

Demonetization and its Impact in the Unorganized Retail Market: A Study on the Customers Buying Behaviour during the period of transition

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Abstract: Retail business is one of the fastest growing sectors in India, It accounts for over 10 per cent of the country's Gross Domestic Product (GDP). The unorganized or the conventional retailing business significantly dominates about 92% of the total business (IBEF, 2017). Even today, an unorganized retail outlet is preferred by an average Indian customer for their routine purchase. As a consequence of the demonetization policy of the Government of India, there has been a decline in the cash purchase due to the shortage of cash circulation which in turn affected the retail market particularly the unorganized retailing across the country. This paper intends to study the antecedents of demonetization in the unorganized retail sector in India and the customers buying behaviour with respect to the mode of payment. Primary data has been collected for the purpose of the study from the customers. Study reveals that the unorganized sector faced a setback subsequent to the demonetization which can be attributed due to the sudden transition in the mode of payment and its influence on the buying behaviour. But the situation seems to be gradually improving at a slow pace as both the purchaser and the seller is gradually adapting themselves towards the cash-less transactions.

Keywords: Unorganized retailer, demonetization, cashless transaction.

Introduction

From the midnight of 8th November 2016 the Government of India has implemented a major economic decision of demonetization. The process involved the elimination of the higher denomination notes from circulation through a gradual replacement with a new set of notes. Further due to the limits imposed on the cash withdrawal the cash in circulation decreased substantially. Thus an average Indian has left with limited cash in hand while the rest was available as electronic money which can be used only through electronic transactions.. The Reserve Bank of India in its 'Payment and Settlement Systems in India, Vision-2018', envisions in encouraging greater use of electronic payments by all sections of society so as to achieve the objective of "less-cash" society. The demonetization policy has affected a considerable section of the Indian society who earns incomes in cash and spends it in cash. In terms of the sectors in the Indian economy, the sectors predicted to be adversely affected are all those sectors where demand is usually backed by cash, especially the 'unorganized retailing' sector. Under these given circumstances this paper intends to study the Indian middle class customers' buying behaviour in the post demonetization period especially during the process of transition and analyze the results for academic considerations.

Review of Literature

There is a plethora of literature available on the mode of payment and the buying behaviour of the customers as well as the impact of demonetization in different economies. But any empirical research particularly on the impact of demonetization in the retail sector due to the varying mode of payment was hardly found during the course of literature review. However, relevant review of literature has been presented based on the studies made on demonetization in India and from the area of consumer behaviour

Rao Kavita et al, (2016) in their working paper opined that the demonetization will have a very short-term impact on certain sectors. The sectors to be adversely affected are those where demand is usually backed by cash, especially the un-organized retailing would face compression in demand which is backed by purchasing power. Soman Dilip, (2001) in his experimental research on the effects of payment mechanism on spending behavior observed that, the payment mechanism has no role to play in a rational economic evaluation of a purchase opportunity but there has been substantial evidence to suggest that consumers who predominantly use credit cards overspend compared to those who do not. In a similar study undertaken by Raghubir Priya and Srivastava Joydeep, (2008) the authors opined that the intensity of spending by cash leads to higher pain than any other modes of payment like credit card payments thus there is a likelihood of increased in spending. Khan Jashim, (2011) in his research findings observed that the mode of payment has significant effect on value and volume of purchase. In his doctoral study the participants who used debit cards spent significantly higher than did the cash group, study participants who preferred to and normally used cash or debit card exhibited positive feeling to their preferred payment mode. Horst Frank van dar and Matthijsen Ester, (2013) conducted a study on the payment behaviour in Netherlands and opined that cash transactions are more transparent than electronic transactions and that transparency results in greater 'pain of paying' for the customers which in turn prevent large purchases and impulse buying.

Statement of the problem

With the process of demonetization and subsequent effort to make India a 'less-cash' society (Reserve Bank of India, Vision-2018), the situation calls for making an in-depth study on the antecedents of demonetization among the considerable section of the Indian population who does not have access to any mode of cash-less transactions moreover, the unorganized retail sector which dominates about 92% of the Indian market (IBEF, 2017), lacks the basic infrastructure for cash less transactions. Further available literature corroborates that the purchasing behaviour of the customers plays a dominant role with the mode of transactions. Tripathi Vivek Kumar and Marwah Tanu, (2013) in their study on the Indian middle income group users with debit cards observed that due to the heterogeneity of the market structure in India there is a difference in the payment options of the same income group staying in different locations. Moreover the unavailability of the swapping machines also influences the purchasing behaviour.

In this paper a meager attempt has been made to study the issues discussed above and analyze the same with the existing literature.

Objective of the Study

In the context of issues mentioned above, this paper makes an attempt to study into the aspects of demonetization and its impact in the unorganized retail market with special focus on the customers buying behaviour in the Post monetization era. The research questions are-

- a. How did demonetization affect the daily cash expenditure of the customers?
- b. How the customers do managed the transactions with the limited cash-in- hand?
- c. What are the antecedents related to the cashless transactions?

The objectives of the study involves

- i) Finding answer to the questions mentioned above and
- ii) Examining if the practice is inconsistent with the available literature regarding the modes of payment and spending behaviour of customers.

Methodology

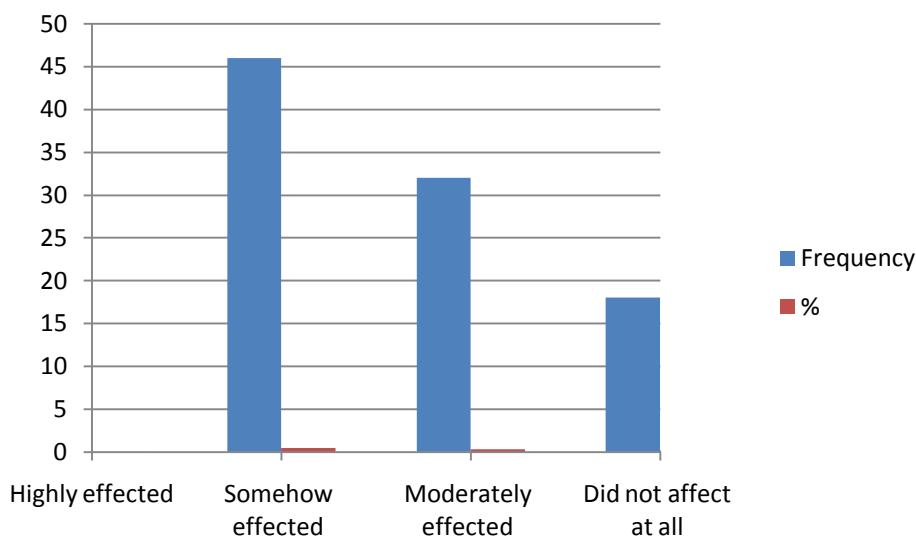
Case Study is the basic methodology of the work. However, the canvas is made widespread to transform it into an inter-disciplinary study based on literature survey and field investigation. Under literature survey theoretical issues of different areas like demonetization, cash less transactions, mode of payment and spending behaviour, etc have been considerably studied. Aim of the study is to build a theoretical framework, in the light of which findings from field investigation could be analyzed and evaluated. For the purpose of the study primary data has been collected from the customers in the traditional retail markets in Siliguri which is well known as the gateway to the Northeast region with a heterogeneous population composition. The survey was conducted during last week of November till third week of December, 2016. 100 questionnaires have been distributed to the retailers for the purpose of collection of data was scrutinized for evaluation.

Findings

Table- 1.1

Showing how demonetisation affects your daily business

Particulars	Frequency	%
Highly effected	4	4
Somehow effected	46	46
Moderately effected	32	32
Did not affect at all	18	18
TOTAL	100	100



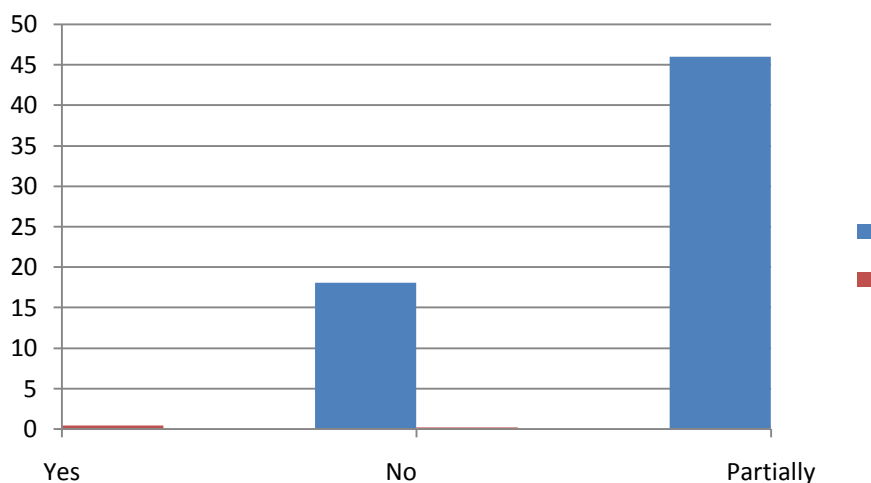
Interpretations:

Field study revealed that demonetisation has a moderate effect on the considerable section of the respondents. Table-1 shows that around 78% of the customers agree that their daily expenses were somehow and moderately affected due to demonetization.

Table: 1.2

Showing that Demonetization has lowered down the level of your daily expenses

Particulars	Frequency	%
Yes	36	36%
No	18	18%
Partially	46	46%
TOTAL	100	100%



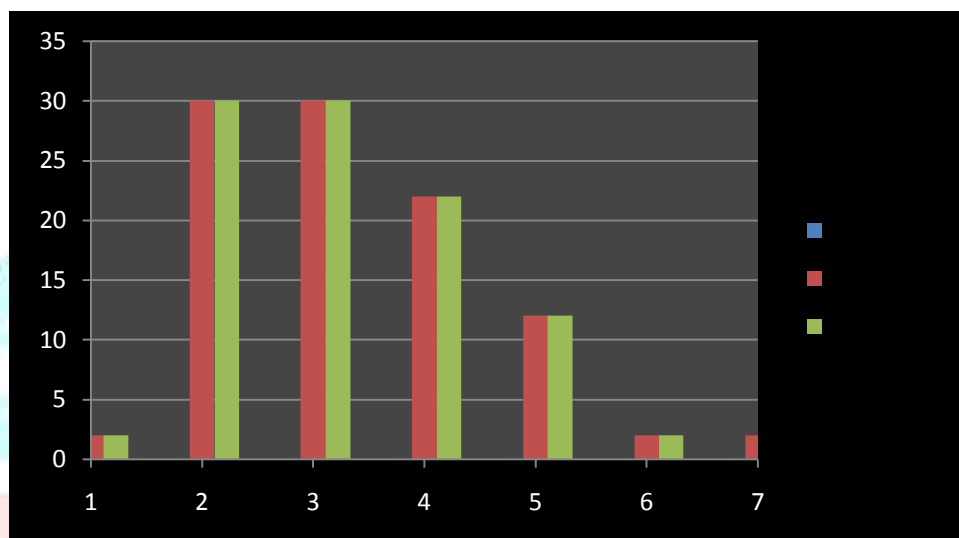
Interpretation:

Field Study reveals that only 18% of the respondents opine that their expenses pattern has remain unchanged while 36% of the respondents opines that their expenses have been reduced and 46% of the respondents told that their expenses were hampered partially.

Table: 1.3

Showing the management of daily cash expenses with the existing limitations of cash supply

Particulars	Frequency	%
Cashless	2	2
Credit Purchase	30	30
Little quantity	30	30
Others (specify)		
Cash	22	
Debit Card	12	
Cheques	2	
Online	2	
		38
TOTAL	100	100

**Interpretation:**

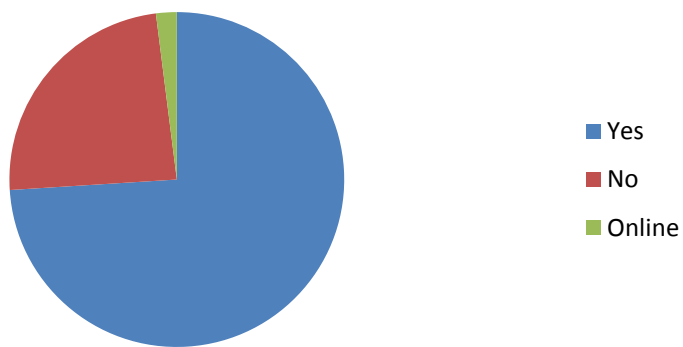
Field study reveals that 30% of the respondents goes for credit purchase or may purchase in small quantity, 22% of the respondents goes for cash transactions, 12% of the respondents does transaction through Debit card and 2% of the respondents' does transaction cashless or online and cheques.

Table: 1.4

Showing how are you comfortable enough with the cashless transactions

Particulars	Frequency	%
Yes	74	74
No	24	24
Others (specify)		
Online	2	2
TOTAL	100	100

Frequency



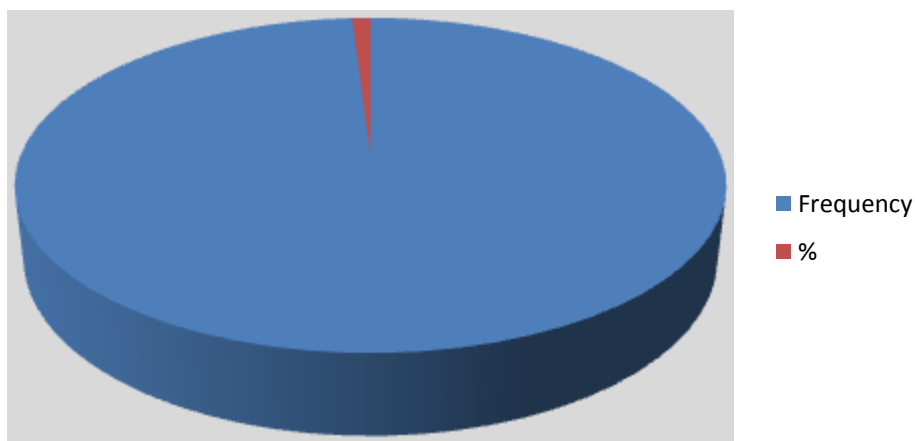
Interpretation:

Field study reveals that 74% of the respondents are comfortable with cash less transaction while 24% of the respondents opines that they are not comfortable with cash less transactions and only 2% of the respondents opines that they does transaction throug Online.

Table: 1.5
Showing proportion of usage of an android mobile?

Particulars	Frequency	%
Yes	92	92
No	8	8
TOTAL	100	100

Yes

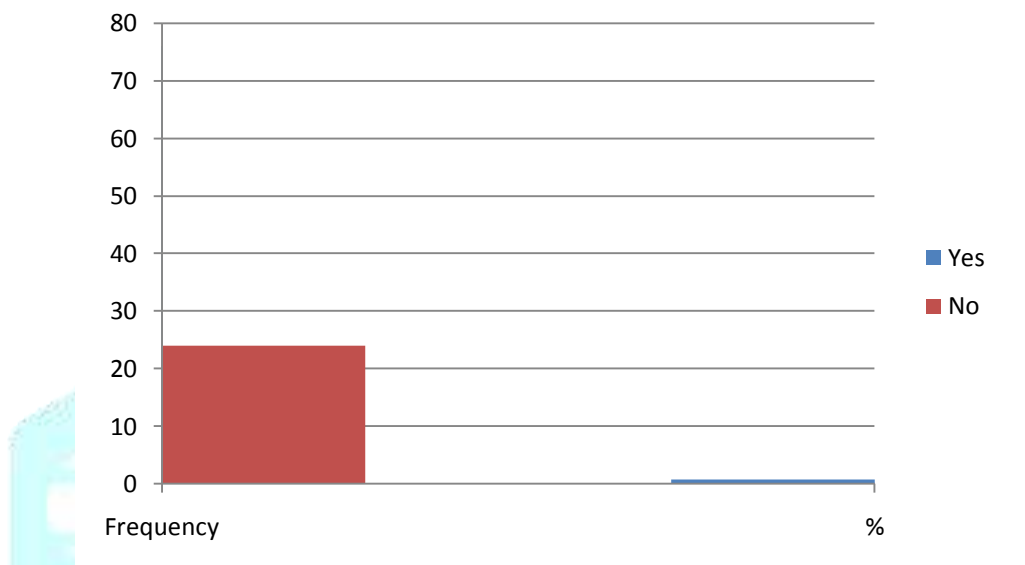


Interpretation:

Field Study reveals that 98% of the repondents use android mobile and only 8% of the repondents opines that they don't use android mobile.

Table: 1.6*Showing how to make the transactions using your android handset*

Particulars	Frequency	%
Yes	76	76
No	24	24
TOTAL	100	100

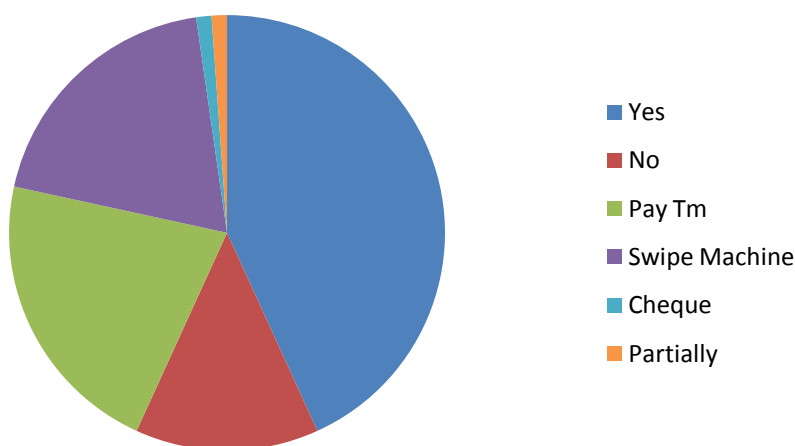
**Interpretation:**

Field Study reveals that 76% of the respondents use android handsets for doing transactions and only 24% of the respondents opines that they can't able to make transaction through android handsets.

Table: 1.7*Showing whether the shop/ retail outlets you visit have cashless transaction facilities like swipe machines, Pay Tm, etc (Please Specify)*

Particulars	Frequency	%
Yes	76	76
No	24	24
If Yes, Specify		
Pay Tm	38	38
Swipe Machine	34	34
Cheque	2	2
Partially	2	2
TOTAL	100	100

Frequency



Interpretation:

Field study reveals that 76% of the respondents use cash-less transaction facilities like PayTm, Swipe machines etc and only 24% of the respondents don't have cash-less transaction facilities.

Mode of payment and buying behaviour:

Field study revealed that demonetisation has a moderate effect on the considerable section of the respondents. Table-1.1 shows that around 78% of the customers agree that their daily expenses were somehow and moderately affected due to demonetization. Whereas, only 18% of the respondents opines that their expenses pattern has remain unchanged. Study identified the relationship of purchasing behaviour on the mode of payment where it was found that 86% (as shown in Table-2.1) of the total customers owned ATM cum Debit card which is a popular mode for cashless purchase still 82% (as shown in Table:1.2) out of them opined that demonetization has lowered down their daily expenditures. Spending pattern of the customer is 'influenced by behavior' can be corroborated from the field survey where it has been observed that even after acute currency crisis immediately after demonetization only 2% (as shown in Table-1.3) of the customers are making cashless payment. 60% of the customers are managing either by credit purchase or purchasing in less quantity (as shown in Table-1.3) to check the cash expenses.

Access to cashless payment option:

Table-2.1

Showing the cashless payment options available to the customers:

<i>Cashless payment options</i>	<i>%</i>
ATM cum Debit card	86
Credit card	6
PayTm	16

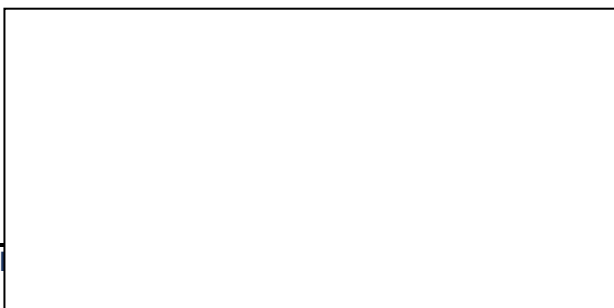


Table-2.2 Showing the availability of cashless payment facilities with the retailers

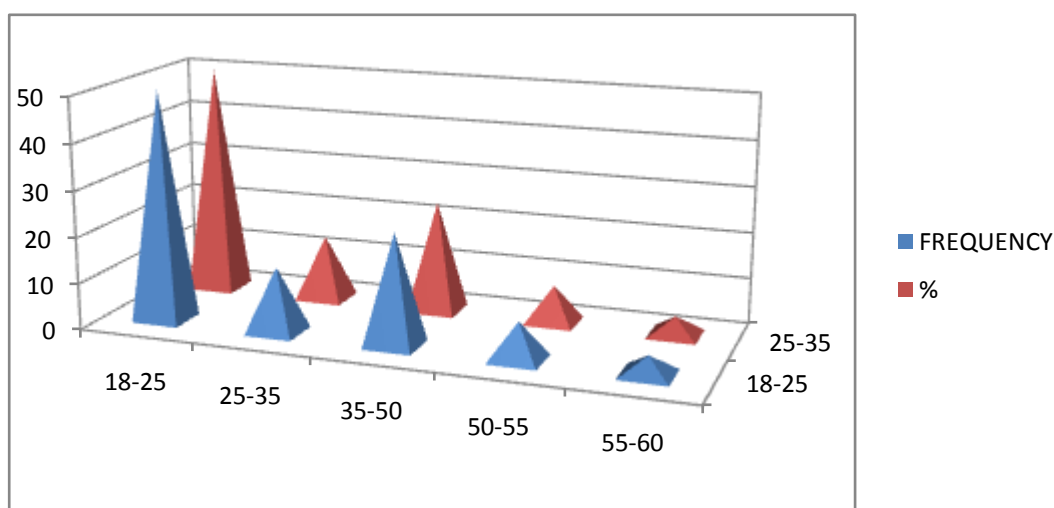
<i>Availability of Swap machines/ Pay-Tm</i>	<i>%</i>
<i>Swap machines</i>	76
<i>Pay-Tm</i>	38
<i>Others</i>	04

Table-2.1 shows the distribution of the mode of cashless option available with the customers but in spite of the available options cash transactions is preferred by 60% of the customers (Table-1). Retailers were found to be well equipped for either mode of payment (Table-2.2) reveals that majority of the retailer have swap machines and around 38% have the Pay-Tm option available with them.

Table: 3

Showing Age distribution who visited market

AGE GROUP(IN YEARS)	FREQUENCY	%
18-25	50	50
25-35	14	14
35-50	24	24
50-55	8	8
55-60	4	4
TOTAL	100	100

**Interpretation:**

Filed Study also reveals that 50% of the respondents who are in the age group (18-25) years visited the market and done transaction quite often while 36% of the respondents who are in the age group (35-60) years visited the market and have done transaction less. Therefore we may say that teenagers are mostly market visitors.

Limitations of the Study:

The findings of the study are based on a field work done in the unorganized retail markets situated in the City of Siliguri, which covers a limited period of one month from last week of November till third week of December. Many changes might have taken place by this time; those changes remain outside the scope of this study. The study is based on a limited sample of customers, so the results obtained from the study cannot be generalized.

Conclusion:

The study aimed in addressing the issue of demonetization and subsequent impact in the unorganized retail market considering the mode of payment and purchase behaviour. As supported by the earlier literature, collected data of the present study reveals that there exists a strong relationship between the payment options and the purchase behaviour. India is in a stage of transition towards less-cash economy where an average customer gradually has to adopt toward the available cashless payment options. The process may take some time to take place but the external factors and the peer pressure will largely influence in minimizing the transition rate. A comprehensive study is required taking a large sample group for drawing a precise conclusion regarding the issue. The time factor perhaps plays a dominant role in this process of transition thus the result at different phases during the transition will yield variations in the level of output.

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