

## A SECTOR WISE STUDY OF THE RETROPECTIVE EFFECTS OF DEMONETISATION IN INDIA SCENERIO CHALLENGES AHEAD

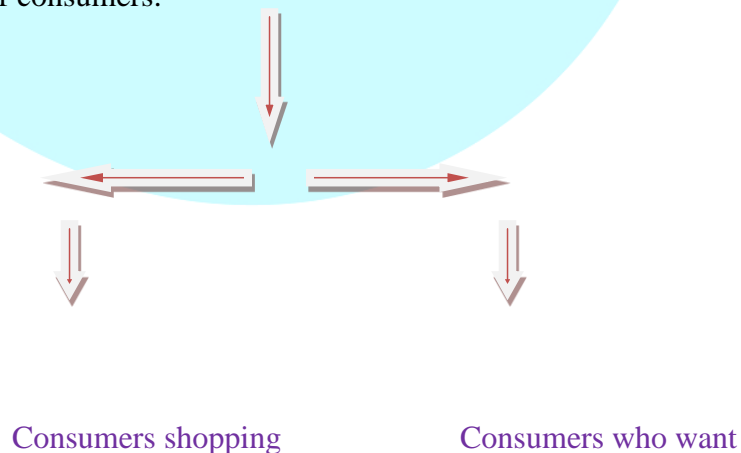
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The cash crunch due to demonetization has changed the Indian scenario. People are pushed to use plastic money to transact. The reason for the rise to m-pockets, further an increase in online transactions. It's over two months and the buzz about "Demonetization" has not died down. There is a new digitalization where the concept not being new is being made familiar by everyone. An Indian economy is turning towards a cashless economy. The dead line of 31<sup>st</sup> December 2016 is up and there is a need to analyze the effects of demonetization sartorial wise and at the global level.

Indians are used to cash transaction and the new concept of debit cards is making it difficult to transact irrespective of being enforced. This has engulfed all walks of life. The mobile is more frequently used for commerce rather than just a device for calling. It is more of a retail outlet at the hands of the customers. The online sales in India have increased by nearly 60% thereby it is seen that the growth in online transaction by 50%.<sup>1</sup>

Today we can say that there is a split in consumers. The following diagrammatic representation shows the preferences of consumers.



<sup>1</sup> The Next Generation Commerce report by Grant Thornton and CII.

Online known as  
“Click Customers”

the feel of the product.



Consumers who want  
change and are ready to take risks.

Consumers who are less risk  
takers.

In the above diagram, it is observed that the second type of consumers is the one who undertake cash transaction. There is a steep rise in online transaction. It has increased by 22% as compared to 2015. There is an increase in mobile transaction increased by 175%.<sup>2</sup> The IMPS (Immediate Payment System) transactions have grown by 116%, such a technology is used with mobile banking transfer. The mobile banking transaction has grown by 175% by the end of 2016.<sup>3</sup> The prices of vegetables have crashed due to which farming has had a bizarre effect. Further it is observed that the inflows of veggies in cities, post demonetization, have increased.<sup>4</sup>

The sales in India have fallen down by 7-8% giving rise to a more CLICK OF MOUSE CONCEPT among consumers.<sup>5</sup> From the above data a conclusion can be drawn that the sales in mobile gadget sector has increased post demonetization. The advanced new gadgets are much a requirement in today's M-Commerce.

### Supreme Court's Decision

<sup>2</sup> [http://www.business-standard.com/article/economy-policy/post-demonetisation-digital-payments-are-down-15-116122700098\\_1.html](http://www.business-standard.com/article/economy-policy/post-demonetisation-digital-payments-are-down-15-116122700098_1.html)

<sup>3</sup> Ibid 2

<sup>4</sup> Varma, Subodh (2016): “Veggie Wholesale Rates Crash, Retail Prices Only Dip In Cities,” Economic Times, 2 December, <http://economictimes.indiatimes.com/news/economy/agriculture/veggie-whol....> - See more at: [http://www.epw.in/journal/2016/51/web-exclusives/demonetisation-and-cash-shortage.html-0?0=ip\\_login\\_no\\_cache%3D44f1ebfdeb43cf9a0407d6cc7044a5fb#sthash.115mF06v.dpuf](http://www.epw.in/journal/2016/51/web-exclusives/demonetisation-and-cash-shortage.html-0?0=ip_login_no_cache%3D44f1ebfdeb43cf9a0407d6cc7044a5fb#sthash.115mF06v.dpuf)

<sup>5</sup> Meghna Sharma “Demonetization effect: Retail readies for digital push”, The Financial Express, Tuesday 20<sup>th</sup> December 2016.

The Supreme Court has refused to interfere with the policy of the Government of India with respect to Demonetization. Further the SC has stayed proceedings in various HC and other courts, as no court to entertain fresh pleas.<sup>6</sup>

### **Real Estate Sector**

This sector is always on the rise. A lucrative sector where cash transaction is most preferred. The recent trends show that the land deals have stooped low in the year 2016 in some places in India. The root cause is the effects of demonetization. Yet big land developers like Lodha Developers, India bulls; Wadha Group, Kalpataru Real Estate and Oberio Realty have nabbed multi-crore land deals in prime areas in Mumbai. The deal has touched Rs2, 700 crore. Showing that demonetization has not affected the big business sector.

Few corporate like Bayer, Borosil, Reliance Industries and Mafatlal Industries sold their land to developers, where transaction is in crores of rupees. When compared to last few years this is quite on the rise. Some other huge transaction were Parsvnath's sale to Supertech for Rs 1,200 crore, Ramprastha Group's sale to Vatika Group for Rs 300 crore, M3M India's sale of land in the national capital region (NCR) to Tata Realty for Rs 500 crore and Sahara Group's Rs 665 crore sale to M3M India.<sup>7</sup> It is observed that the land cost have not fallen satisfactorily, coming to a conclusion that post demonetization the Building and Land Developing Sectors have not been affected for big business houses.

It is further seen that some places in India like Mumbai being a land of mesmerizing business; the real estate sector has hit a low as compared to last 6 years. The registration of real estate has dropped drastically. The month of January 2017 saw a low of 3,799 property sales transactions registration. Demonetization has made the speculation that there may further be a drop in the price of sales in real estate.

### **MHCV Sector**

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<sup>6</sup> The Financial Express, Saturday December 17<sup>th</sup> 2016.

<sup>7</sup> Priyanka Ghosh,"As Funding avenues dry up for developers, so do land deals", The Financial Express Saturday, 17<sup>th</sup> December,2016.

The MHCV is an auto sector unit. The companies like Ashok Leyland, Tata Motors are some of the well known brands which are into this sector. This sector is hit hard by demonetization. Due to the drop in retail sales, this sector has been hit by demonetization.

### **Risk factor in Cashless society**

A card number without OTP could be misused by a rogue merchant to debit your card account without authorization. The card number could be used at an overseas website or store which may not be mandated to follow.

Misuse of card could take place in Indian shops. There exists cybercrime enforcement where the IP address can be traced by apprehending the culprits. But if the criminals are sitting overseas then the matter to nab them become complicated. There is lack of international protocols.<sup>8</sup>

### **Automobile Sector**

There is a drop in sales in the automobile sector. This is due to demonetization. According to an analysis done by brokerage research firm Kotak, the net income of BSE – 30 Index is likely to be flat on a year-on-year basis and decline 2.3% on a quarter-on-quarter basis and several sectors will be impacted by demonetization. There is a further decline by 3.9% y-o-y. The reason being the negative impact of demonetization. The automobile sector has seen low sales in November and December due to demonetization. Further there is increase of depth for developers due to decrease in sales. The listed developers are seeing an increase in depth<sup>9</sup>.

### **Overall individuals**

The demonetization will affect individuals who save their hard earned money in the form of Fixed Deposits as the interest rates will decrease. The rates of inflow of cash in banks are in crores of rupees due to which it may affects the interest rate adversely thereby affecting individuals on the

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<sup>8</sup> Anand Ramachandran, "Cash to cashless lock the city gates", The Financial Express, Thursday Jan 5<sup>th</sup> 2017.

<sup>9</sup> Fe Bureau, "Demonetizations blues: India Inc to post weak Q3 numbers",

whole. The finance minister in his statement has said that the bank deposits can be related to owners of the account. In the near future it is seen that the rate of interest will decrease. The revenue department has said that the voluntary or involuntary declaration of money will be liable to tax and any unaccounted would be liable to penalty.

### **Rise in Collection of Taxes**

Though there is large loss of revenue for companies and decline in revenues of firms due to demonetization, which gives a different angle by the tax department. The companies, traders and individuals who have brought to light their concealed income by the use of demonetized notes for payment of taxes and utilities will be under the scanner. The increase in excise duties on petroleum products is the reason for the sustained tax buoyancy. According to Mr. Arun Jaithley, finance minister states that the centre's direct tax collection was up by 12.01%.

### **Jewellery Sector**

This sector imports diamonds and processes it in India. Cash has become king and the diamond market is fighting demonetization. The statistical data has revealed that the imports of rough diamonds has fallen 4.7% to \$1.4bn in the month of December 2016. This is due to the wide range of currency reforms in India. The sales of Alrosa, second biggest producers, fell by 31% from November, 2016.

### **Conclusion**

The drive of demonetization has affected all sectors in India. Every individual have been affected one way or the other. Data reveals that trade and commerce has been affected by demonetization policy. People are venturing to a more cashless form of business. There is a paradigm shift towards new improved technology and gadgets to support this form of business. The policy of demonetization has given a boom to the telecommunication sector. The bankers have become more vigilant and are encountering new challenges with respect to cybercrime.