

Surviving Demonetization - A Fight of the Restaurant Industry

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Abstract

“DEMONETIZATION” proved to be a great milestone in the economic journey of India. Demonetization has shaken up the economy and forced the stake holders to come out of their comfort zones. The aftereffects of the same would last for a long time especially for the industries that depended highly on cash transactions. Moreover, the shift to digital economy either forcibly or voluntarily would create a disruption and such industries would have to get adapted to the changing conditions.

This study aims at analyzing the measures adopted by the restaurant industry to fight back demonetization.

The findings of this research suggests that “Banks not tendering sufficient cash on a daily basis” and “Reduced cash sale” was the major challenge faced by restaurant owners and “Making alternative digital payment options available to the guests” and “Encouraging restaurant owners to move towards digital economy” are the most effective measures to fight challenges of demonetization.

Keywords: Demonetization, Restaurants, Digital Payment

INTRODUCTION

“DEMONETIZATION” proved to be a great milestone in the economic journey of India. Four months have passed for the historic decision taken by the prime minister and the economy has regained pace but the stake holders are still to recover from the disruption. Everything seems to have normalized by now but the under current of the decision still prevails. Demonetization has shaken up the economy and forced the stake holders to come out of their comfort zones. Although this ventilation and shock treatment was required for the economy, the aftereffects of the same would last for a long time especially for the

industries that depended highly on cash transactions. Moreover, the shift to digital economy either forcibly or voluntarily would create a disruption and such industries would have to get adapted to the changing conditions.

Restaurant Industry, is one such example to cite. Restaurant business was known for its counter sales in hard cash. Although, the option of digital payment through credit and debit cards was available, very few payment were done through this mode since payment through cash was more convenient and was perceived to be the safest option. In view of this characteristics of the restaurant industry, it was natural to see a great impact on the industry by the decision. It is now left for the industry to design a mechanism not only to survive the impact but also to rejuvenate their business model to adapt to the changing economy.

This study aims at analyzing the measures adopted by the restaurant industry to fight back demonetization.

LITERATURE REVIEW

- Shirish Deshpande (2017) in an article on “What Modi’s Demonetization Means for the Indian Economy” in the website “themarketmogul.com” analyzed the economic impact of the decision, most banks have been forced to recall retired employees to deal with the heavy workload. He had explained the effect of demonetization on luxury good and festival period. He had stated that demonetization might result in renewed demand for cash equivalents, such as gold, silver and precious stones.
- Karikalan Nagrajan, (2016) publish online article on topic of “India’s demonetization drive is affecting access to medical care” The article talk about, The demonetization effect on India’s informal economy in terms of payment of agricultural wages, construction labor wages, and payments at small business

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outlets and shops. The health services have been allegedly denied to patients who lacked valid currencies. Without access to the right forms of currency, limited access to essential and life-saving medicines will likely hit people hard. Services reportedly led to avoidable suffering and mortality, especially in private facilities.

- Martin Patrick, (2016) in online research publication “CPPR”, wrote an article on “black money, corruption and demonetization”, said that every decision will have its merits and demerits. He has analyzed black money and Counterfeit Currency in Indian economy. Mr Patrick said that the problem of counterfeit currency can be addressed at least for a short period, once counterfeit currency is curbed, the intensity and spread of terrorism can be addressed. Demonetisation will not act as a successful strategy for curtailing black money, as the major chunk of black money is invested with financial institutions outside the country. He has also highlighted key episodes of corruption in India right from 1971 till present.
- Ashish Kumar Tripathi, (2016) published research paper on “Demonetization-Challenges for Rural India”, defined the definition of demonetization. Further he had explained various reasons why governments taken up the step of withdrawal of legal tender of 500 and 1000 currency note. He had highlighted the problems face by common person, farmers and family who have marriage functions of rural area. He had mentioned that government focused on cash less transactions and E-money transfers with the use of Internet banking but it is really difficult for the people of rural areas.
- Mr Sharif Mohd, (2016) publish his paper on “Demonetization Of Currency Notes: Significance And Challenges”. Mr Sharif had stated the impact of the announcement which prime minister did it on 7th November. He has explained the need of this move by government of India and the steps they took before the announcement. Mr Sharif list down the positive, negative and future challenge of this announcement. The advantages of this move, though, will be felt only in the long-term. While formal modes of payments such as debit and credit cards, net-banking and digital wallets should get a boost.
- Dr. Partap Singh and Virender Singh, (2016) in the paper name is “impact of demonetization on Indian economy” they had explained the Effect on Various Economic Entities in there paper such as GDP, bank, online transaction and various alternative mode of payments. Further they had compared short term and long term implication of the decision. They had also share the experiences of other countries such as Russia, North Korea, Zaire, Myanmar, Ghana, and Nigeria.
- Sherline T. I, (2016) publish a paper on “demonetization as a prelude to complete financial inclusion “and highlighted important of quality financial services in rural areas for the growth of the economy as this will enable the large number of rural households to fund the growth of their livelihoods. According to the writer opinion government of India and RBI took the decision because after the independence still high population of India remained unbanked. Majority of population lived in rural areas and they are not literate. The paper focus on various initiatives taken by Government and RBI and also the latest attempt of demonetization and it’s expecting impact on various sectors.
- Liza Jain (2016) discussed about the issue of black money in India and the reasons for it. According to her, the expansion of corruption and black money has grown due to misuse of power and authority as well as the misuse of public funds.
- Shweta Mehta, Kruti Patel And Krupa Mehta,(2016) publish paper on topic of “demonetization: shifting gears from physical cash to digital cash” that aimed to study the advantages and disadvantages of demonetization and its impact on Indian banking sector. In India physical cash still widely used throughout. The paper has explained the alternatives of physical cash payments such as online bank transfer, e-clearing, e-KYC, digital locker and Unified Payment Interface.
- Dr Chinara Mitali and Parida Jayanta, (2016) publish paper on topic of “Synthesis of Black Money and Voluntary Disclosure of Income Schemes (VDIS) in India-New Plans and Perspectives” the paper aims at designing a model approach of curative measures to tackle black money menace in India with a view to minimize the further creation of black money and bring back funds lying abroad for productive use in India.

OBJECTIVES OF THE STUDY

1. This study the impact of demonetization on restaurant operations.
2. To identify the measures adopted by restaurants to overcome the challenges of demonetization.
3. To analyze the effectiveness to these measures in the long run.

LIMITATIONS OF THE STUDY

1. The study is conducted in the current scenario and the opinions, perception and expectations of the respondents may differ with time.
2. The study does not differentiate respondents on basis of their demographic factors which may have an influence of their perception thereby identifying scope for further research.

RESEARCH METHODOLOGY

The data required for the research was collected using the following techniques:

- Personal Interviews: The researcher conducted personal interviews with owners, managers and guests of popular restaurants in Pune city to get an insight on the problem under study.
- Questionnaire: A questionnaire bearing straight forward and relevant questions was drafted and handed over to the sample to obtain their responses.

DISCUSSIONS

Impact of demonetization on the restaurant operations:

Impact on Labor: Restaurant industry is characterized by high labor turnover and majority of the labor is in the lower economic bracket and employed on daily wages. Attrition was always a concern for the industry and the decision of demonetization aggravated the problem since the restaurant owners were facing cash crunch and were not in the position to pay their employees in cash which was the prevailing situation in the industry. The employees were used to get their payments in cash and thus there was a great unrest amongst them.

Impact on Purchasing Process: Restaurants deals with purchase of raw material in form of grocery, vegetables

and fruits. The vendors dealing in such commodities belong to the unorganized sector where trading is done in cash. Demonetization had a severe impact on these tradings since there was resistance from the vendors to change from the conventional payment mode of cash and were not equipped for other digital payment options. This led to crashing of prices of commodities but in spite of this, the restaurants could not take advantage of the situation since they had limited cash at their disposal.

Impact on General Operations: There was already a manpower crisis and with the addition of shortfall of quality ingredients the operations had to face the consequences where the management was forced to compromise on the quality quiet unwillingly and helplessly. Moreover, there was complete uncertainty in the business which led to reduction in sales and the profit margins of the business.

Impact on Customer Relations: The restaurant operations was trapped in a vicious circle leading to decline in customer satisfaction. The customers were unwilling to pay in cash thereby reduction in cash sale. Lack of technology and equipment for alternative payment options made transactions very difficult leading to mounting irritation of owners and the customers. In some cases the owners were forced to accept old currency notes from their customers to attract more business but the problem of tendering change was also crucial.

Measures Adopted by Restaurants to Overcome the Challenges of Demonetization:

Motivating Guest to Shift to Digital Economy

The guest shifting from cash payment to digital or e-payment will help to fasten billing process, tracking of transaction will be easy and effective. Increase in the awareness about the digital economy will play major role in government demonetization decision. Advantage in digital economy to restaurant will be - to Reduces Paper cost and paper work, Easy Transactions.

Making alternative digital payment options available to the guests

Since the government announced the decision of demonetization, slowly people & business started adopting the digital payment options. Alternate options like E Wallets (Paytm, Freecharge etc), Unified payments

Interface through banking applications (UPI), Plastic Money (Debit/Credit Cards), Net Banking – Online Fund Transfer; Aadhaar Enabled Payment System can be explored to make payments in the restaurants.

Advertising their willingness to accept digital payments

It is a challenging job for restaurants to turn the customer from their regular payment to digital payment. Restaurant business should be linked to websites and promote their product and services actively through e-commerce. When you make the decision to offer electronic payment methods, let your customers know about your new payment options. Restaurants can adopt various advertising tools such as mail, flyers, communicating to customers on day to day bases, local hoardings, etc. This will not only make the customers aware about the restaurant's willingness to accept payment in various options but will also help to root out the evils of cash economy.

Training of staff to adapt to new technology

Change in life or work is always happen for development of business and individual. Demonetization is one such change which the restaurant industry have to accept positively and adapt to the change. In view of the same, the restaurant owners must inform all the service staff about new payments technology and impart adequate training to implement the same in the business.

To educate the vendors about alternative payment options

Small restaurant regularly follows practice of cash payments to the vegetable vendors and other small vendors on day to day basis. Restaurant management must take a conscious efforts to motivate vendors to accept alternative payment options. Initial resistance from the vendors is expected but slowly they will get adapted to the change.

To bring about a change in the purchasing system

To adapt to the digital economy effectively, restaurant owners must modify their purchase system to suite the alternate digital option. These changes may include, changing their purchase cycles, vendor development etc.

To motivate staff to shift to digital economy

Restaurant management should motivate and train their employee use net banking, card payment, e-wallet etc. they should also conduct physical demonstration on how to do various payment options and sensitize them on the ill effects of cash economy. Restaurants may also attempt to make the payment towards employee salaries through digital or other cash less modes.

FINDINGS & CONCLUSION

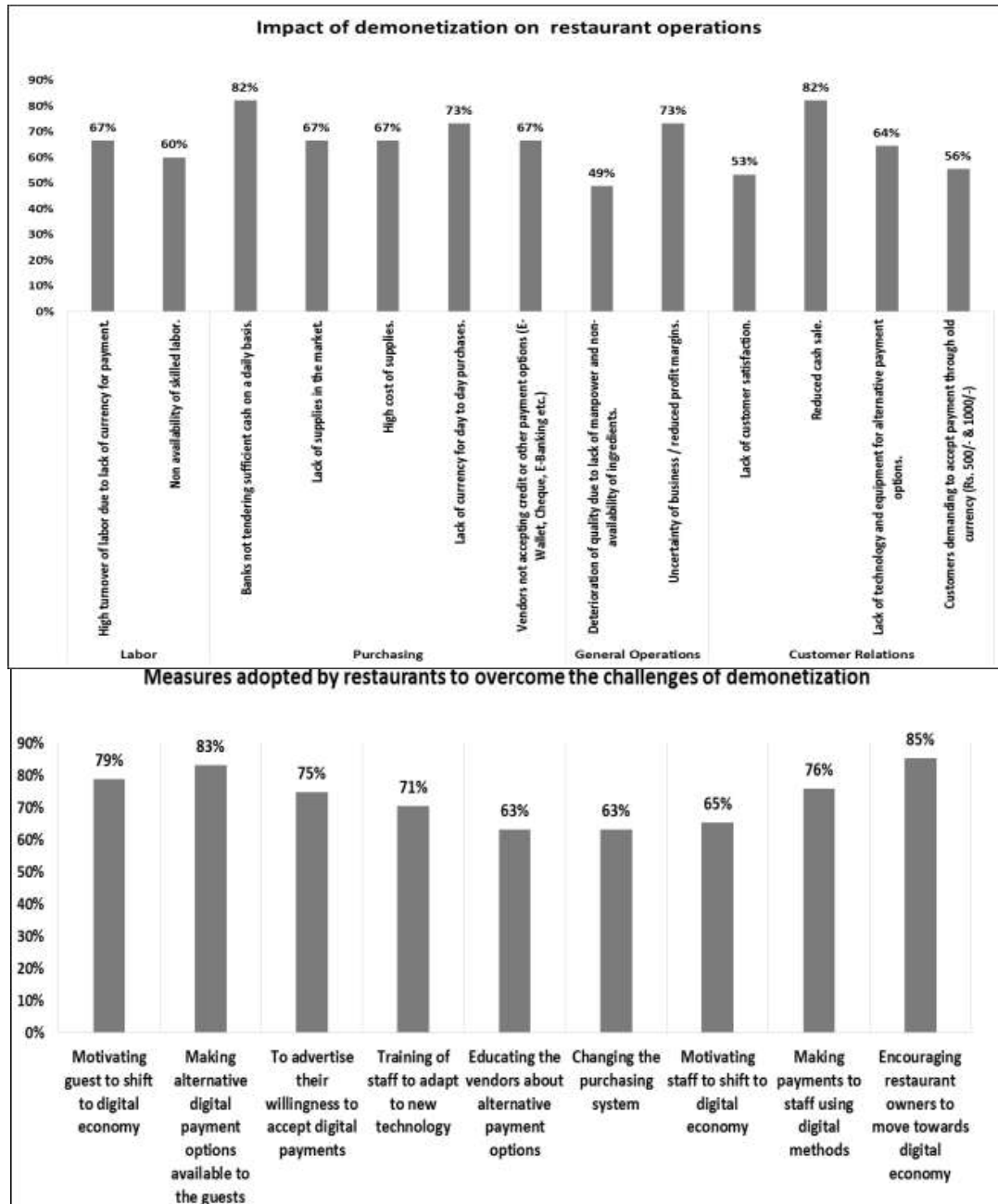
The findings of the research can be concluded as under:

1. Demonetization is a bold and positive step undertaken by the Indian government.
2. The decision would enhance the Indian economy in the long run.
3. "Banks not tendering sufficient cash on a daily basis" and "Reduced cash sale" was the major challenge faced by restaurant owners.
4. "Making alternative digital payment options available to the guests" and "Encouraging restaurant owners to move towards digital economy" are the most effective measures to fight challenges of demonetization.

SUGGESTIONS & RECOMMENDATIONS

Based on the responses received by the owners and customers of sample restaurants, on the impact of demonetization, the following suggestions & recommendations can be made:

1. The citizens of India should consciously try to move from cash economy to digital economy by adopting cashless payment options.
2. The government should motivate digital payment options by providing discounts in tax and other elements of costs.
3. The government should provide sufficient infrastructure and cyber security to ensure smooth functioning of digital economy.



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