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Effects of demonetization on retail outlets

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Abstract

Demonetization is a tool of Government to eliminate the currency. It is used in very adverse situations. This paper tells about that what's are the post effects of demonetization on retailers. This paper throws light on how much problems faced by shopkeepers, how their business effected and the effects on most popular brands sale. This paper also tells about consumers shifting to cashless means such as paytm, internet banking etc.

Keywords: Demonetization, Retailer, Consumer

1. Introduction

1.1 What Is Demonetization?

- Demonetization is a process by which a series of currency will not be legal tender. The series of currency will not acceptable as valid currency. The same thing happens with the Rs. 500 and Rs. 1000 note demonetization.

1.2 What are the causes of Demonetization?

- There can be many causes of Demonetization in any economy some of them are: Introduction of New Currency, Black Marketing, Currency Storage, Corruption and others.
- There will be excess fake currency in the economy is main reason of demonetization.

1.3 What Happened on Demonetization?

- On 8th November 2016, Government of India had announced that from today onward rupees 500 and 1000 rupee note will not be a legal tender.
- This means that 500 and 1000 rupee note will be accepted by anyone except the organization declared by government.
- They can change the currency from the banks and post offices till 30th December 2016
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1.4 Demonetization history and background in India?

- This is not the first time when Indian currency is demonetized in India.
- The first instance was in 1946 and the second in 1978 when an ordinance was promulgated to phase out notes with denomination of Rs 1,000, Rs 5,000 and Rs 10,000.
- The highest denomination note ever printed by the Reserve Bank of India was the 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.
- Rs 1,000 and Rs 10,000 bank notes were in circulation prior to January 1946. Higher denomination banknotes of Rs 1,000, Rs 5,000 and Rs 10,000 were reintroduced in 1954 and all of them were demonetized in January 1978.
- The Rs 1,000 note made a comeback in November 2000. Rs 500 note came into circulation in October 1987. The move was then justified as attempt to contain the volume of banknotes in circulation due to inflation.
- However, this is the first time that Rs 2,000 currency note is being introduced.
- Bank notes in Ashoka Pillar watermark series in Rs 10 denomination were issued between 1967 and 1992, Rs 20 in 1972 and 1975, Rs 50 in 1975 and 1981 and Rs 100 between 1967-1979.

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- The banknotes issued during this period contained the symbols representing science and technology, progress and orientation to Indian art forms.
- In the year 1980, the legend Satyameva Jayate - 'truth alone shall prevail' - was incorporated under the national emblem for the first time.
- In October 1987, Rs 500 banknote was introduced with the portrait of Mahatma Gandhi and Ashoka Pillar watermark. Mahatma Gandhi (MG) series banknotes – 1996 were issued in the denominations of Rs 5, (introduced in November 2001), Rs 10 (June 1996), Rs 20 (August 2001), Rs 50 (March 1997), Rs 100 (June 1996), Rs 500 (October 1997) and Rs 1,000 (November 2000).
- The Mahatma Gandhi Series – 2005 bank notes were issued in the denomination of Rs 10, Rs 20, Rs 50, Rs 100, Rs 500 and Rs 1,000 and contained some additional/new security features as compared to the 1996 MG series.
- The Rs 50 and Rs 100 banknotes were issued in August 2005, followed by Rs 500 and Rs 1,000 denominations in October 2005 and Rs 10 and Rs 20 in April 2006 and August 2006, respectively.

2. Objectives

1. To analyse the demonetization post effects on retailers and consumers.
2. To know the trends and behaviour change in consumers and shopkeepers buying.
3. To know the effects of demonetization on top brands.
4. To know the credit span of time extension or not.

3. Methodology

The research project is analytical in nature. The research project is mainly based on primary data. The sample size is 50 shopkeepers in a town of 1.25 lakhs population. The questionnaire survey was conducted on selected shopkeepers based on convenience sampling method.

3.1 The findings after analyzing the data are

- 80% shopkeepers told that from 9th nov.2016 to 10.dec.2016 there was 20% increase in their sale due to accepting the old currency but after 10th dec.2016 there was 50% decrease in sale due to not availability of proper cash.
- The wholesalers denied to extend the credit span of time.
- Shopkeepers started paytm and cheque facilities for consumers.
- 70% shopkeepers had to extend the credit facilities for consumers and span of credit time.
- Brands like P&G, HUL, Parle, Coke demand effected only 20% due to brand loyalty.
- There has been a drop of 30% customer's footfall.
- Spend per customer per visit drop by 40%.
- Items bought per customer 20% decreased.

3.2 Effects of demonetization on the following categories

- Salty snacks sale decreased by 10%.
- Chocolates sale decreased by 50%.
- Biscuits sale decreased by 20%.
- Sparkling drinks sale decreased by 50%.
- Juices/fruit drinks sale decreased by 20%.

- Cigarettes sale decreased by 10%.
- Toilet soaps sale decreased by 10%.
- Hair dyes sale decreased by 10%.
- Mobile phones and pc sales decreased by 70%
- Gold sale increased by 70%
- Durable goods sale decreased by 60%

4. Conclusion

So the study shows that initially the demonetization effects on market were painful but this also instigate the shopkeepers and consumers to adopt cashless means such as paytm, debit card use, internet banking to buy goods. By adopting the cashless means economy will be sound in coming time and Indian Economy will get benefits of early and hassle free transactions. Demonetization effect will be positive in coming time for Indian Economy. Indian consumers will strives ToL learn new ways of cashless transactions. By adopting the cashless means certainly there will be a checkon black money.

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