



IMPACT OF DEMONETIZATION AND GST ON RETAILING BUSINESS

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ABSTRACT

Indian economy is growing in a faster way next to china, until a pandemic situation. A sustainable economic growth seen in pre-demonetisation and GST. In fact the growth of economy encompasses all the sectors especially industries and agriculture, which are root causes for the sustainable growth. Demonetization and Goods and Service Tax (GST) are two measures taken up by the Indian government in a short span of time aimed to tackle the issues and to resolve the emerging issues, which subdue the Indian economy. The consequence of Demonetization and GST becomes a challenge for so-called targeted aim along with unforeseen cross waves. GST requires the companies to not just be tax complaint but also readjust their structure and supply chain networks. On the other hand, demonetization makes the people to go for cashless payments to some extent.

KEYWORDS: *Demonetization, GST, Retailers, Digitalization.*

INTRODUCTION

The government has implemented a major change in the economic environment by demonetizing the high value currency note of Rs.500 and Rs.1000 denominations. These ceased to be legal tender from the midnight of 8th November 2016. The objectives of demonetization policy are to make India a corruption free state, to curb black money, to control inflation, to stop terror financing, to make the people pay income tax and to make a cashless society and create Digital India. But the outcomes are not so upright as it is designed for. The demonetization policy remains a debatable one in the radar of economists.

GST is an Indirect Tax which has replaced many Indirect Taxes in India. The Goods and Service Tax Act was passed in the Parliament on 29th March 2017. The Act came into effect on 1st July 2017. More than 150 nations have implemented Goods and Service Tax (GST) so far however many of them encounter with some issues. Goods and Service Tax (GST) is an indirect tax (or consumption tax) imposed in India on the supply of goods and services. The tax replaced existing multiple flowing taxes levied by the central and state governments. Good

and Services are divided into five different tax slabs for collection of tax - 0%, 5%, 12%, 18% and 28%. However, petroleum products, alcoholic drinks, and electricity are not come under GST and instead are taxed separately by the individual state governments, as per the previous tax regime. This leads to raise the question by the experts on the so-called motto of one-tax formula. The study aims to analyse the impact of demonetization and GST on the retailing business, and the traders' perception on the implementation of demonetization and GST, to assess the extent to which it makes them to change in their business arena in Thoothukudi city.

REVIEW OF LITERATURE

Pradnyasurwade(2017) studied the effect of demonetization on every day income, people's expectations concerning currency etc. The study discloses problems faced by common people with the use of online banking which are further analysed and solution to this problem are suggested to some extent, in turn to move towards cashless banking. The vegetable and fruit marketers are mostly affected by this decision, because they are illiterates and don't have a knowledge in using swipe machine and



Paytm. Again, almost all the customers come to them with cash only. More than 90% of transactions are still based on cash, so it is very difficult to have success in cashless economy. Dr.S.Preethi and V.M.Sangeetha (2017) in their article entitled, "Impact of demonetization on Indian economy", revealed the various sectors are affected where demand is usually backed by cash. In automobile industry Clampdown on cash transactions and temporary cash crunch hurt purchases of two wheelers, where the percentage of cash transactions has been high. In case of passenger vehicles, the seasonal slowdown seen during November and December months could get more pronounced as consumers delay purchases due to temporary liquidity crunch and expectations of rate cuts. Thus, slackness in the economy on account of demonetization could have a negative impact on the commercial vehicle volumes. Dr. Yogesh Kailashchandra Agrawal (2017) "Goods and Services Tax and Its Impact on Indian Economy" The Indian textile industry provides employment to a large number of skilled and unskilled workers in the country. It contributes about 10% of the total annual export, and this value is likely to increase under GST. GST would affect the cotton value chain of the textile industry which is chosen by most small medium enterprises as it currently attracts zero central excise duty (under optional route). The FMCG sector could see significant savings in logistics and distribution costs as the GST will eliminate the need for multiple sales depots. Dr.V.Sornaganesh and G.Sudha (2019) observed that most of the respondents used cash for their payment before demonetization but after demonetization it seems a slight change coupled with some respondents are not aware with digital cash.

RESULTS AND DISCUSSIONS

Effect of Demonetization on the Business

The dealers are classified as small, whose turnover does not exceed Rs.30,000, medium dealers, whose turnover falls in Rs.30,000-60,000, and large dealers, whose turnover exceeds Rs.60,000. Out of 40 retailers, 18 per cent of respondents deal small size business. Among these, 50 per cent of the respondents felt their business did not affected much by the demonetization. But 27.8 per cent of the respondents revealed their business were affected by the demonetization. Another 22.2 per cent of the respondents' business was not affected by the demonetization. Among the 13 medium size businesses, 61.5 per cent of the dealers stated their business was bitterly affected by the demonetization. The trade in the market was affected and the retail sales witnessed a severe dip Kandpal, et al (2019). About 30.8 per cent of the dealers found affecting their business much because of demonetization. within a short span of time 7.7 per cent respondents

business not affected by the demonetization 30.8 per cent respondents not affected by the demonetization. There are nine dealers do their business at large level, out of them, 44.4 per cent of their businesses were affected much by the demonetization. Again one-third of the respondents said their business was not affected by the demonetization. Another 22.2 per cent business was not much affected by the demonetization (Table-1 See Appendix). The analysis found medium and large dealers are mostly affected their businesses because of demonetization. Interestingly small dealers are not much affected.

The dealers in various businesses namely, Electrical, Textile and Automobile reported that their businesses were affected at 10 per cent level in sales constituting more than 44 per cent due to demonetization. But kirana stores were affected their sales in the range of 10-20 per cent which constitutes 36.4 per cent. Since the later meant for fulfilling the routine needs of people, this business experienced a higher-level distress (Table-2 See Appendix).

Dealers Perception on Demonetization

The act of demonetization pushes the dealers to adopt digitalization, as it is ranked first. Demonetization adversely affected the dealer's business, which is ranked second. Its implementation found not fair as it is ranked third. Demonetization does not curb the black money as it is ranked fourth. The statement of demonetization never amounts to improve the status of common people so it is ranked last (Table-3 See Appendix). So, the demonetization urges the dealers to adopt digitalization to some extent.

The dealers are classified as small, whose turnover does not exceed Rs.30,000, medium dealers, whose turnover falls in Rs.30,000-60,000, and large dealers, whose turnover exceeds Rs.60,000. Out of 40 retailers, 18 respondents are the small dealers, among them 38.9 per cent agreed the demonetization pushes them into digitalization. It must be noted at the other end the usage of services like debit card, net banking, and mobile banking are mainly based on the income level of the respondents i.e. those whose income increases are largely use these services except core banking service Dr.G.Paulraj and D.Ugesh (2013). One-third of them strongly agreed with the statement. Another 27.8 per cent of the dealers revealed a neutral opinion about the statement. Out 13 medium dealers, 38.5 per cent of them strongly agreed that demonetization urges them into digitalization. The same per cent of other dealers expressed their opinion neutral to the statement. But 15.4 per cent of the respondents disagreed it. Again 7.7 per cent of the respondents agreed that demonetization pushes them into digitalization. Out of 9 large dealers, 44.4 per cent of them agreed that the demonetization pushes into digitalization. One-third of them strongly agreed for this statement.



While 11.1 per cent of them opined for this at neutral and the same level revealed strongly against this statement (Table-4 See Appendix). Conclusion is drawn from the analysis that demonetization urges the small and large dealers into digitalization, and this is very strong in case of medium dealers and also placed their opinion neutrally.

Impact of GST on Business

The small dealers were not affected much in their business when implementing GST. Similarly, the medium and large level dealers are mostly affected their business because of GST to the extent of 46.2 per cent and 55.6 per cent respectively. It is also noted that a meagre number of small and medium dealers expressed their businesses were not affected due to implementation of GST, but no large dealers fall in line with (Table-5 See Appendix).

The implementation of GST roots the dealers to upsurge the various legal formalities, as it is ranked first. Implementation of GST results in the product and services more expensive which is ranked second. Thirdly, GST affects the small businesses very badly. There is a lack of awareness amongst the small business owners regarding the GST and its rules, Vineet Chouhan (2017). Dealers feel that sufficient time was not given to adopt the GST as it is ranked fourth and then GST confuses the retailers which is ranked fifth. Sixthly, GST curtails the tax evasion. The statement of preparation of GST filing is easy is ranked seventh and finally GST promotes to increase the sales (Table-6 See Appendix). Analysis clearly indicated that the dealers are faced a legal formality issues to cope with adoption of GST.

Size of Business and GST Legal Formalities

Out of 18 small dealers, 44.4 per cent of them strongly agreed that GST increases the various legal formalities to adoption. The level of awareness among the small traders was moderate and they give a high negative impact towards GST. This eventually causes the majority of them did not accept the implementation of GST, Sakthi Devi K. R. (2017). Another 38.9 per cent of them agreed the statement of increased legal formalities. However, 16.7 per cent of them are at neutral opinion about the statement. Among the 13 medium size businesses, 53.8 per cent of them agreed that adoption of GST leads to the

various legal formalities. Another 38.5 per cent of them stated strongly respond to the statement. Only 7.7 are in neutral opinion about the statement. Out of nine large size businesses, more than one-half of them agreed that adoption of GST leads to the various legal formalities. That too one-third of them strongly agreed with the statement. Only 11.1 per cent of them are in neutral opinion about this statement (Table-7 See Appendix). Thus, it is concluded that almost all the dealers invariably their size of business faced the issue of legal formalities in adoption of GST.

CONCLUSION

The mantra of 'Digital India' is an emblematic program of the government that aims to transform India into a digital society and a knowledge economy. Though the intension of a dual actions is upright, but their implementation diverges from the goals of a corruption free state, to curb black money, to stop terror financing, and to make a cashless society, but they go in futile. The demonetization policy remains a debatable one in the radar of economists as they claim it does not serve purpose. The vegetable and fruit marketers are mostly affected by the demonetization. More than 90% of transactions are still based on cash, so it is very difficult to have success in cashless economy Pradnyasurwade (2017). The retailers were in confusing state of condition in fixing price of products and rate of GST be charged on the products and services at the moment the duality came into existence. All the dealers invariably their size of business faced the issue of legal formalities in adoption of GST. The retailers were given a space in selling their existing stock at previous prices, but they intimidated the consumers by selling the products at GST rate. Whatever the reforms taken place; the authority should wary in protecting the interest of people.

**APPENDIX****Table-1 Effect of Demonetization on the Business**

Retailers	Demonetization affects your business			Total
	Yes, certainly	Not much	Absolutely, no	
Small	5 (27.8)	9 (50)	4 (22.2)	18(100.0)
Medium	8 (61.5)	4 (30.8)	1 (7.7)	13 (100.0)
Large	4 (44.4)	2 (22.2)	3 (33.3)	9 (100.0)

Table- 2 Changes in Sales due to Demonetization

Type of Business	Percentage of changes in sales				Total
	Below 10	10-20	20-30	Above 30	
Electrical	8 (72.7)	2 (18.2)	0 (0.0)	1 (9.1)	11 (100.0)
Textile	6 (66.7)	1 (11.1)	2 (22.2)	0 (0.0)	9 (100.0)
Automobile	4 (44.4)	3 (33.3)	1 (11.1)	1 (11.1)	9 (100.0)
Kirna Store	3 (27.3)	4 (36.4)	2 (18.2)	2 (18.2)	11 (100.0)

Table-3 Dealers Perception on Demonetization

Reasons	Frequency and Rank given by the respondents					Total	Rank
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
Implementation of demonetization is fair	25	36	39	20	3	123	III
It curbs the black money	15	28	42	18	7	110	IV
It pushes the digitalization	70	36	33	4	1	144	I
It improves the status of common man	5	28	42	24	6	105	V
It adversely affects the business	20	60	36	12	3	131	II

Table-4 Demonetization urges into Digitalization

Monthly Turnover	Demonetization Pushes into Digitalization					Total
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	
Small dealers	6 (33.3)	7 (38.9)	5 (27.8)	0 (0.0)	0 (0.0)	18 (100.0)
Medium Dealers	5 (38.5)	1 (7.7)	5 (38.5)	2 (15.4)	0 (0.0)	13 (100.0)
Large dealers	3 (33.3)	4 (44.4)	1 (11.1)	0 (0.0)	1 (11.1)	9 (100.0)

**Table-5 Impact of GST on Business**

Retailers	GST affects your business			Total
	Yes, certainly	Not much	Absolutely, No	
Small	4 (22.2)	12 (66.7)	2 (11.1)	18 (100.0)
Medium	5 (38.5)	6 (46.2)	2 (15.4)	13 (100.0)
Large	4 (44.4)	5 (55.6)	0 (0.0)	9 (100.0)

Table-6 Dealers Perception on GST

Reasons	Frequency and Rank given by the respondents					Total	Rank
	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree		
Preparation and filing of GST is easy	15	24	36	34	2	111	VII
GST promotes to increase the sales	5	16	42	40	1	104	VIII
GST affects small business very badly	65	60	12	10	3	150	III
GST confuses the retailers	35	64	36	8	1	144	V
Sufficient time is not given to us for adopting GST	30	72	36	6	1	145	IV
The implementation of GST will result in the product and services to be more expensive.	30	76	45	4	0	155	II
GST has increased the various legal formalities.	80	76	15	0	0	171	I
GST curtails tax evasion	5	32	78	8	1	124	VI

**Table- 7 Size of Business and GST Legal Formalities**

Turnover	GST increases the various legal formalities			Total
	Strongly agree	Agree	Neutral	
Small	8 (44.4)	7 (38.9)	3 (16.7)	18(100.0)
Medium	5 (38.5)	7 (53.8)	1 (7.7)	13 (100.0)
Large	3 (33.3)	5 (55.6)	1 (11.1)	9 (100.0)

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