
EFFECT OF DEMONETIZATION

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Abstract

It gives immense pleasure to bring out mixed impact on the Indian public on the sudden step taken by the government of India on 8th Nov 2016 for the demonetization of Indian currency. A comparative analysis has been done on this impact on the organized and unorganized retail sector.

No doubt, this demonetization eliminated the fake notes, reduced corruption, stopped terror funding and encouraged digital currency. Yet this sudden step taken by government caused inconvenience and annoyance to Indian public short term financial crises for poor people especially labour class low down the economic growth and little cash in circulation, it also controlled inflation, stopped fraudsters.

In India the retail in the organized sector is only 8% and the Unorganized sector is 92% which is about 10 times of organized sector.

Demonetization

- Ending something as no longer the legal tender of a country.
- The Demonetization of all Rs.500 and 1000 bank notes was taken on November 8, 2016 by the government of India.

Reasons for Demonetization

- To tackle black money in the economy.
- To eliminate fake currency.
- To eliminate dodgy funds.
- To lower the cash circulation.

Effects on Indian Retail

Demonetization has its huge impact on Indian retail as well. As

we all know that retail is of two types ie.:

1. **Organised retail**
2. **Unorganised retail**

Both the types of retail are affected by demonetization as in both the cases most number of transactions are generally held by cash. So, I have done a survey on the effects of demonetization on both the retail.

Before survey report lets understand what is organized and unorganized retail.

Organised Retail: It is only 8% of the retail sector in India. It mainly depends upon its supermarkets and departmental stores and shopping malls etc. it's a demand driven market where selling of the product depends mostly on the customers demands.

Types of organized sector:

- Convenience store
- Department stores

MODERN FORMATS



Unorganized Sector- This market is closed to 92% of the retail sector in India. It mainly comprises of kirana stores Mandi's, Hawkers etc. this is supplied by the distributors with no stress on demands.

Reviews of a manager from organized retail:

They said that demonetization has affected the organized the retail to a large extent. Some of the advantages and disadvantages which they told me are as follows:

Advantages

- Less cash transactions. As mostly transactions were done by card.
- Less chances of cash shortage.
- Minimal errors as there is no chance of taking fake notes.
- Billing process was quick when demonetization happened.
- Limited footfall due to which staff was able to attend customer more efficiently.
- Able to focus on our **KPI (key performance indicators)**

Disadvantages:

- Sales gone down nearly to 50%.
- Less Footfall.
- No Big bills.
- While doing online transactions sometimes server would get hanged.
- Customer experience was bad as sometimes customers used to force us on taking the old notes. Which we couldn't accept and customer used to get angry.
- Targets were not achieved.

Reviews From a person of Unorganised retail:

People from unorganized retail are happy with this move as most of the shops are owned by them and they themselves can decide whether they want to take old currency or not.

Advantages:

- There were more sales as they were still accepting old notes till a certain date.
- The amount which was written off or was in Bad debts a/c came back. As people gave them that money in old currency.
- More sales due to credit facility.

Disadvantages:

- Couldn't take card payments as they don't had swipe machines.
- Were not able to operate things like Paytm .
- Change problem. Sometimes customer gave them 2000 Rs note and they were not having change of that much of amount.
- People misused the credit facility system which was given to them for a limited period.

Conclusion

Both the person shared some advantages and disadvantages of demonetization. But both are of the view that this step taken by government of India is a great step which has short-term pain and long term gain. They said that this move will help to take out most of the Black money and will give rise to online transactions. This can bring a stop on the parallel economy.

This demonetization has more of advantages and very less of disadvantages overall

REFERENCES

1. **Organized retail** reviews are taken from :
Munish Mahajan (Manager, NAUTICA, ELANTE, Chandigarh).
2. **Unorganized retail** reviews are taken from:
Rinku Gupta (Shop owner of multi-departmental Store , Chandigarh.)