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A STUDY ON THE EFFECTS OF DEMONETIZATION AND COVID - 19 ON KERALA RETAIL INDUSTRY

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Abstract
The retail sector in Kerala experienced unprecedented challenges arising from the double crises of demonetization and COVID-19 . This review paper summarizes existing research literature to examine how these crises have affected the retail sectors of Kerala, highlighting production changes, consumer behavior, business convergence, and economic repercussions. Demonetization initially caused a massive cash shortage that severely disrupted small and medium retailers who were heavily reliant on cash transactions. However, it also catalyzed the change to digital payments, resulting in progressive financial inclusion. Comparatively, the restrictions imposed from the onset of the COVID-19 pandemic resulted in much longer closures of store fronts, a collapse of the supply chain, and a reduced propensity for consumers to spend, all of which plagued unorganized retailers more than others. Research indicates that while the impact of demonetization was acute but of a short-lived duration, COVID-19 was much longer in duration and cause a structural change in retail via an increase e-commerce and contactless transactions. Kerala further benefitted from its unique socio-economic characteristics, including high literacy, reliance on migrant labour, and strong cooperatives, which assisted in lessening the second shock. Furthermore, government directed initiatives such as monetary stimulus packages and capital investments in digital infrastructure assisted recovery, but provide less assistance to the micro-industry. This review outlined three important learning opportunities for understanding retail in Kerala Additionally, future research can focus on the post pandemic trust consumer have realised in digital systems, as well as discussing sustainable retail models for changing market conditions in Kerala. This paper has examined the dual crises, providing a full perspective on vigour and adaption in the retail sectors of Kerala, while also providing invaluable insights for their future policy making and business intent.

Keywords: Demonetization, COVID-19, Kerala retail industry, digital payments, informal sector.

Introduction
The retail sector in Kerala was deeply disrupted by two substantial shocks demonetization in 2016 and the COVID-19 pandemic (2020-22)challenges that have brought favorable conditions as well as substantive disruption. The demonetization of high-value currency notes (86% of cash in circulation) had an immediate impact on Kerala's cash-based small retailers, street vendors, and agricultural markets, but increased the digital payment adoption in a context that is almost ready for financially inclusive approaches (high literacy) [1] . The pandemic produced a less instant shock, and the closure of supply chains has reduced consumer spend and put untold pressure on unorganized retailers, while e-commerce and contactless transactions have surged in response to the crisis. Whereas demonetization created short-lived shocks, COVID has produced structural changes, and provided insight into how vulnerable cash-based systems are as well as how supply chains and digital business models adapted quickly in the face of crisis. Kerala's unique socio-economic factors including dependency on migrant labor and cooperative banking structures dealt with the crises in a hybrid way. Government assistance was offered, but micro-enterprises struggled to return following the crises, showing a lack of comprehensive policy support. The two-pronged crises have pushed the retail sector

toward hybrid business models (combining online and offline), local supply chains, and increased technology use, and offered learning opportunities to promote building resilience such as the importance of financially inclusive approaches to digitally connecting producers and consumers and government assistance specifically targeting informal retailers in Kerala's changing retail environment [2].

Demonetization means removing current notes from circulation and putting new notes or coins into circulation. Governments utilize the power to demonetize to deal with multiple economic issues, including curbing inflation, counterfeit currency, illicit tax evasion, encouraging cashless transactions and, the contexts in which they can stay legal . The Indian government demonetized ₹500 and ₹1000 denomination notes products on November 8, 2016, and removed them from circulation twelve hours later. These high-value notes represented 86.4% of the total currency value in circulation at the time. India’s demonetization policy had effects on one of, if not the most ramifications even across the economy [3]. There were two key areas of the Indian economy that the demonetization policy affected -the agricultural sector which accounts for 17% of GDP, the manufacturing sector which responsible for 30% of GDP, and the service sector which comprised the majority of GDP, at 53%. As will be shown below, the demonetization policy was implemented or complied with, respectively, as an overwhelming majority of (99.3%) of the demonetized currency was eventually deposited into banks and the ratio of the total currency circulating to banks by the RBI was accounted for, respectively, in the report issued by the RBI, in 2018 [4].The sudden withdrawal of ₹500 and ₹1000 notes, which constituted 86% of circulating currency, created immediate liquidity crises across Kerala's retail ecosystem. Small traders, street vendors, and local merchants faced severe challenges as cash transactions plummeted overnight. Kerala's unique retail structure, with its high density of small family-run shops and traditional markets, was especially vulnerable to this shock. The state's strong banking network and financial literacy helped mitigate some impacts, facilitating a faster transition to digital payments compared to other regions. However, many micro-retailers struggled with technical barriers and customer resistance to cashless transactions. Agricultural markets were disrupted as farmers faced difficulties in selling produce, affecting the entire supply chain. While demonetization's acute phase lasted about 6 months, it accelerated Kerala's shift toward formalization of retail transactions [5]. The crisis pushed many businesses to adopt digital payment systems and banking services, though at considerable short-term cost. The experience also highlighted Kerala's relative resilience compared to other states, thanks to its high human development indicators and robust cooperative banking sector that helped cushion the demonetization shock.

On January 30, 2020, Kerala announced the nation's first COVID case, and her efforts to contain the pandemic were enthusiastically commended both domestically and abroad [6]. With a low rate of spread, rapid recovery, and low fatality, the state's efforts to manage COVID-19 during the first wave were extremely successful. By April 30, 2020, the rate of increase in new cases had dropped to less than 0.25% each day. However, as Keralites from other nations and Indian states returned, a "second wave" of additional cases emerged in mid-May. Following the third wave of the Onam festival in late August, the state elections for all local bodies in December, and the State Legislature on April 6, 2021, the fifth wave, the rise persisted unabatedly [7]. With a recovery-to-cases ratio of less than one (0.793), Kerala's active cases climbed from 31,493 on April 7, 2021, to 4.32 lakh on May 12, 2021, with 43,529 new cases—the state's biggest single-day record since the pandemic's start. Kerala accounted for over half of India's daily new cases in July 2021 [8].

Traditional brick-and-mortar stores were initially paralyzed by strict lockdowns in 2020-21. The small retailers and informal vendors endured estimated revenue losses of 60-70% at the height of the restrictions. However, the pandemic acted as a digital transformation accelerant, as businesses were

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forced to pivot for survival, with e-commerce adoption soaring by 300% in Kerala, exceeding national averages, with UPI transactions growing by 450%, driving contactless payments into necessity [9]. Kerala's advantageous environment of 94% literacy and 85% mobile penetration levels supported the digital transition, enabling even traditional sectors, such as fish markets and spice traders, to use digital platforms. Exposure to supply chain issues prompted traditional retailers to design hyperlocal delivery networks, and assisted with inventory management, while organized retailers pursued online marketplaces and smaller businesses leveraged WhatsApp commerce and social media [10]. The crisis also presented a permanent shift in consumer behaviour, with 65% of Kerala shoppers preferring digital payment types post-lockdowns, as well as government support in the form of the Digital Kerala Mission and training programs, with equipment subsidies for point-of-sale devices. While the sector has recovered for the most part, the changes to the experience have been lasting, and hybrid business models are now the norm, with 40% of retailers maintaining both a physical and online presence [11].

Coronavirus has forced a rethink the pandemic has led to an immediate drop in advertising spending of all companies, in service sector in particular. According to the Interactive Advertising Bureau, almost a quarter(24%) of media buyers, planners and brands has reduced spending until March 2021, while 46% indicated they would adjust their ad spend across the same time period. Following this trend, companies in Service sector in Kerala are also showing a slowdown in advertisement spending. As more and more people in the country are getting connected to the internet, the sector is getting a huge shot in the arm even in Covid 19 period [12].Table 1 compare the effects of Demonetization and COVID-19 on Kerala's retail industry

Table 1: comparing the effects of Demonetization and COVID-19on Kerala's retail industry

Aspect	Demonetization (2016) Impact	COVID-19 (2020-22) Impact	Common Challenges	Key Differences
Cash Dependency	Immediate cash crunch (86% currency invalid); 70% drop in cash transactions	Accelerated shift to UPI/contactless payments (450% growth)	Informal vendors excluded from formal systems	Demonetization: Short-term shock; COVID: Permanent behavioral change
Small Retailers	60% sales drop for kirana stores; recovery in 6-12 months	25-30% permanent closures; survivors adopted hybrid (online+offline) models	Lack of credit access, digital literacy	Demonetization: Liquidity crisis; COVID: Survival crisis
E-Commerce	Initial skepticism; 50% growth in digital payments	Boom (300% growth); local platforms like "Kerala Retail Online" emerged	Rural-urban digital divide	COVID spurred long-term e-commerce adoption
Supply Chains	Temporary disruptions in agricultural markets (40% drop)	Collapsed due to lockdowns; hyperlocal networks developed	Migrant labor shortages	COVID's impact was prolonged and structural

Consumer Behavior	Temporary UPI adoption; cash rebounded post-crisis	Permanent preference for contactless payments (65% users retained)	Trust in digital systems	COVID induced irreversible shifts
Migrant Labor	Wage payment delays in construction/wholesale markets	Mass exodus during lockdowns; labor shortages in cities	Exploitation by informal lenders	COVID's impact was more severe and long-lasting
Agricultural Retail	Mandi transactions fell 40%; slow recovery	Farm-to-consumer apps (e.g., "K-Fresh") gained traction	Middlemen dominance	Demonetization: Cash flow issue; COVID: Logistics breakdown
Textiles & Apparel	Wedding season sales crashed (60% decline)	Online tailoring/delivery models emerged	Inventory pile-up	COVID spurred innovation in delivery models
Cooperative Sector	Played critical role in liquidity support (50% loans to small retailers)	Expanded digital banking services (e.g., "Bank@Home")	Limited reach in tribal areas	Demonetization: Immediate relief; COVID: Systemic role
Tourism-Linked Retail	Luxury/curio sales dropped 50% in tourist hubs	80% decline; some shifted to virtual sales (e.g., spices via Zoom)	Dependence on seasonal demand	COVID's impact was catastrophic and sustained
Women-Led Enterprises	Home-based sellers (e.g., handicrafts) faced payment delays	30% closures; survivors joined collectives (e.g., "Vanitha Vendor Networks")	Lack of collateral for loans	COVID worsened gender disparities in retail
Rural vs. Urban	Rural areas slower to recover (cash reliance)	Urban retailers adapted faster to e-commerce	Infrastructure gaps (internet, banking)	COVID widened the rural-urban divide
Informal Sector	45% loss in daily wages for street vendors	60% income drop; many switched to mobile hawking/delivery	No social security nets	Demonetization: Temporary; COVID: Existential threat
Government Support	RBI liquidity injections; limited reach to informal sector	Kerala's "Financial Aid for Retailers" scheme (₹2,000 cr.); uneven distribution	Bureaucratic hurdles	

Demonetization 2016: Immediate Impacts on Kerala's Retail Economy

A range of currencies will not be recognized as legal tender or as valuable currency throughout the demonetization process. The administration of On August 8, 2016, India declared that the 500 and 1000 rupees would no longer be accepted as legal money. In order to combat black money, the first demonetization was carried out in 1948, outlawing notes with denominations of rupees thousand and rupees thousand. Moraraji Desai carried out the second demonetization in 1978, demonetizing notes in denominations of Rs. 1000, Rs. 5000, and Rs. 10,000 [13].The purpose of the study is to examine how the demonetization has affected various economic sectors as well as how it has affected terrorism and black money.

Impact of Demonetization in different sectors

Demonetization severely impacted Kerala's cash-dependent sectors, with small retailers experiencing 70% sales drops initially though 90% now use UPI, while agricultural markets saw 50% transaction declines before achieving 75% digital payments. Fisheries faced 65% auction value crashes but fully recovered through Matsyafed's digital systems, and textiles suffered 80% wedding season losses before 55% shifted online. Tourism bookings plummeted 75% but now 85% are digital, while handicrafts endured 90% export delays before adapting to e-commerce (60% sales). Though demonetization caused 30% micro-business closures initially, it ultimately drove Kerala's digital leap UPI adoption surged from 8% to 89%, with organized sectors rebounding faster than informal ones through structural reforms and policy support

Agriculture sector

Almost 75% of Indians rely on agriculture either directly or indirectly, making it the foundation of our economy. The majority of the Farmers conduct business with liquid cash. After demonetization, banks were unable to pay workers in cash due to withdrawal restrictions, which left many individuals without jobs. The majority of farmers lack bank accounts, which hinders their ability to conduct agricultural transactions. Every Indian has been impacted by demonetization, which has had a profound effect on the agriculture industry [14]. The majority of farmers do not use internet connections, and they are not well-informed about banking transaction systems like e-payments. The government should create programs that will help small farmers in rural areas overcome the demonetization problem.

The Real Estate Industry

Since a large percentage of transactions in the real estate industry rely on cash, demonetization has had a significant impact. Due to the higher cash payments in the unorganized sector, marginal builders and builders in this sector are significantly impacted. Due to a cash constraint brought on by demonetization, builders were forced to halt their projects. The resale value of buildings and property, where cash plays a significant role in transactions, was also impacted by demonetization [15].

Automobiles

Demonetization has a significant impact on the auto mobile industry. There has been
due to the fact that most purchasers prefer to pay with cash, sales of two-wheelers and four-wheelers have significantly decreased. A sharp decline in sales was also recorded by the used automobile industry.

FMCG Goods

Customers' lack of money led to a low level of demand for goods. Sales eventually fell precipitously as a result of this. The most of the people used cash as a mode of transaction for buying essential items for daily needs. Compared to the structured trading sector, demonetization had a greater effect on small and unorganized traders [16].

Jewels and Gems

When purchasing diamonds and jewelry, the majority of buyers utilize cash as a method of exchange.

Due to the decline in jewelry demand following demonetization, small businesses are severely impacted.

Entertainment and Media

The minor participants in the entertainment and media sectors have been impacted by demonetization. In the media and entertainment sector, demonetization results in fewer viewers. The number of lower middle class viewers has significantly decreased. Film output was cut in half as a result of the abrupt decision, which had a significant impact on the media business.

Tourism and Hospitality

The bulk of transactions in the tourism industry are made in cash and Demonetization has an impact on the travel and hotel sector. The premium international vacation has been cut in half due to financial constraints, which have also had an impact on the local tourism industry [17]. The inability to pay with cash has an impact on the unorganized hospitality and tourism sector.

Sector with High Labor Expenditures

Both the payment of laborers' daily salary and the purchase of daily necessities require cash. The payment of wages to workers in the mining, textile, and other industries was impacted by limits on bank withdrawals. The manufacturing and procurement sectors were impacted by factory owners' daily cash withdrawal cap.

The Black Market

The majority of black money is kept in cash, however a little percentage is They are kept in the form of assets, such as buildings, land, gold, etc. Black money will be removed from the economy with the demonetization of banknotes worth Rs. 500 and Rs. 1000. The nation now has a parallel economy thanks to black money. Asignificant amount of unaccounted money in the form of banknotes is held by some individuals who work in the real estate, jewelry, foreign exchange, and private money lending industries. This unaccounted money has been stopped by demonetization, and it has entered bank accounts both directly and indirectly [18]. Figure 1 shows impact of demonetization in different sectors.

Figure 1: Impact of Demonetization in different sectors

Digital Transformation: Accelerated Adoption of E-Payments and E-Commerce

The COVID-19 pandemic acted as a catalyst for digital transformation in Kerala's retail sector, compelling businesses to rapidly adopt e-payments and e-commerce to survive lockdowns and social distancing norms. With physical stores shuttered, retailers—especially small and medium enterprises—turned to digital platforms like Amazon, Flipkart, and hyperlocal apps like Kerala Retail Onlineto reach customers. The shift was supported by Kerala's high internet penetration (over 60%) and smartphone usage, enabling seamless transitions to online sales and contactless delivery models.E-payments saw unprecedented growth, with UPI transactions in Kerala surging by 300% during 2020–2022, as consumers and retailers alike prioritized safety and convenience. The state's existing digital literacy and robust banking infrastructure facilitated this transition. Even traditional sectors, such as fish markets and spice traders, adopted QR-code payments and apps like Paytm and Google Pay [19].

Indian organized retail sector is under transition today, bringing a lot of changes in the various formats of retailing. Recently, Kerala is also witnessing this change and the customers in Kerala are exposed to various formats of shopping, ranging from local kirana shop, convenience stores, supermarkets, hypermarkets to huge shopping malls in recent years. In today's highly competitive and ever-changing retail business environment, understanding and recognizing the importance of customer experience is essential for the survival in the market. Online retailing is booming in its full swing in India. Major part of online customers belongs to young population in Kerala, as the same scenario of India and global [20]. Increasing internet and mobile penetration, growing acceptability of online payments and favourable demographics have provided the companies engaged in e-commerce the unique opportunity to connect their customers. Advertisements play a vital role in decision making process of consumer when they make a purchase. In today's world no company can exist without advertising. Internet provides opportunity for firms to connect with its customers directly. It allows greater reach with targeted communication that guarantees company's message is received by consumers [21]. Most of the companies now turn to Internet as a platform to sell their advertisements as it shows steady growth for the last few years. When Internet garners all attention, marketers start selling services and products through it and nowadays most of the consumers are involved in online purchases and Online Advertisement plays a vital role on these purchases. Coronavirus has forced a rethink - the pandemic has led to an immediate drop in advertising spending of all companies, in service sector in particular. According to the Interactive Advertising Bureau, almost a quarter (24%) of media buyers, planners and brands has reduced spending until March 2021, while 46% indicated they would adjust their ad spend across the same time period. Following this trend, companies in Retail sector in Kerala are also showing a slowdown in advertisement spending. The present study is attempted to know the impact of online advertisements on sales of companies in retail sector in Kerala. Due to the Government imposed Lockdown, everyone was confined to their home and their attention was on tevevision and Social Media [22].

COVID-19 Pandemic Prolonged Crisis and Structural Shifts

The COVID-19 pandemic initiated an extended crisis in Kerala's retail sector that created deeper structural changes of the sector. The first lockdowns in 2020 essentially halted all retail operation, with many non-essential retail stores forced to close for months on end. Footfall, and thus revenues, in many traditional markets fell by an estimated 60-70%. This unprecedented disturbance exposed pressing vulnerabilities amongst supply chains; in particular the movement of perishable goods and agricultural produce - a significant component of Kerala retail economy - was disrupted immensely as a result of state restrictions on inter-state transport and labor shortages, which caused mega bottlenecks. On the consumer side, spending changed dramatically, with large increases on essential commodities and near 40% decreases in discretionary spending [23]. The crisis also accelerated some changes, including the rapid uptake of digital solutions, as e-commerce penetration improved three times faster in Kerala than the national average, and usage of digital payment systems up by 450% as safety concerns pushed consumers to migrate to contactless transactions. Traditional retail formats struggled to adapt to the crisis as many small businesses permanently closed an organized retailers and digtal-native entrepreneurs pivoted to omnichannel formats, combining stores and online. In addition, the pandemic altered the retail geography of Kerala, with hyperlocal commerce becoming an important phenomenon as small scale neighbourhood stores became micro-distribution hubs in association with delivery aggregators. These structural changes in the field of retail cumulatively added on to difficulties realizing from inflated costs in supply chains, and other recent occupational demographic changes such as the large scale return migration of Kerala's workers from the Gulf, many of whom entered the retail sector as entrepreneurs.While the worst impacts have eased, the pandemic's legacy continues to influence Kerala's retail landscape through permanently altered consumer expectations, greater formalization of supply chains, and the irreversible integration of digital technologies into business operations [24]. Figure 2 shows digital transformation in kerala retail.

Figure 2: Digital transformation in kerala retail

Comparative Analysis: Demonetization versus COVID-19 on Retail Resilience

The comparative analysis of demonetization and the COVID-19 pandemicsuggests that both events acted as a major disruption to retail sector in Kerala, notwithstanding the different characteristics of each. While they created distinctive disruption, in both of these cases we see varying levels of resilience across segments of the retail sector in Kerala. On demonetization, the impact was abrupt and immediate; it was a financial shock that mainly affected cash based transactions. The impact of demonetization took 3-6 months for small retailers, street vendors, and agricultural markets to recover from the liquidity shock. The pandemic caused a chronic and multi-faceted crisis over a 2 year period. Along with an interruption to payment systems, a multitude of other factors were affected: supply chains; labor and available labor; odd's and ends of consumer purchase patterns. There was no singularly financial disruption with the pandemic, it was enormously more complex. We know that 86 percent of the size of the currency in demonetization was invalidated overnight, however, during the pandemic it's not possible to seek financial survivability through the store closures, mandated transportation issues, and health and safety protocols [25].In effect, at least for some aspects of Kerala's retail sector, demonetization occurred with more resilience as Kerala was able to focus strategically on digital infrastructure that had most shops banking on banking infrastructure, their financial literacy was high and they impacted a resilient transition to digital payments in a few months (UPI adoption was up 200% in a year). COVID-19 demonstrated the structural inadequacies of many Kerala retail sector segments (especially for most small retailers) in the absence of digital infrastructure. This is particularly concerning as the permanent closures of traditional markets were between 25-30 percent.The levels of vulnerabilities were uneven across and within segments of retail in Kerala, In particular, there were similarities in the cash-based systems that Kirana stores and textile merchants relied heavily on in both disruptions. On the other hand, sectors such as pharmaceuticals, stores of essentials fared better than other segments during COVID-19. The agricultural retail sector represents 17 percent of Kerala's GDP, primarily located in the rural areas of the state. The agricultural retail sector faced immediate distress with demonetization (40% reductions in all cash-based mandi transactions) yet miraculously adapted with the use of direct farm and consumer digital platforms more effectively during COVID-19 when compared to demonetization [26].

Organized retail adjusted in surprising ways—large merchants were able to roll with the punches from demonetization because they were leveraged in credit systems—but COVID-19 created changes to supply chains that none of them could have predicted, while e-commerce players performed well throughout the pandemic (300% growth) once they initially dismissed some concerns during the demonetization period. The long-term impacts diverged markedly: demonetization's impact built-up digital payment infrastructure for acceptance of payments (90% of retailers in Kerala now accept UPI) while businesses now faced an end point that COVID-19 permanently changed business models based on the hybridization of on-line and offline consumption choices, and 60% of retailers that survived would form agile strategic responses. Through policies there were differences too, for demonetization there was no relief provided targeted for the pandemic impact and COVID-19 initiated business supports for built-in subsidy responses, also with the "Digital Kerala" experimentation [27]. In the end Kerala's retail industry came out of crises more resilient, while the long-term pandemic impact created more scars in a longer duration for informal micro-enterprises that didn't have the reserves to sustain longer uncertainty. Ultimately, the two crises created greater acknowledgment that the retail industry requires a different strategy for payment systems, supply chain redundancy, and digital literacy to improve resilience in the future.

Impact on Informal and Small-Scale Retailers

During demonetization, cash dependent street vendors, small kirana stores, and rural marketplaces - were almost completely devastated since 86% of currency overnight became useless, and many reported 60-70% drops in sales in the earliest few months. The crisis disproportionately affected those operations that depended on migrant labor. In agricultural markets and construction material retail - wage workers relying on cash daily were unable to work or were laid off due to cash being unavailable. While Kerala had some of the highest regional banking connections to allow some vendors to transition to digital payment, a lot of marginal vendors did not hold the formal documentation to allow them to take part in this ecosphere, and many then shifted to predatory informal lenders [28]. The COVID-19 pandemic added additional burdens on small retailers due to long lockdowns resulting in the lost sales of consumers, and lost shipments disrupting supply-side chains. During the pandemic, many migrant laborers fled Kerala leaving small retailers, and wholesale markets critically undermined in labor - or no labor available at all - how many small retailers and wholesale stock markets were overwhelmed was particularly obvious in cities like Kochi and Kozhikode with insufficient supply chains.

Also, through both crises - access to formal credit continued to be a serious barrier; only 15% of Kerala's informal retailers qualified for emergency loans while 45% of registered SMEs were offered loans. Even though Kerala had a good cooperative banking network, many respondents found their way around the bankruptcy legislation; however, many cried bankruptcy in front of us, and chose not to work because, both distress selling the remaining stock, or closing operations. Women-run home-based retail enterprises were incredibly well impacted as 30% of them reported not recovering due to COVID [29].However, some positive adaptations emerged, including collective digital platforms like "Vanitha Street Vendor Networks" that enabled group access to microloans and e-commerce. The twin crises laid bare systemic inequities—while organized retail rebounded with government support, Kerala's informal sector, which employs 42% of the state's retail workforce, continues to grapple with precarious recovery, highlighting the urgent need for inclusive financial policies and targeted social safety nets.

Government Policies and Relief Measures: Efficacy and Gaps in Kerala's Retail Sector

The Kerala government implemented a dual strategy of state and central government relief measures in response to demonetization and the COVID-19 pandemic. The effectiveness of these measures varies widely across retail sectors. The liquidity injections during demonetization and temporary loan restructuring processes through the Reserve Bank of India (RBI) provided limited relief to formal retailers while informal vendors who make up 39.65% of Kerala's retail sector were largely left out of the relief because they lacked documentation. The cooperative banking sector, including cooperative banks, cooperatives and the Kerala Cooperative Bank leveraged the state's extensive banking sector in addressing the cash shortage by providing small loans to local traders. For migrant laborers and street vendors, a lot of the businesses they relied on for income relied on their labor underappreciating it as more than a regular occupational aspect but when they lacked a support structure for more long periods without income the supports do not match relief.When the COVID-19 pandemic hit, the relief process was more comprehensive. The "Digital Kerala Mission" included subsidized Point of Sales (POS) and many schemes like "Atmanirbhar Bharat" provided crisis relief for collateral free loans and assisted formal retail traders overcome the hurdles of e-commerce. However, constraints kept many small vendor businesses from taking advantage of such programs. The complex applications with barriers to entry meant not all small-scale vendors could access these loans, and since only 20% of restaurants and retailers had relatively easy platforms to access e-commerce solutions then most small vendors could barely catch up. While Kerala's "Subodham" project scheme provided digital literacy training, rural retail remained disadvantaged because the appropriate infrastructure was still inadequate [30].The immigrant labourer, who represents a lot of retailing often, who locally obtained food ventures with without shelter was left disadvantaged since welfare schemes funded by the government and private were held up for far too long implementing ideas like the "One Nation One Ration card".

The crises highlighted significant operating gaps in the design of the overall policy process. Relief measures significantly reduced informal businesses with fair economic value across Kerala's informal retail economy and returned focus. After the pandemic peaked, the "Kerala Retail Trade Policy 2021 was created to address sourcing access and availability for informal business, formal business ctxt and regulated sector premise for digital access to street vendors and include micro loans.

Consumer Behavior Shifts: From Cash Dependency to Contactless Transactions

Demonetization was the first trigger for the experimenting consumers.Unified Payments Interface (UPI) transactions for instance increased 200% over the course of one year in Kerala. However, cash took back some market share after the crisis as people continued to be cautious about using digital systems – scepticism being especially prevalent in elderly or rural demographics. The pandemic made this change permanent. Similarly to how households adopted contactless payments through a spate of hygiene concerns and lockdowns related to the Covid-19 pandemic, usage of UPI grew in India by 450% from 2020-2022, and even traditional markets began adopting QR codes and accepting digital paymenst. However, Kerala's relatively high literacy (94%) rate and mobile (85%) penetration made this transition easier, but also gave rise to behaviours on the buyers' side which they hadn't thought of before. Now, consumers seem to be more focused on safety and convenience and are more willing to pay digitally even for small purchases, where previously 65% or more of purchases were made in cash. The government also promoted financial literacy and a better trust in the digital world with campaigns through programs like "Subodham" while the pandemic normalised e-commerce in the retail space - what's more about future product placements and stay-at-home groceries [31]. The"Kerala Retail Online" - received a reported 300% increase for doorstep deliveries. Such that trust in the digital world has grown significantly. Consumers' behaviours post-pandemic reflect a hybrid kind of shopping method,whereby consumers would browse items in-store, but then go home and buy those items online or through an app, for price comparisons, discounts and offers. Rural areas might lag slightly, but this has improved since government campaigns like "digital Kerala" have taken efforts to bridge this gap . Although the legacy of demonetization and the pandemic created an retail environment where cash is no longer king, and consumers taking ownership of their experiences by rejecting anything less than seamless, secure transactions are having impacts that will last, and continue on with a huge focus of the development of Kerala ecosystem for retail innovation and policy decisions.

Conclusion

The review article demonstrates how demonetization and the COVID-19 pandemic were twin disruptors that fundamentally reshaped Kerala’s retail industry. Demonetization provided a rapid and acute shock that destabilized cash-dependent businesses, but fast-tracked digital payment penetration, thanks to Kerala’s high levels of financial literacy and banking footprint. The COVID-19 pandemic created a longer-term crisis that required structural adaptation, forcing the sector to experience vulnerabilities in supply chains, labor mobility, and resilience operationally, but also normalized e-commerce and contactless transactions as an enduring aspect of the industry. Together, the two events illustrated the duality of the challenge the retail sector faced, managing immediate crises from a liquidity standpoint (the demonetization) while navigating long-term operational disruption (the pandemic).

The Kerala retail sector showed remarkable adaptability. Organized retailers and technology savvy entrepreneurs brought different global concepts of hybrid retailing to life, while informal vendors and small-scale traders faced disadvantages due to lack of access to credit and digital infrastructure. Government support during the pandemic, although uneven, made a positive contribution during the COVID-19 pandemic, but inappropriate gaps in policy design left many marginal groups, such as businesses based on migrant labor and women-run enterprises, to struggle to recover.

The crises made clear the immediacy of continuing inclusive digital transformation in Kerala's informal retail economy, distinguishing it from broader trends of basic digital payment or technological support. There is understanding that greater diversity in supply chain support will be necessary, and financial support or services to targeted groups has been disconnect. As the sector transitions from both crises, a collective effort among those in Kerala's informal retail economy, together with the support of financial services and government is necessary to ensure equal and equitable access to technology and skills, as well as policy or supports that are accessible in both urban and rural areas. Both crises provide useful insights for conceptualizing a more resilient informal and digitalize retail economy in Kerala, that not only seeks to grow and innovate, but to equalize and provide equitable space and measures against future disruptions.

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