

DEMONETIZATION AND CASHLESS TRANSACTIONS: IMPACT ON RETAIL BUSINESS MARKETS

LAHANKAR SARIKA MADHUKAR,

Research Scholer, Swami Ramanand Tirth Marathwada University, Nanded.

ABSTRACT

Indian retail sector is going through a transformation and these emerging markets are witnessing significant change in their growth. The main aim of this study is to understand what is demonetization and causes of demonetization, what are cashless transactions and how it is beneficial to retail market, economy as well as government too and it's positive and negative impact on retail business markets. Present age of Indian economy is an absolute situation to go for digitalization through cashless economy. The present paper indicates an analytical study to improve the existing cashless policies and practices and suggest measures for improvements. The findings of the study suggest that cashless economy is inevitable and unavoidable in any sector.

KEYWORDS: Demonetization, Cashless Transactions, Retail Market.

INTRODUCTION:

On the evening of 8th November 2016, Prime Minister Narendra Modi in his historic speech announced the demonetization of the high value currency notes – of Rs 500 and Rs 1000 denomination. These ceased to be legal tender from the midnight of the same day and announced the issuance of new Rs 500 and Rs 2000 banknotes of the Mahatma Gandhi New series in exchange for the old banknotes. People have been given up to December 30, 2016 to exchange the notes held by them.

The Rs 500 and 1000 rupee notes are two biggest denominations in currency system of India and at that time these notes accounted for around 86% of the countries circulating cash. Due to ban on these high value currency notes, the economy of India faced a major problem due to cash shortage in market. People were seeking to exchange their banknotes had to stand in the lengthy queues. As the Indian economy highly depends on cash based transactions (approximately 78% customer in Indian market deals in cash). That's why the ban on high value currency notes have severe impact on Indian Retail business markets.

OBJECTIVES OF THE STUDY:

1. To study the concept of Demonetization and cashless economy.
2. To know the Impact of Demonetization on Retail Business Markets
3. To analyze the need and impact of cash less transactions in retail sector.

WHAT IS DEMONETIZATION?

Demonetization is a process by which a series of currency has no longer use. Demonetization is the

combination 'De' and 'Monetization'. Monetization means increase In the flow of cash in the economy and Demonetization means calling of currency from the economy or we can say ban of the currency in economy. In demonetization the circulation of currency becomes less, because in demonetization government has taking steps towards killing a currency. Demonetization is a radical financial step in which a currency unit's status as a legal tender is declared as invalid. This move is usually executed when old currencies have to be replaced by new ones or whenever there is change of national currency. Process of removing a currency from general usage or circulation.

WHY IT IS DONE:

The goal of the Demonetization move in India is to make the economy stronger and eliminate the parallel cash economy which is unaccounted and untaxed. There are multiple reasons why nations demonetize their local units of currency.

CAUSES OF DEMONETIZATION:

- ☑ Introduction of new currency
- ☑ Black marketing
- ☑ Currency storage
- ☑ Corruption and others
- ☑ Fake currency
- ☑ Terror money

HISTORY OF DEMONETIZATION:

Although the history of Demonetization in India dates back to the time when various rulers ruled this country, the freshest and most significant instances of the demonetization in India are:

1. On 12 th January 1946, Rs 10000, Rs 5000, and Rs 1000 notes were declared invalid as legal tender.
2. New notes of Rs 10000, Rs 5000 and Rs 1000 came into economy in 1954
3. On 16 th January 1978, Morarji Desai (Leader of Janata Party) demonetized banknotes of Rs 10000, Rs 5000, and Rs 1000. Note that the finance minister at that time was H.M.Patel.
4. RBI introduced the new banknotes of Rs 500 into economy in October 1987.
5. RBI introduced the new banknotes of Rs 1000 into economy in November 2000.
6. On 8 th November 2016 the old banknotes of Rs 500 and Rs 1000 were barred from being legal tender and new notes of Rs 500 and Rs 2000 were introduced.

HISTORY AT GLANCE:

Denomination	Year of Introduction	Year of Demonetization
Rs 10000	1938	1946
	1954	1978
Rs 5000	1938	1946
	1954	1978
Rs 1000	1938	1946
	1954	1978
Rs 500	2000	2016
	1987	2016

WHAT IS CASHLESS TRANSACTIONS?

Cashless transactions means to reduce the use of cash in the economy by promoting the digital payment devices. RBI and government are taking efforts to encourage this new variety of payment and settlement facilities for achieving the goal of cashless society. The aim of cashless transactions is to reduce the use of cash in economy and increase the transparency in exchange of money, it helps to curb of unaccounted money or black money. Digital transactions have better transparency, scalability and accountability. In cashless economy most of the transactions will be done by digital means like E-banking, Debit and Credit cards, Digital Wallets etc. In simpler words no liquid money or paper currency will be used by the people in a given country.

MODES OF CASH LESS PAYMENT:

1. Cheque
2. Demand Draft
3. Online Transfer- NEFT or RTGS
4. Credit Card or Debit Card
5. E-Wallets
6. Mobile Wallets
7. UPI Apps
8. Gift Card
9. Aadhaar Enabled Payment System
10. Unstructured Supplementary Service Data

WHAT IS RETAIL BUSINESS MARKETS?

Retailing is one of the largest industries in India and one of the biggest sources of employment in the country. Retailing is set of business activities, which adds value to products and services sold to the consumers. From marketer's point of view, retailing is a set of marketing activities designed to provide satisfaction to the end consumers and profitably maintain the consumer base by continuous quality improvement across all areas concerned with selling goods and services. It is the final step in the distribution of merchandise. Retailer plays a key role in connecting the producers to the ultimate consumers. Retailing covers wide range of products such as food and beverages, apparels, consumer goods, consumer durables and leisure. The retailer value to the consumers in terms of availability of the desire product in the desire time.

IMPACT OF DEMONETIZATION ON RETAIL BUSINESS MARKETS:

Demonetization move has definitely impacted the retail business markets in the short term due to lack of liquidity in the economy. However, the impact is felt more by the small traders and the unrecognized retailing segment like low-cost retailing such as the local kirana shops, owner-manned general stores, paan/ beedi shops, convenience stores, handcart and payment vendors, rather than the organized retailers like Reliance Retail, Big Bazaar (Future Retail), Spencers, More, D-mart 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-term. Already, malls see uses of debit / credit cards and e-Wallets go up during big sales, when banks and fin-tech starts-ups offers cash backs or discounts. This is trend will rise substantially in the long term as such payment methods become 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. It will lead to more cashless economy which may take the transaction cost down and resulting in more productivity.

NEGATIVE IMPACT:

As a Indian retail segment generates lot of cash transactions, their was a huge reduction in the sales during that period. This impact has been felt largely by small traders and the unorganized retailing segments prevalent on many high streets across the country, as compared to the organized retailing and malls. Since most of the retail industry in rural area is based on cash, it was badly affected them. The demonetization of the currency has adversely affected retail business, almost by a 40% drop in sales. It has caused consumption to fall at the rate of 30% in segments including Luxury and Food & Beverage.

CONCLUSION:

Customers as well as Traders have faced many problems due to non availability of cash in the market and this situation switches to them(customer and trader) towards cashless transaction which will become beneficial for both and government too, because 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-term. The use of plastic money other than liquid cash is become a very radical change for the economy as well as retail market. It will help in increasing transparency and accountability of transactions. After the survey of market it is found that there is some problems facing by consumers while making cashless transactions such as fear regarding

digital payment and in rural areas there is less knowledge about use of digital payment modes, so it is necessary to make awareness about the use and benefits of digital payment to consumers. It will help in moving India towards a cashless economy. So, the demonetization is a very good decision taken by government of India for making cash free digital economy.

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