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Impact of Demonetization on Retail Marketing

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Abstract:

The Demonetization of INR 500 and INR 1000 banknotes was a policy enacted by the Government of India on 8 November 2016. The main objective of the move is to curb black money, eliminate fake currency notes from economy, promote cashless transactions, and curb corruption and terrorism. The demonetization has impacted on various sectors of Indian Economy such as Agriculture, Industry, Service Sector, and Small Scale Sector as well. The demonetization move has definitely impacted the Indian Retail Industry in the short term due to lack of liquidity in the economy. The impact is felt more by the small traders and the unorganized retailing segment like low-cost retailing such as the local kirana shops, owner-manned general stores, paan/bidi shops, convenience stores, handcart and pavement vendors, rather than the organized retailers like Reliance Retail, Big Bazaar, More, Spencers etc. the impact has been more in rural areas and relatively less in urban areas. Attempt has been made in this paper to know the impact of demonetization on Retail marketing in India.

Key Words: Demonetization, Indian Economy, Retail Marketing

Objective of the Study:

1. To study the concept of Demonetization
2. To study the concept of Retail Marketing
2. To study the impact of Demonetization on Retail Marketing in India

Research Methodology:

The paper is mainly based on secondary data which is collected through reference books, newspapers and related articles available online.

Introduction:

Demonetization:

The term Demonetization is not new to Indian Economy. The highest denomination note ever printed by the Reserve Bank of India was Rs 10,000 note in 1938 and again in 1954. But these notes were demonetized in January 1946 and again in January 1978, according to RBI data. Demonetization is the process of stripping or removing a currency unit of its status as legal tender from general usage or circulation. The process of Demonetization involves either introducing new notes or coins of the same currency or completely replacing the old currency with new currency.

The goal of demonetization move in India is to make the economy stronger and eliminate the parallel cash economy which is unaccounted and untaxed. There are many reasons for demonetization to combat inflation, to combat corruption, to discourage cash system, curbs the fake currency etc. the government claimed that the demonetization was an effort to stop counterfeiting of the current banknotes allegedly used for funding terrorism, as well as a crackdown on black money in the country. The move was also described as an effort to reduce



corruption, the use of drugs and smuggling. Though the move has disrupted the socio-economic ecosystem of the world's second largest emerging market, in the long run it is expected to boost the country's GDP and substantially increase tax collection.

Retail Marketing:

A retailing or retail store is a business enterprise which sells primarily to ultimate consumer. Retailing includes all activities directly related to the sale of goods or services to the ultimate consumer. Retailing is one of the most important types of marketing. Retailing is the final step in the distribution process. Retail is a billion dollar business across the globe. It forms a major chunk of the GDP of many nations.

Indian retail is dominated by a large number of small retailers consisting of street vendors, small shops, provisional shops, vegetable shops, restaurants, entertainment places, local kirana shops, owner manned general stores, chemists, Foot wears shops, apparel shops, Paan/Beedi shops, handcart hawkers, pavement vendors etc which together make-up the 'Unorganized Retail' or traditional retail. Where the consumer buys the product directly from a large departmental store, super market, shopping malls are called 'Organized Retailing'

Impact of Demonetization on Retail Marketing:

Positive impact of demonetization:

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 usage of credit/debit cards and e-wallets to go up during big sales. when banks and fin-tech start-ups offer cashbacks or discounts. This is trend will rise substantially in the long term as such payment methods become more convenient.

Retailers will encourage digital payment solutions will help the marketplace become more transparent and structured. The luxury segment, with its historically high incidence of black money in secured manner. E-wallets are like real cash except that the cash here is digital. They can easily compared to a wallet we carry physically in our pockets. E-wallets allow adding money using Debit Card, Credit Card or Net Banking.

The organized retail industry in India, which consists about 5% of total retail market, is estimated to touch 15% by 2025 and the recent push by government to use digital payments could make the organized retail sector reach 20% of the total retail industry in India by year 2025.

E-commerce is expanding steadily in the country. It is expected to reach US\$ 700 billion by 2020. In an industry forum organized, top executives from companies such as Flipkart, Snapdeal, Shopclues, welcomed the move saying it will pave the way for digital payments, aid the process of financial inclusion and the overall transformation in the economy will translate into long-term benefits for the industry.

Many people move towards Bigbasket, Grofers, ZopNow, and Amazon Pantry etc. for grocery shopping as they were having problem with cash crunch and preferred to make the payment through digital medium. But these companies provide services only in limited cities specially in tier-1 cities like Bangalore, Chennai, Mumbai etc. so small cities people has to struggle to manage cash for their daily use products..



Negative Impact of Demonetization:

As expected by Mr Nagendra Palle, chief executive of Mahindra First Choice, "The impact of demonetization is temporary but huge. We expect a 30% drop in sales at organized places while in unorganized places it will go down by over 65%"

An Indian retail segment generates a lot of cash transactions, there might be reduction in the sales over the next one or two quarters. 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. Since most of the retail industry in rural area is based on cash, it is going to impact them.

Experts believe that demonetization could impact the country's economic growth significantly in the short term. Ambit Capital, a reputed research company in India, has revised its GDP growth estimate to 5.8% as opposed to the 7.3 % figure earlier. The cash crunch has impacted business of several industries and can have a significant impact on the "Cash on Delivery" model of e-commerce companies in India. About 70% of online shoppers in India opt for COD while buying a product.

According to Mr. Navin Khanna, Director of BoConcept, "The demonetization of the currency has adversely affected retail, almost by a 40% drop in sales, customers are differing their decisions on big ticket purchase for now. We are confident that the sales will pick up once everything has stabilized"

Currency demonetization has caused consumption to fall at the rate of 30% in segments including luxury and Food and Beverages.

Mr. Rajat Wahi, Partner, Management Consulting of KPMG India said, "It is hard to estimate the drop in sales at this point, but based on conversation with various retailers and brands, this could be in the range of 30-40% for these few weeks for brick and mortar retail.

During the demonetization the sales of the retail stores is decreased due to the reduction of customer spending per visit as the lack of availability of currency in the market.

Conclusion:

Demonetization has opened up great opportunities for the e-commerce industry. It has given boost to digital payments and is more encouraging people to shop online more. Alternative payment methods such as e-wallets, internet banking, debit and credit card usage have been increased and this will shift an efficient cashless infrastructure.

The dream project of the government of India towards a digital transformation of services in the country has been massively successful in the banking and financial sector. The high mobile penetration with 100 crore subscribers, rising internet subscriber base of around 35 crore and availability of various digital and banking payment systems provide a great opportunity to improve financial inclusion.

Demonetization has impacted the retail industry due to liquidity crunch as the Indian retail industry generates lots of cash transactions; a reduction in sales was for short-term period i.e. one to two quarters. This impact was felt largely by small traders and unorganized retailing segment as compared to organized retailing and malls

All forms of retailer are affected in various ways due to demonetization process although most of the retailers were supported and adjusted themselves for demonetization for national interest.



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