An Operant Analysis of Demonetization: A Study of ITC Limited

Mir Insha Farooq1, Uzair Yasin Tonga2
1Assistant Professor, Department of Management Studies, Central University of Kashmir, INDIA
2Section Incharge, Institutional Sales, Jammu Branch, Itc Ltd, INDIA

ABSTRACT

Fast moving consumer goods (FMCG) is a very complex industry but one the most profitable sector in the present scenario. The fast moving consumer goods (FMCG) segment is the fourth largest sector in the Indian economy. India’s market for fast moving consumer goods is expected to more than double to $104 billion by 2020 from the current level of $49 billion. ITC is one of India's foremost multi-business enterprise with a market capitalization of US $ 45 billion and a turnover of US $ 8 billion. This paper is an exploratory cum descriptive study and intends to check the impact of demonetization on fast moving consumer goods with special reference to ITC limited. ITC’s aspiration to create enduring value for the nation and its stakeholders is manifest in its robust portfolio of traditional and Greenfield businesses encompassing Fast Moving Consumer Goods (FMCG), Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, and Information Technology. This diversified presence in the businesses of tomorrow is powered by a strategy to pursue multiple drivers of growth based on its proven competencies, enterprise strengths and strong synergies between its businesses. The government’s move to scrap Rs 500 and Rs 1,000 currency notes has had an adverse impact in several fast moving consumer goods categories such as biscuits and salty snacks, where sales have declined by up to 40%, according to data from market research agency Nielsen. The study is based on both primary and secondary data. This study was initiated by visiting various outlets with DS in order to know about various products of ITC available in the market. Then a schedule was framed after thorough study and information collected by visiting wholesale dealers, secondary wholesale dealers and retailers in order to study the impact of demonetization on FMCG industry in Kashmir valley. Findings of the research where that a majority of outlets had received a drop in the sales and had decreased the order level post demonetization. Cashless transactions on the majority of outlets had increased. The introduction of higher denomination notes had made the business difficult for majority of the outlets.

Keywords-- Demonetisation, FMCG Industry, ITC, cashless transaction

I. INTRODUCTION

FMCG industry provides a wide range of consumables and accordingly the amount of money circulated against FMCG products is also very high. The competition among FMCG manufacturers is also growing and as a result of this, investment in FMCG industry is increasing, specifically in India. The fast moving consumer goods (FMCG) segment is the fourth largest sector in the Indian economy. India’s market for fast moving consumer goods is expected to more than double to $104 billion by 2020 from the current level of $49 billion. Food products is the leading segment, accounting for 43 per cent of the overall market. Personal care (22 per cent) and fabric care (12 per cent) come next in terms of market share. Growing awareness, easier access, and changing lifestyles have been the key growth drivers for this sector.

Rural areas expected to be the major driver for FMCG, as growth continues to be high in these regions. Rural areas saw a 16 per cent, as against 12 per cent rise in urban areas. Most companies rushed to capitalize on this, as they quickly went about increasing direct distribution and providing better infrastructure. Companies are also working towards creating specific products specially targeted for the rural market. The Government of India has also been supporting the rural population with higher minimum support prices (MSPs), loan waivers, and disbursements through the National Rural Employment Guarantee Act (NREGA) programme. These measures have helped in reducing poverty in rural India and given a boost to rural purchasing power. Hence rural demand is set to rise with rising incomes and greater awareness of brands.

With rise in disposable incomes, mid- and high-income consumers in urban areas have shifted their purchasing trend from essential to premium products. In response, firms have started enhancing their premium products portfolio. Indian and multinational FMCG players are leveraging India as a strategic sourcing hub for cost-competitive product development and manufacturing to cater to international markets. According to the study conducted by AC Nielsen, 62 of the top 100 brands are owned by MNCs, and the balance by Indian companies. Fifteen companies own these 62
brands, and 27 of these are owned by Hindustan Unilever.

The millennials expectations!

According to a study by TMW and Marketing Sciences that surveyed 2,000 people across different age groups ranging, young consumers are the most ‘rational’ and likely to spend more time weighing up potential purchases. The survey also suggests that younger people are using recommendations from their peers about products and services in order to make rational purchase decisions. According to the study, shoppers aged 18 to 24 are 174 per cent more likely to use recommendations on social media than shoppers aged 25 and over. Another key factor today is – speed. Today’s consumer wants packaged goods that work better, faster, and smarter. The “need for speed” trend highlights the importance of speed as a potentially decisive purchase factor for packaged goods products in a world where distinctions between products are shrinking. Younger consumers express the greatest need for speed, not a huge surprise for the Smartphone generation. Data monitor’s 2013 Consumer Survey found that younger consumers those in the 15-24 year old age group were twice as likely to say that "results are achieved quickly” has a “very high amount of influence” on their health and beauty product choices than consumers in the oldest age group, those aged 65 or older. Speed matters, and 2014 will almost certainly see the introduction of new game-changing timesavers.

Literature Review: Road Ahead

FMCG brands would need to focus on R&D and innovation as a means of growth. Companies that continue to do well would be the ones that have a culture that promotes using customer insights to create either the next generation of products or in some cases, new product categories. One area that we see global and local FMCG brands investing more in is health and wellness. Health and wellness is a mega trend shaping consumer preferences and shopping habits and FMCG brands are listening. Leading global and Indian food and beverage brands have embraced this trend and are focused on creating new emerging brands in health and wellness.

ITC is one of India’s foremost multi-business enterprise with a market capitalization of US $ 45 billion and a turnover of US $ 8 billion. ITC is rated among the World’s Best Big Companies, Asia’s ‘Fab 50’ and the World’s Most Reputable Companies by Forbes magazine and as ‘India’s Most Admired Company’ in a survey conducted by Fortune India magazine and Hay Group. ITC’s aspiration to create enduring value for the nation and its stakeholders is manifest in its robust portfolio of traditional and Greenfield businesses encompassing Fast Moving Consumer Goods (FMCG), Hotels, Paperboards & Specialty Papers, Packaging, Agri-Business, and Information Technology. This diversified presence in the businesses of tomorrow is powered by a strategy to pursue multiple drivers of growth based on its proven competencies, enterprise strengths and strong synergies between its businesses.

The competitiveness of ITC’s diverse businesses rest on the strong foundations of institutional strengths derived from its deep consumer insights, cutting-edge Research & Development, differentiated product development capacity, brand-building capability, world-class manufacturing infrastructure, extensive rural linkages, efficient trade marketing and distribution network and dedicated human resources. ITC’s ability to leverage internal synergies residing across its diverse businesses lends a unique source of competitive advantage to its products and services.

Within a relatively short span of time, ITC has established vital brands like Aashirvaad, Sunfeast, Fabelle, Sunbean, Dark Fantasy, Delishus, Bingo!, Yippee!, Candyman, mint-o, Kitchens of India in the Branded Foods space; Essenza Di Wills, Fiamma, Vivel, Vivel Cell Renew, Engage, Savlon, Shower to Shower and Superia in the Personal Care products segment; Classmate and Paperkraft in Education & Stationery products; Wills Lifestyle and John Players in the Lifestyle Apparel business; Mangaldeep in Agarbattis and Aim in the Safety Matches segment. This growth has been rated by a Nielsen Report to be the fastest among the consumer goods companies operating in India.

Acknowledged as a global exemplar in sustainability, ITC is the only enterprise in the world, of comparable dimensions to be carbon-positive, water-positive, and solid waste recycling positive. A testimony to its commitment to a low carbon growth path - over 47% of the total energy requirements of ITC is met from renewable sources. All ITC’s premium luxury hotels are LEED (Leadership in Energy and Environmental Design) Platinum certified making it the “greenest luxury hotel chain” in the world. ITC’s Paperboards and Paper business is an icon of environmental stewardship. Demonetization is the act of stripping a currency unit of its status as legal tender. It occurs whenever there is a change of national currency: The current form or forms of money is pulled from circulation and retired, often to be replaced with new notes or coins. Sometimes, a country completely replaces the old currency with new currency.

There are multiple reasons why nations demonetize their local units of currency:

- Combat inflation
- Combat corruption and crime (counterfeiting, tax evasion)
- Discourage a cash-dependent economy
- Facilitate trade

History of India’s Demonetization

The Indian rupee (INR) is the official currency of the Republic of India. The rupee is subdivided into 100 paisa (singular paisa), though as of 2017 only 50 paisa coins are tender. The issuance of the currency is controlled by the India. The Reserve Bank manages currency in India and derives its role in currency management on the basis of the Reserve Bank of India Act, 1934. The rupee is named after the silver coin, rupiah, first issued by Sultan Sher Shah Suri in the 16th century and later continued by the Mughal Empire.
2010, a new symbol ‘₹’ was officially adopted. It was derived from the combination of the Devanagari consonant ‘ट’ (ra) and the Latin capital letter “R” without its vertical bar (similar to the R rotunda). The parallel lines at the top (with white space between them) are said to make an allusion to the tricolour Indian flag, and also depict an equality sign that symbolizes the nation’s desire to reduce economic disparity. The first series of coins with the new rupee symbol started in circulation on 8 July 2011. India has pulled select denominations of its currency thrice before.

The first was when Rs1,000, Rs5,000, and Rs10,000 notes were taken out of circulation in January 1946, a year and a half before the country won independence from the British. The Rs10,000 notes were the largest currency denomination ever printed by the Reserve Bank of India, introduced for the first time in 1938. All three notes were reintroduced in 1954.

In the early ’70s, the Wanchoo committee, a direct tax inquiry committee set up by the government, suggested demonetization as a measure to unearth and counter the spread of black money. However, the public nature of the recommendation sparked black money hoarders to act fast and rid themselves of high denominations before the government was able to clamp down on them, Mint reported.

Then, in 1977, the Janata Party coalition government came into power. A year into the government’s term, party leader Morarji Desai was more bullish about cracking down on counterfeit and black money. The High Denomination Bank Notes (Demonetization) Act, instated by the ruling party on Jan. 16, 1978, deemed the Rs1,000, Rs5,000 and Rs10,000 notes illegal for the second time.

In 2016, the Indian government decided to demonetize the 500- and 1000-rupee notes, the two biggest denominations in its currency system; these notes accounted for 86% of the country’s circulating cash. With little warning, India’s Prime Minister Narendra Modi announced to the citizenry on Nov. 8 that those notes were worthless, effective immediately – and they had until the end of the year to deposit or exchange them for newly introduced 2000 rupee and 500 rupee bills.

Chaos ensued in the cash-dependent economy (some 78% of all Indian customer transactions are in cash), as long, snaking lines formed outside ATMs and banks, which had to shut down for a day. The new rupee notes have different specifications, including size and thickness, requiring re-calibration of ATMs: only 60% of the country’s 200,000 ATMs were operational. Even those dispensing bills of lower denominations faced shortages. The government’s restriction on daily withdrawal amounts added to the misery, though a waiver on transaction fees did help a bit. Small businesses and households struggled to find cash and reports of daily wage workers not receiving their dues surfaced. The government’s goal (and rationale for the abrupt announcement) was to combat India’s thriving underground economy on several fronts: eradicate counterfeit currency, fight tax evasion (only 1% of the population pays taxes), eliminate black money gotten from money laundering and terrorist-financing activities, and to promote a cashless economy. Individuals and entities with huge sums of black money gotten from parallel cash systems were forced to take their large-denomination notes to a bank, which was by law required to acquire tax information on them. If the owner could not provide proof of making any tax payments on the cash, a penalty of 200% of the owed amount was imposed.

Implications

Soon after the announcement, people rushed to buy gold, a demand that drove prices up, in some cases even to a 60% premium, prompting the tax authorities to conduct surveys, according to the Business Standard newspaper. The government emphasized the need to furnish PAN (Permanent Account Number) card details on purchases for accountability purposes, and many jewellery shops that were flouting the norms came under crackdowns. Simultaneously, rumors of a gold ban started to float, which led to agencies ramping up the volume of gold imports – to around 100 metric tons during November, the highest since 2015, as reported by Reuters. Many Indians switched to alternative payment avenues – a big deal in a country of 1.2 billion with only 25.9 million credit cards and 697 million ATM cards as of July 2016. The biggest gainers were mobile wallet companies that offer ease of transactions through a large network of partners. Alibaba (NYSE:BABA)-backed Paytm saw a sevenfold increase in overall traffic and a 10-fold jump in money added to Paytm accounts. It also saw the number of transactions double to five million a day. App downloads for Paytm increased by 300%. Paytm rival MobiKwik also saw its app downloads quadruple and a 20-fold increase in money added to the wallets, MobiKwik Founder & CEO Bipin Preet Singh, told CNBC-TV18 on November 13. Prepaid cash cards were another option that customers found useful, and that meant good news for companies like ItzCash. Other alternatives include mobile payments systems linked to e-commerce businesses like Ola Money, FreeCharge, Flipkart Wallet. Ola Money, the payment portal for popular transportation app Ola Cabs, reported a 1500% jump in money added to the accounts in less than four hours. Interest in Bitcoin also spiked: Sandeep Geonka, co-founder of Zebpay, told Investopedia that his bitcoin exchange was now adding about 50,000 new users per month. "We are seeing an increased demand for bitcoin and India clearly has shortage of supply, making the demand and lack of liquidity push up prices of bitcoin as compared to global exchanges,” said Coinsecure CEO Mohit Kalra. The virtual currency was currently trading at INR 55,735 in India in November, compared to $712, or approximately INR 47,725 (Coindesk) squeeze would take some momentum off the Indian economy, the fastest-growing in the world; in particular, sectors like real estate, notorious as a harbour for cash dealings and black money, were expected to take a hit, with "luxury property prices dipping by as much as 25-30%," said
Ashwinder Raj Singh, Ceo of Residential Services, JLL India But experts believed any slowdown would only be short-lived once the systems adjusted to the new normal, especially if the government heeded calls to lower interest rates by groups like the Federation of Indian Chambers of Commerce and Industry (FICCI). Credit rating agency India Ratings & Research maintained its GDP growth forecast for India at 7.8% for FY17, albeit with a downward bias.

**Perspectives on Demonetisation**

What deadly-looking ads couldn’t do, demonetization seems to have achieved. According to paan-walas and other traders in the city, cigarette consumption is down by an estimated 40%. –TIMES OF INDIA 22 November 2016

“There has been an impact on sales particularly in impulse categories, although we believe things should ease out soon,” said Saugata Gupta, MD, Marico.

The government’s move to scrapp Rs 500 and Rs 1,000 currency notes has had an adverse impact in several fast moving consumer goods categories such as biscuits and salty snacks, where sales have declined by up to 40%, according to data from market research agency Nielsen.

“There has been almost 40-50% impact on FMCG sales. Challenge is particularly in the wholesale segment, which is a very cash driven part of the channel and there things have come to a standstill,” Vivek Gambhir, Managing Director of Godrej Consumer Products said.

According to Harsh V Agarwal, Director, Emami Ltd, the result of realizations from retailers going down is that the cash-backed wholesale trade has taken a beating. The Edelweiss report also points out that post demonetization, cash and wholesale trade (those dealing in cash) in the FMCG and packaged food sector has been the worst hit.

**Methodology:**

**Objective Of The Study**

This paper intends to meet the following objectives:

- Impact of demonetization on the sale of FMCG retailers and wholesalers
- Change (if any) on the use of cashless and digital means of transactions
- Impact of withdrawal of old currency notes and induction of new ones on the ease of doing business

**II. RELEVANCE OF THE STUDY**

The FMCG sector was hit when government announced that a major portion of currency would no longer be legal from 8th November 2016. Leading newspapers quoted a drop in sales from around 20-40 percent and a loss in revenue to the industry in lakhs of crores. Therefore in order to measure the various impacts of demonetization a study like this holds importance in eyes of the business as well as academics.

**III. SCOPE OF THE STUDY**

In order to achieve the above mentioned objectives information was collected from to various districts of Kashmir valley so that a fair conclusion could be achieved by virtue of this study. In order to achieve appropriate results different type of establishments ranging from small retail outlets to big wholesalers as well as modern shops, ones with and without modern means of payment options were contacted. The study is not limited to the sale of ITC products but other competitors have also been included for measuring the impact.

**IV. LIMITATIONS**

The scope of demonetization is far greater than just measuring impact on local retailers, wholesalers. It can alter the whole economy of a country as it has done in past. But the time and resources have restricted me to limit the scope of this study to above mentioned objectives. The report would be descriptive in nature and involves collection of both Primary and Secondary Data, but for this particular study mostly Primary Data was needed and that was done by analyzing the market, filling the schedule and on spot survey. This study involves the detailed study of the various effects of demonetization like impact on sales, cashless transactions, ease of doing business and so on.

**V. DATA COLLECTION**

For this study the primary data was really important and the same was collected from the market at various retail outlets, wholesale dealers point and secondary whole sale dealer points. The data collection was survey carried out through personal interviews using a schedule. The secondary data was collected at different sources like from Company Official Website, from Area Executives, Team Leaders, and Online Portals.

**VI. SAMPLE SELECTION**

In order to collect the primary data, six districts of valley – Srinagar, Budgam, Ganderbal, Anantnag, Baramullah, and Pulwama were considered in order to capture a fair picture of the population. To collect the data method used was the personal interview of the person in charge of the outlet. A schedule was prepared for that purpose a sample of which is attached at the end of this report.

**VII. DATA ANALYSIS**

TYPE OF ESTABLISHMENT-USE OF CASH & CASHLESS MEANS TO SUPPLIERS CASH TO SUPPLIERS
The impact of demonetization on the mode of payments towards their supply end has been higher in case of wholesalers as compared to that of retailers. A higher percentage of SWD have decreased the number of cash transactions.

**CHEQUE TO SUPPLIER**

Again a higher number of SWD have increased the usage of cheque to supply side as compared to retailers this could be attributed to the larger amount of transactions.

<table>
<thead>
<tr>
<th>Type of Establishment</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>23.529</td>
<td>2</td>
<td>11.765</td>
<td>4.058</td>
<td>.019</td>
</tr>
<tr>
<td>Within Groups</td>
<td>484.147</td>
<td>167</td>
<td>2.899</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>507.676</td>
<td>169</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As the level of significance computed in anova test is below 0.05, this signifies that the way in which retailers and wholesalers have responded to demonetization in terms of cash and cashless transactions is different.
The order level had decreased for 34 of the outlets out of a total of 55 who only use cash while the number was 21 out of a total of 44 who use only cheque towards the supply side.

ANOVA TEST

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>.745</td>
<td>2</td>
<td>.372</td>
<td>1.280</td>
<td>.281</td>
</tr>
<tr>
<td>Within Groups</td>
<td>48.602</td>
<td>167</td>
<td>.291</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>49.347</td>
<td>169</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As the level of significance is above .05 so the mode of payment towards supply side has no effect on the order level.

**TYPE OF ESTABLISHMENT & IMPACT OF CURRENCY NOTES**

A high number of retailers and wholesalers strongly agree that the introduction of higher denomination notes has affected their business negatively but a stronger agreement is found with the retailers.
The withdrawal of Rs 1000 currency note and introduction of Rs 2000 note has affected the ease of doing business for both retailers and wholesalers. But as implied by the ANOVA test impact has been significantly higher on retailers.

**PERCENTAGE OF ITC MERCHANDISE & OVERALL SALES**

<table>
<thead>
<tr>
<th>ITC Merchandise Percentage</th>
<th>Below 10%</th>
<th>10%-20%</th>
<th>20%-30%</th>
<th>Above 30%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Count</td>
<td>50</td>
<td>40</td>
<td>20</td>
<td>5</td>
</tr>
</tbody>
</table>

**CASHLESS PAYMENTS & OVERALL SALES**

<table>
<thead>
<tr>
<th>Cashless Sales Modes</th>
<th>Cheque + Posm</th>
<th>Cheque + Mpayment</th>
<th>Posm + Mpayment</th>
<th>Cheque + posm + Mpayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Remained Same</td>
<td>1</td>
<td>2</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>Decreased</td>
<td>2</td>
<td>6</td>
<td>1</td>
<td>5</td>
</tr>
</tbody>
</table>

**ANOVA**

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>27.845</td>
<td>2</td>
<td>13.923</td>
<td>3.077</td>
</tr>
<tr>
<td>Within Groups</td>
<td>755.708</td>
<td>167</td>
<td>4.525</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>783.553</td>
<td>169</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>.128</td>
<td>3</td>
<td>.043.183</td>
<td>.183</td>
</tr>
<tr>
<td>Within Groups</td>
<td>38.578</td>
<td>166</td>
<td>.232</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>38.706</td>
<td>169</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The percentage of ITC merchandise has no significant relation with the change in overall sales post demonetization as depicted in the above table.
Despite the presence of an option of cashless means of transactions present the sales had decreased for majority of the outlets, reason could be the lower reach of digital transactions on end customers and higher dependence on cash.

ANOVA

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between Groups</td>
<td>1.045</td>
<td>8</td>
<td>.131</td>
<td>.559</td>
<td>.810</td>
</tr>
<tr>
<td>Within Groups</td>
<td>37.660</td>
<td>161</td>
<td>.234</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>38.706</td>
<td>169</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

None of the Cashless modes of payment have been able to influence the change in sales level due to demonetization individually.

**WD-INTERVIEW**

1. **BAQUAL TRADERS**

   Located in the Habba kadal area of Srinagar, this dealer supplies ITC products to some of the main areas of city like lalchowk, Sonwar, Jawahar Nagar etc. Upon asking about the change in sales post demonetisation response was: “As such there is no decrease in the sales of the ITC products, although the sales where hit in first couple of weeks but they have stabilized now” The dealer also commented that there has been an increase in the usage of cheques by SWD and the retailers:

<table>
<thead>
<tr>
<th>Session</th>
<th>Cash transactions</th>
<th>Cheque transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 – 2016</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>2016 - 2017</td>
<td>36%</td>
<td>48%</td>
</tr>
</tbody>
</table>

2. **TELI CIGARETTES**

   Teli cigarettes is in the Batamaloo area of Srinagar and supplies various areas like Batamaloo, Khayam, Buchpora etc. As per Mr Bilal Teli the owner of Teli cigarettes sales had come down due to demonetization have recovered as of now. One interesting thing is that the dealer has asked its customers to pay in the form of cheques post demonetisation. Post demonetization the number of cheque transactions have increased from less than 10% to a whopping 90%.

3. **ESS ESS AGROVIT TRADERS**

   The dealer supplies to the District Ganderbal of Valley, according to this WD the sales had suffered in the beginning of Demonetisation due to low demand but as of now the demand has again increased. This WD also confirmed that there is an increase of 15 – 20 per cent in usage of cheques by its customers.

   • For most of the outlets ITC products constitute below 20% of their total merchandise.
   • Cigarettes have been ranked number one by a whopping majority for generation of sales revenue among ITC products followed by foods and personal care was ranked last by majority.
   • The number of cash transactions towards WD/SWD have decreased post demonetization, while the use of cheque has increased from both retailers and SWD.
   • Impact on the mode of payment towards suppliers has been higher on SWD because of the heavy transactions as compared to retailers.
   • More SWDs have switched to cheque system and have decreased the use of cash as compared to retailers
   • Outlets have decreased their stock levels and their relation with SWD/WD have been negatively affected by demonetization.
   • An interesting finding was that the mode of payment towards supplier was not a factor important enough to influence the change in stock levels by outlets. The usage of cash or cheque towards SWD/WD did not affect the decrease in order level.

VIII. **FINDINGS OF RESEARCH**

This research was one of the first to measure the impact of demonetization on FMCG industry in the valley. So some of the findings are quite different than what had been initially assumed:
Demonetization has hit the overall sales of majority of the outlets due to low demand as a result of the cash crunch.

ITC sales were also hit in the initial days of demonetization but as of now have stabilized as confirmed by the three WDs.

No relationship was found between the percentage of ITC merchandise and the drop in overall sales.

Use of cashless means of payment has increased post demonetization, almost all the outlets having the option of POSM and M-PAYMENTS said their usage had increased.

Use of cashless modes of payment has not been strong enough to influence the dropping sales, as majority of retail outlets don’t have cashless modes of transactions. Further the outlets with cashless means where also hit by dropping sales as a very small number of customers are using such means.

Introduction of RS 2000 note has also lead to the drop of sales for a majority and also lead to inconvenience for the outlets.

Impact of the new currency higher denomination notes was significantly greater on retailers as compared to the SWD due to the small nature of transactions.

IX. CONCLUSION & SUGGESTIONS

As the government is pushing towards a cashless economy all the WDs should be asked to do all the future transactions in cheques for the smooth running of business in the future.

Ready stock should be equipped with POS – machines, so that it becomes more convenient for the outlets in terms of transactions.

With time people will move towards digital transactions so the companies should organise events for the awareness of their retailers/SWD regarding various benefits of going digital. This will in turn lead to a stronger bond with customers.

Further all the DS to train the respective retailers on using digital modes of payment. This will also help company to form a stronger bond with the retailers and help resolve issues post demonetization.

Encouraging customers for going digital by providing some discounts or cash back schemes by virtue of clubbing with an M-payment could be beneficial for the trade.

FMCG van and Bingo should be done on order capture basis so that retailers dependent on cash could be provided with some time in order to arrange cash. In case of convenience DS, credit time should be provided to retailers with good transaction records in order to reduce issues related to cash crunch.

REFERENCE
