives and other support government will benefit the retail sector in the long run.

8. SUGGESTIONS:

- The government could have first taken measures towards digitalization of retail trading sector (especially small traders) before demonetization.
- Government should have introduced more of smaller denomination currency before demonetisation for reducing the impact of demonetization on retailers.
- Traders should also accept change and switch to alternative methods for business dealings other than cash to ensure transparency in the economy
- There is a need for more online wallets with easy feasibility and user friendly.
- Business losses happened to traders during these two months of demonetization needs compensation from the government in the form of more tax incentives and other insurance schemes especially to small retail traders.
- Vigilance should be made on online fraudulent activities of online wallets and on line transfers.
- Government should have educated retailers about the usage of online wallets post demonetization.

8. CONCLUSION:

Demonetization 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 has substantially impacted their businesses. This impact is being felt largely by small traders and the unorganised retailing segment prevalent on many high streets across the country, as compared to the organised retailing and malls. Most of these belong to middle income group of the country; the sudden move also impacted their family and their employees. However, the change initiated by government from cash economy to less cash economy hope to be advantageous to the country in the long run in the form of more transparency, more tax payers reduced counterfeit notes and less corruption and so on. These benefits expected to ultimately pass on to the all sectors of the economy and as well to retail sector.

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