

## A STUDY ON DIGITALIZATION AS A SOLUTION OF DEMONETIZATION AND RETAIL SECTORS

*Shweta Dewangan & Smriti Pandey*

*Associate Professor, Mats School of Business Studies, Mats University Pandri, Raipur (C.G.), Chhattisgarh, India*

*Research Scholar, Mats School of Business Studies, Mats University Pandri, Raipur (C.G.), Chhattisgarh, India*

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### **ABSTRACT**

*Demonetization move has definitely impacted the retail sector in the short term due to lack of liquidity in the economy because the retail sector generates a lot of cash transactions there might be reduction in the sales. Local kirana stores, paan beedi stores, general stores, comfort stores, vegetables stores, rickshaw and footpath vendors are mostly affected because it is a low and moderate cost of small and unorganized retailing section. We know that the Indian tendency to deal mostly in cash when shopping in luxury malls and high streets retail which is related to organized and higher retailing will see short time influence on sales because most of the customers are used in plastic money. Undoubtedly demonetization is a great move for cashless transactions and government also push for the use of digital transactions for better future of Indian economy. After demonetization many more persons to start using plastic money in the long run. This paper investigated the impact of demonetization on retail sector and also analyzed in evaluating the consciousness and usage of cash less payment by customers after demonetization.*

**KEYWORDS:** *Demonetization, Digitalization, Retail Sectors*

### **INTRODUCTION**

On 8 November 2016 Indian Prime Minister Mr. Narendra Modi addressed to the nation by television and radio said that Rs 500 and Rs 1000 notes will not be a legal tender from mid night. Exchange off old currency from new currency time line had given to 30 December some places such as petrol pump, hospitals, railway stations were free to take old currency till a certain time. New currency notes of Rs 500 and Rs 2000 also launched which available at ATM and banks. According to the Reserve Bank of India total value of 16.42 lakh crore notes were running in the market and out of this value 14.18 lakh notes were in the form of Rs 500 and Rs 1000 however 24 percent notes of Rs 500 and Rs 1000 were circulating in public but remaining 76 percent notes of Rs 500 and Rs 1000 is a black money so withdraw this money demonetization needed. According to recent data reports or surveys we can say that all the economic sectors are affected by the demonetization. The retail sector is also facing the painful situations which arise from the demonetization. In the last two weeks there has been a saturate in the sales of a number of retail brands and to overcome from this situation they have been used many methods like out of season sales and to attract customers introducing several benefits. Because decision of demonetization taken before puja or Diwali the prime festive season in India when the general public does the most of the high value of shopping. Demonetization also hit the clothes market during the wedding season. During the period of currency crunch the several retailers agree was an increase in the use of debit cards and mobile wallets for making

purchases. But as the cash shortage started to dwindle customers fell back to their old habits. Although it can not be disagreed that the modi government's push for use digital payments did found a major booster. The recent demonetization of currencies the online and offline retailers have been mannered. Talking about the online retailers in the short term businesses are getting hit because cash on delivery which accounts for the immensity of the online business has stopped completely. Although the government decisions of demonetization is good for the industry as a lot of people will be forced to come online shopping. Offline retailers and unorganized sectors are mostly affected who have been forced to shut down their shutters because the electronic acquisition rate among the merchant and customers is very low there. Hence government implemented demonetization recently it gained positive and negative feedback drawn the people.

### History of Demonetization

What do you think was this the first time an Indian currency was banned of a sudden? Well the answer is no. A look into the past will make us realize the India is no new to demonetization.

#### The First Currency Legally Block

- In 1934 Rs. 500 and Rs. 1000 notes were introduced and after four years in 1938 Rs. 10000 note were introduced
- In 1946 the currency note of Rs. 1000 and Rs 10000 were removed from circulation.

#### The Second Currency Legally Block

- That came in 1978 prime minister of India Morar ji Desai announced that the currencies in the demonetization of Rs 1000, Rs 5000, and Rs 10000 will be invalid. The main objective of the ban was to curb black money generation in the country.

Demonetization has been enclosed in the past by several other countries. They include:-

**Table 1**

Country	Year	Denomination
United states	1969	\$10000 and \$1000
Ghana	1982	50 cedis
Myanmar	1987	25-35, and 75-kyat notes
Soviet Union	1991	50 and 100 ruble notes
Australia	1996	Full series of polymer bank notes
Zimbabwe	2010	One hundred trillion dollars

### REVIEW OF RELATED LITERATURE

**Kokila V and R. Usha Devi 2017**, through their study told that the demonetization has been seen in every area of the country, from which the retail market is not insulated, the main purpose of the researcher is to tell the effects of demonetization in the process of retail market is due to lack of cash, retailers of the retail sector have faced various types of problems, as well as long queues for cashless payment and change of notes also caused much trouble to the people. The methods of digital payment can be made easier by the government, if people are prepared by running training and awareness campaign to run retail traders along with the free swap machine, then nobody can stop our country from becoming a digital India.

**Tanay Pankaj Sharma** - Large or organized businessmen who sell large number of shopping shops, big brands, they have been affected for a little while small retailers, who are grocery stores, fruits, vegetables, general stores. All those who have handcuffs, chats, cloisters, footpath shops, etc. are all more affected by the lack of cash during the demonetization. Through this study the researcher has tried to tell that those people who used plastic money during and after the demonetization were less affected, while the opposite people were more impressed.

**Guujita Kumar 2017**, after remonstrance, it was quite annoying to buy and sell goods for consumers and retail traders because the shortage of cash was the highest during this period and people were facing queues to get money due to which the people's work. There was a waste of time as well as the stoppage time, but online shopping provided a lot of relief to the people, due to which the people got cash suffered. Researchers have presented their study on the people of Ghaziabad city during the time, he found that online shopping was most preferred by the people to meet their daily needs, as well as online access to bookings of travel, air travel, hotel, movie etc most of the time.

**Tax Research Team 2016**, in favor of remuneration, this group said that the money that is being exempted from the economy is definitely black money, so it will fix the difficult advantage structures in the economy, though the facts were not available for every person. Yet it is important to evaluate short-term and medium-term impacts in the economy, however, the effect of this movement is to revive the government's demonetization decision may be deviation with.

## **SCOPE OF THE STUDY**

Black money and falsifying of Indian currency to reduce the demonetization is an excellent and historical step in the Indian government. The promotion of retailing and the digital India campaign is also eruption of this step. This paper will identify the digitalization as a solution of demonetization and retail sector. For this study we have taken 30 retailers in the Tilda district of Raipur Chhattisgarh.

## **RESEARCH DESIGN**

**Manners of Questions:** Close ended and open ended questions.

**Method of Data Collection:** Primary method and Secondary method.

**Primary Data Collection Source:** The primary data were collected through self constructed questionnaire.

**Secondary Data Collection Source:** Secondary data were derived from the various sources like newspapers, journals, websites for the study.

**Sample Size:** 30 retailers across different retail business in Tilda district of Raipur Chhattisgarh.

## **Immediate Effects of the Demonetization on Retail Sector**

The strongest poles of our financial system has been arising the trade zone. Retailers and their consumers frequently deal in cash that is the reason he has faced the a variety of troubles and difficulties in the instance of demonetization. The Prime Minister Mr. Narendra Modi of India on 8th November 2016 it had resulted into a cash crisis that affected day to day purchasing. Undersized trader's and the unorganized transaction segment are typically affected by the administration decisions of demonetization because the small trader's are not endowed adequate to make provisions of non cash payments for their consumers and also impact was probable to be of short phase till the migrant of the new money in the market.

Trade sector comprises the crucial part of the Indian retail sectors. They are affected by the demonetization development as doing the cash established dealings. However the deficiency of cash in the market their trading had been affected. Although the sales of basic substance chosen up within a small number of durable preliminary days. Consumers collected to big stores which established non cash payments to purchase substance of daily requisite and staples such as sugar, flour, fruits, vegetables etc. To stay black money, dishonesty, violence funding, counterfeit currency and defeat the challenges that demonetization has created the offline retailers are now inspiring the consumers to development away from cash and are giving different payment options such as PAYTM, BHIM, E-wallets etc to avoid purchase difficulties and to create the market environmental science to become more transparent and planned.

### **Cashless Transactions**

Demonetization created a very aching state of affairs in the Indian economy but it has given a optimistic impact on digital alteration. The government of India introduced an agenda named as "demonetization". After this program cashless transaction plays a huge role in Indian market as well as in India. Before demonetization Indians didn't know about cashless transaction. So after demonetization happened the government of India starts awaring peoples about the cashless world. Nowadays cashless transaction plays a major role. The main motto of the government to introduce cashless transaction in India is to control the dishonesty and many unlawful works which were organized by some corrupted peoples and some "Hooligan" groups. Cashless transaction is not always a trending topic in India because many people not even know about it. Before demonetization a very few peoples in India know about the cashless transaction that's why after demonetization they were believing in some myths which were about cashless transactions. Nowadays cashless transactions get high in the Indian market. Now peoples know the worth of cashless transactions. Now we can simply transfer the money from any country to any country we can shop the things from E-market. Although these things were possible even before demonetization but peoples were not so confident to use these things at that time. Unavailability of cash most of the people's started using cards and online transactions. The cash less transactions is automatically created a demand for card swipe machines, pay money applications, pay tm etc in the absence of cash crunch. Today a lot of hard cash still moves around in the retail sector. The government has been pushing the digital India campaign to make payments very easier and more attainable. Currently offline retail such as food, kirana goods, travel and shopping are some of the biggest contributors to daily retail spend by the Indians. Cash dependence is reduced for the low value high density transactions to make sure a more solid approach towards wider financial inclusion because the digital literacy are very improved in after demonetization. We can notice there is in the various options available to customers to make in store payments and most of the new offerings are digital in nature are significantly. Penetration of smart phones and broad bands are increased in India due to the universal availability of low cost smart phones and affordable data plans would further improve the adoption of digital payments. Retailers are also encouraged the customers by using cash less transactions and retailers are also provides alternate digital payment solutions will help the market place become more transparent and structured. When we use cash payment mode it is paid directly to merchant and for this payment mode we not need any device or techniques. For using cash transactions we need to carry cash and merchant also need to have sufficient amounts of cash to return change after transactions. There is always a risk of theft robbed. When we using debit and credit cards we need to swipe on a pos or merchant location and for using this option we have a bank account and merchant have a pos device. Disadvantage of this option is if password stolen or loss of cards there could be a financial threat. From the merchant side each transaction changed as a commission. Using ewallet option we have need to a smart phone and e wallet

is a digital wallet app where money is transferred to a merchant through the app and we are known that is very easy to use but condition is that merchant should also have an account with the same digital wallet app provider. UPI (unified payment interface) transferred the funds on bank accounts to merchants bank accounts through UPI enabled applications such as BHIM, Google tez, phonepe. It is very safe and easy method but conditions are that both customers and merchants have a bank account. Although these things were possible even before demonetization but peoples were not so confident to use these things at that time. Advantage of cashless economy is that, since all transactions will be done through organized channel that is through banks and financial institutions it results in increase in tax revenue for the government. One of the biggest demerits of cashless transactions is that some of the cyber frauds which make peoples more uncomfortable to do these types of transactions. But after ignoring all the myths about cashless transactions the facts are very positive. The truth is that cashless economy or cashless transactions were making India able to match the standard with other developed countries. So there is advantages and disadvantages both were possible but it depends on the peoples of the country how they will use it.

## OBJECTIVE

- To study the post effect of demonetization.
- Study the issue related to become cash less economy.
- Study and analyze the adoption barriers for digital payment in retail sector.

## HYPOTHESIS

**H<sub>01</sub> Problem Arising after Demonetization Study the Post Effect of Demonetization in Retail Sector.**

To find out the problem of demonetization we use Chi Square as a statistic. The values are shown in table below 1:

**Table 2**

S. No.	Problem	Obtained Frequency		Chi Square	df	Significance
		Yes	No			
1	Do you aware about demonetization	30	00	30.0	1	Significance P < 0.01
2	Do you notice in change buying behavior of customers after demonetization?	23	07	1.63	1	Not Significance P > 0.05
3	Do you notice change in mode of payment of customers?	20	10	3.33	1	Not Significance P > 0.05
4	Now customer demands swap machine?	08	22	16.14	1	Significance P < 0.01
5	Are you acceptance the cash less transaction?	25	05	0.84	1	Not Significance P > 0.05
6	Do you notice increase in cashless transaction in past two years?	08	22	16.14	1	Significance P < 0.01

When we observed the table no. 1 we found that the first problem ‘Do you aware about demonetization’ the obtained frequency of Yes is 30 and No is 0. The obtained chi square is 0 and if observed and expected values were equal (“no difference”) then chi-square would be zero at df 1. An event that is unlikely to happen in real life. Thus our proposed hypothesis is **rejected**. It shows that the maximum number of people is aware of demonetization.

When we observed the table no. 1 we found that the second problem 'Do you notice in change buying behavior of customers after demonetization?' the obtained frequency of 'Yes' is 23 and 'No' is 7. The obtained chi square 1.63 is not significant at 0.05 level of significance because in this level the table value 3.38 is greater than the obtained value at df 1. Thus our proposed hypothesis is **rejected**. It shows that the buying behaviors of customers are changed in after demonetization.

To the observation of table no. 1 we found that the third problem 'Do you notice change in mode of payment of customers?' the obtained frequency of 'Yes' is 20 and 'No' is 10. The obtained chi square 3.33 is not significant at 0.05 level of significance because in this level the table value 3.8 is greater than the obtained value at df 1. Thus our proposed hypothesis is **rejected**. This result shows that maximum number of peoples changes in mode of payment.

To the observation of table no. 1 we found that the fourth problem 'Now customer demands swap machine?' the obtained frequency of 'Yes' is 8 and 'No' is 22. The obtained chi square 16.14 is significant at 0.01 level of significance because in this level the table value 6.63 is smaller than the obtained value at df 1. Thus our proposed hypothesis is **accepted**.

To the observation of table no. 1 we found that the fifth problem 'Are you acceptance the cash less transaction?' the obtained frequency of 'Yes' is 25 and 'No' is 5. The obtained chi square 0.84 is not significant at 0.05 level of significance because in this level the table value 3.841 is higher than the obtained value at df 1. Thus our proposed hypothesis is **rejected**. This result shows that maximum number of peoples accept the cash less transactions.

To the observation of table no. 1 we found that the sixth problem 'Do you notice increase in cashless transaction in past two years?' the obtained frequency of 'Yes' is 8 and No is 22. The obtained chi square is 16.14 is significant at 0.01 level of significance because in this level the table value is 6.63 is smaller than the obtained value at df 1. Thus our proposed hypothesis is **accepted**.

## CONCLUSION OF THE STUDY

Undoubtedly the retail sector was impacted by the demonetization in the short term due to the lack of liquidity in the economy. Although the impact is perceive move by the small businesses and the unorganized retailing section like moderate or low cost retailing such as the local kirana stores, paan/ beedi stores, general stores, comfort stores, rickshaw and footpath vendors. Retail sector creates a lot of cash transactions their might be decrease in the sales over the next first or second quarters because most of the unorganized retail sectors is based on cash and on that time the people's are faced the problems of cash crunch. Demonetization of the currency has negatively affected retail almost by 40 percent drop in sales customers are varying their decisions on big chance purchase for now.

We know that the Indian tendency to deal in cash mostly when shopping in luxury malls and high streets retail will see short time influence on sales. According to Television and newspaper reports how retail sales have reduced in the immediate effects of the government's declaration and how million of new users are registering on various sources of offering digital payment services. Undoubtedly demonetization is a great move for a better future of Indian economy. After demonetization many more stoppers to start using plastic money in the long term. Organized sectors of retailing are already used of credit/debit cards and e wallets for big sales. Banks and various companies are also provided by the various options for cash less transactions. Demonetization has influence the retail sector due to a liquidity crunch. The retail sector produce

a lot of cash transactions a reduction in sales will sustained in the short term. Unorganized retailing and small businesses are mostly affected by the demonetization as compared to the organized retailing.

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