Remonetisation and Its Impact on Organized Retail Stores in Karnataka

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Abstract: 8th November 2017 marks one year of demonetisation and now can only be called as remonetisation as the cash availability has eased in terms of new notes flowing into the economy, however the short term after effects of demonetisation have impacted retail in terms of sales, footfalls etc. Both secondary and primary data were used to understand the events and effects of remonetisation. There were positive effects like fostering of digital economy and tamed inflation, but the major negative issue of liquidity and its effect on retail was studied using primary data. The short-term liquidity crunch lead to discrepancies in retail business activity was found to vary with the type of retail vertical. The impact of liquidity crunch on retail stores was found to have a mixed response.

Keywords: Remonetisation, Demonetisation, Organised retail in Karnataka, Retail Liquidity Crunch.

I. INTRODUCTION

Government of India had a slew of economic reforms like FDI (DIPP, 2017) in retail, GST and demonetisation. India was relatively positive in the retail outlook comparatively like the UAE security threats (Khaleej Times, 2015), Indonesian inflation demon etc (Jakarta Post, 2017). Demonetization is interesting due to its positive and negative effects. Demonetisation can be defined as removal of currency from the economy but if it is followed by a refill of currency from the Government, then it ought to be called as “remonetisation”, which means, the introduction of new currency in to the economy. On 8th November 2016 demonetisation was announced by Government of India. The 500 and 1000 denomination notes were abolished until the new 2000 and 500 notes were made available to the public. The two major reasons behind remonetisation was to stop the unaccounted cash and convert the economy to a digital economy.

II. REVIEW OF LITERATURE

The succeeding events to demonetisation are favourable to the reasons envisaged, as the rise in digital payments and digital payment technology adoption made digital economy a reality. The major sources of digital payments that made India cashless are the Banking Cards, USSD, AEPS, UPI, Mobile Wallets, Banks Prepaid cards, Point of Sale, Internet Banking, Mobile Banking and Micro ATM’s (Rathi, 2017).

NPCI played a key role in fostering the digital payments at retail stores. Bharth QR and BHIM apps. A Dynamic QR solution for in-store transactions between shoppers and stores. UPI, is a peer to peer platforms but biggest arena for digital transactions is online shopping. Bigbazaar has recently tied up with Mobikwik for wallet payments. Organised retail has significant presence in Karnataka and the adoption of digital payments is a positive signal in the path to digital economy (NPCI, 2017).

Apart from the increasing adoption of digital payment technologies, slowing down of inflation has been a boon to the economy. The impact on inflation is an interesting one. Business today article hopes for a positive outlook of it as quoted below:

"India's retail inflation hit a two-year low in December as businesses resorted to price discounting to boost flagging sales following the government's cash crackdown, fuelling hopes of an interest rate cut by the central bank”

(Reuters, 2017).

However, the major negative effect was the slowdown in the economy due to liquidity issues. Some of the sectors that were affected include daily labour, supply chain/transportation and other cash dependent sectors. Small traders and hawkers were immediately affected due to heavy dependence on cash.

III. STATEMENT OF THE PROBLEM

The organised retailers faced decrease in sales and store footfalls during demonetisation. In the context of liquidity crisis, thus, the study tries to measure the impact on organised retail business in Karnataka.

IV. METHODOLOGY

Both secondary and primary data were used to understand the events and effects of remonetisation that were significant to the retail sector. The study is primarily empirical in nature, answering the research question of “How did the liquidity crunch effect organised retailers in Karnataka across the five selected verticals”. Store managers across the major retail verticals were surveyed to understand the effect of remonetisation, with an objective of studying the impact of remonetisation on the organized retail. The survey was conducted on 306 retailers across Karnataka, where the store managers rated the impact on a seven-point scale. Stratified sampling was used to select the organised retail stores across.
Karnataka state. The research instrument of questionnaire with a single item seven-point rating was used to record the response. The primary data collected is used to test the hypothesis on the impact differences across verticals, as given below:

**H0: There is significant difference in impact across the selected verticals of retail**

ANOVA test is used as the data analysis tool to detect the differences in impact. ANOVA test is a way to find out if survey or experiment results are significant. In other words, they help you to figure out if you need to reject the null hypothesis or accept the alternate hypothesis. Basically, its about testing groups to see if theirs is a difference between them.

V. ANALYSIS AND INTERPRETATION

The demographics of the store managers of 306 retail stores include organised retail store managers from Apparel 96, Consumer electronics 59, Food and grocery 44, Footwear 61, Home and Interior 46. The analysed data is organised as given in Table 1, which shows the SPSS ANOVA output. The Descriptive from the table given below, shows the mean value of the ratings. With Food and Grocery having the highest rating. The P value is 0.00, which is less than 0.05. Thus, we reject the null hypothesis of no difference and conclude that there are significant differences in the impact across the verticals.

<table>
<thead>
<tr>
<th>Verticals</th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel</td>
<td>96</td>
<td>5.0000</td>
</tr>
<tr>
<td>Consumer electronics</td>
<td>59</td>
<td>5.0634</td>
</tr>
<tr>
<td>Food and Grocery</td>
<td>44</td>
<td>5.1182</td>
</tr>
<tr>
<td>Footwear</td>
<td>61</td>
<td>5.0000</td>
</tr>
<tr>
<td>Home and Interior</td>
<td>46</td>
<td>5.0217</td>
</tr>
<tr>
<td>Total</td>
<td>306</td>
<td>4.9379</td>
</tr>
</tbody>
</table>

TABLE 1: SPSS ANOVA OUTPUT related to demonetisation

The average rating from the lowest to highest for the impact from the data given in Table 1 is, Home and Interior, Apparel, Footwear, Consumer electronics, Food and Grocery. The differences point out to the fact that the impact might not be same across the verticals and the impact depends on the type of retail vertical. Food and Grocery and Consumer electronic segment store managers find it more difficult to maintain their targets during such a crunch than store managers from other verticals.

Thus, it can be concluded that the impact was different across the major retail verticals in Karnataka. This might be due to delay in discretionary spending against certain products.

IV. IMPLICATIONS AND CONCLUSION

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REFERENCES


