

## DEMONETISATION EFFECT

# Small traders hit, pain to linger for 3 quarters

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Traders, retailers and various trade bodies in India have been saying that 100 per cent foreign direct investment (FDI) in multi-brand retail, if allowed, would wipe out industry. However, according to experts, demonetisation has turned out to be much bigger disruptor.

The Narendra Modi-led government does not allow FDI in multi-brand retail owing to resistance from trader and retail lobbies who fear losing business and jobs.

Demonetisation, according to analysts, has hit small and medium businesses hard and it would take at least three quarters before things are back to normal. In the past 50 days since demonetisation, according to industry body Assocham, as much as 60 percent of the work force was let off in retail, agriculture, textile and other sectors.

"Demonetisation has turned out to be a much bigger disruptor for small traders and businesses than FDI in multi-brand retail. The government's move has affected lakhs of traders who have lost huge cash reserves and are unable to pay salaries. The Centre's move of demonetisation leading to cash crunch has disrupted the normal functioning of several industries. Demonetisation has severely hit the unorganised and informal sectors, thereby significantly impacting jobs and



## DIGITAL PAYMENTS

46% of the labour in India is contractual

65% of the daily wage labour lost work during demonetisation

13 mn citizens registered

391,000 shopkeepers being trained

livelihood of workers," said D S Rawat, secretary-general, Assocham.

According to the industry body, demonetisation might lead to deflation and slowdown in the economy in the near term and might also hurt GDP growth. "In some of the sectors like construction and real estate, handicrafts, textiles, leather, domestic tourism and

agricultural labourers, the impact of job loss was felt to the extent of 60-65 per cent," Rawat added.

"FDI in retail is a very small thing compared to demonetisation. Cash retail has been immensely impacted. People are thinking twice before spending. I think the situation would change at least after two quarters," said Girish Vanvari,

partner and head of tax at KPMG in India.

Micro, small and medium players have been hit the hardest. As demand went down and the inflow of ready cash reduced, many had to retrench workers and business has come to a near standstill.

"The impact of FDI in retail is curtailed to a certain set of sectors, but demonetisation has affected every sector perceptible. The challenge in front of MSMEs today is when and how the demand would revive again, which has been hit the hardest. What would be the demand in the market? How would the re-monetisation happen? These are the questions which are in front of us today," said Anil Bhardwaj, secretary-general of the Federation of Indian Micro and Small and Medium Enterprises.

However, supporters of the move argue that FDI in retail is more of an immediate threat. "We all know the goods and services tax (GST) is on the cards. In GST regime, the whole process of payments is on the basis of digital money. Sooner or later, we'd all have to start making payments digitally. FDI in retail was an immediate threat to us. We still had some breathing time during demonetisation to change the way we were doing business. In retail FDI, the way they would do business we would not stand a chance," said Praveen Khandelwal, secretary-general, Confederation of All India Traders).



## State 2nd in drawing IT investment: Study

TIMES NEWS NETWORK

**Ahmedabad:** Known for its prowess in manufacturing, Gujarat also seems to be fast catching up in the information technology (IT) sector if outstanding investments data compiled by Associated Chambers of Commerce and Industry of India (Assocham) is anything to go by.

The industry body's analysis shows that the state ranks second after Karnataka, the hub of the IT industry, in attracting investments during the period 2005-06 to 2015-16.

Of the total Rs 2.2 lakh crore of outstanding investments attracted in the IT sector across India during the decade, Gujarat comes second with a share of 16.7% or Rs. 35,284 crore. Karnataka tops the list with 23.8% or Rs.

### TOP FIVE STATES

Name	Outstanding Investments
> Karnataka	53,396
> Gujarat	35,284
> Kerala	29,935
> AP	27,315
> Tamil Nadu	14,855

\*For 2005-06 to 2015-16; figures in crores  
(Source: Assocham)

58,679 crore of outstanding investment as on 2015-16.

"Investments attracted by Gujarat in the IT sector increased from a meagre Rs 700 crore in 2005-06 to over Rs 35,200 crore in 2015-16 thereby clocking a compounded annual growth rate (CAGR) of about 48%," states the analysis by the ASSOCHAM Economic Research Bureau (AERB).

The other three states in the top five are Kerala, Andhra Pradesh and Tamil Nadu with shares of 13.3%, 12.2% and 6.6% respectively.

Commenting on the growth of the IT industry in the state, Anupam Bhatnagar, secretary, GESIA, said, "Earlier, Gujarat was a manufacturing hub.

However, as the IT industry was established and began to flourish with NRI investments, the industry has grown well. Today there are close to 2,000 Information and Communication Technology (ICT) firms in Ahmedabad of the total 5,000-6,000 IT firms in the state."

About investments, Bhatnagar said, "Sectors such as Internet of Things, data analytics, digital and financial inclusion have not just been on the government's priori-

ty list but have been lucrative investment opportunities as well. Going forward, we may expect more investments in this sector."

Experts believe that the state government must create a vibrant IT ecosystem by rolling out more lucrative, investor-friendly policies supported by numerous measures to facilitate licensing, thereby simplifying investment procedures, to help attract more investments.

"Gujarat not only accounted for the second highest share in terms of total outstanding investments attracted by IT sector across India but also clocked second highest decadal CAGR after Andhra Pradesh (51%)," said D S Rawat, secretary general, ASSOCHAM.

## 'State IT sector investment to cross ₹2L cr by FY21'

State has attracted investment of ₹35,000 crore in 2015-16: Assocham

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Ahmedabad: The total investments attracted by Information Technology (IT) sector in Gujarat may cross Rs2 lakh crore by the year 2020-21 from Rs35,000 crore in 2015-16, industry body Assocham, said on Tuesday.

"Investments attracted by Gujarat in IT sector increased from a meagre Rs700 crore in 2005-06 to over Rs35,200 crore in 2015-16, clocking a compounded annual growth rate (CAGR) of about 48% during the decade," an investment analysis of IT sector by Assocham Economic Research Bureau, said.

It said that total investments attracted by IT sector across the country grew at a CAGR of 17%—increasing from about Rs46,280 crore in 2005-06 to over Rs2.2 lakh crore as of 2015-16.

According to Assocham, Karnataka ranks on top with 24% share of IT investments, followed by Gujarat (16%), Kerala (13%), Andhra Pradesh (12%), Tamil Nadu (6.6%), Maharashtra (5.1%), Haryana (5.1%), West Bengal (4.5%) and Telangana (4.4%).

"Gujarat not only accounted for second highest share in terms of investments attracted by IT sector but also clocked second highest decadal CAGR after Andhra Pradesh (51%)," said Assocham secretary general DS Rawat.

Rawat said the state needs to create a more vibrant IT ecosystem to boost further growth of the sector which, he said, could perk up the already strong manufacturing base.

Assocham said that investments must be made to suitably train raw college graduates to create an employable labour pool for IT sector across the state.

He identified uninterrupted power supply, streamlining of regulatory process, quick approvals and clearances for setting up industries in a transparent manner as some steps that can go a long way in attracting investors.

