



# KAASU, PANAM, DHUTTU, MONEY MONEY.....

**GST, DIGITAL TRANSFORMATION, AND THE ECONOMIC RHYTHMS OF RITCHIE  
STREET, CHENNAI: A MULTIFACETED EXPLORATION OF BUSINESS MODELS**

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# NATURE OF RITCHIE STREET

- Richie Street is located at the very center of Chennai, which makes it very accessible by, bus, metro, and train.
- The area is home to almost a thousand stores specializing in electronics.
- The daily footfall in the area is estimated to be about thirty to fifty thousand.
- Almost all the brands people aspire to own are available, with, for example, Apple products readily available, and there is also a plethora of cheap brands and fake products available. There are so many shops in the same area, dealing in the same sorts of goods. This appears to be the result of favorable conditions for the supply of these goods- as these goods all have to be supplied to one area in Chennai, the resultant transport costs are lower, hence enabling them to charge lower prices than dispersed stores.
- Shops on Ritchie Street have some sort of social capital established, and shopkeepers tend to cooperate in many ways. Prices are roughly uniform through all the shops. So, by some form of implicit collusion and by not undercutting each other, nobody loses out.



- Ritchie Street is an ideal example of the **perfect competition model** wherein many shops sell the same material to many customers at a price that ensures total surplus to both sellers and consumers.
- All the shops are either **selling manufactured products or semi-manufactured products**; none of the shops have their own manufacturing unit.
- The **shops mediate between manufacturing industries and customers** who import most electronics from countries like China and Korea.
- Since the sellers broadly sell goods related to electronics, communication, mobile phones and accessories, spare parts, etc. **Most of the shops deal in wholesale. Few shops are retail shops**, which are relatively new to other shops.
- **Business-to-Customer (B2C)** business model is being followed. All the **shops after 5:00 PM till late night cater to the bulk orders.**
- There are **no defined time periods from when the shops are allowed to remain open in Ritchie Street.** If a shopkeeper wants to do the business, the shops can remain open.

## TYPES OF MARKETS





- All the shops follow the **C+ pricing model**. The price at which they are buying the goods from the suppliers, they add a margin to it and accordingly sell their goods.
- The people who own the shops on Ritchie Street are different from those who receive imported goods from foreign countries. The **common prices are agreed by dealings that the traders' associations** do so that all the shopkeepers at Ritchie Street buy the goods at the same price.
- There are three major **Traders' Associations** at Ritchie Street, which different people lead. One association is of CAs, the other is of small retail shops, and the third is of the wholesale shops.
- No one in the market sells goods at extremely high prices. Depending upon the prices that **all shopkeepers agree by word of mouth**, they sell more or less at the same price.
- The profit of having a perfectly competitive market is that consumers can find multiple sellers to buy the same good at the same price. To stand out from other shops, **shopkeeper advertise their shops, products, or services** to such an extent

## TYPES OF MARKETS



# TYPES OF MARKETS



- Some shops **enjoy monopoly** as well. A shop like **Tractor's Spare Parts** shop, which is somewhere in the centre of Ritchie Street, has nothing to do with the goods that are being sold in Ritchie Street but has everything to do with tractors that are being used in agriculture.
- As part of the marketing strategy, the **shopkeepers will often ask the customers walking** in the street what they are looking for and how they can help them. This way the shopkeepers act friendly so you can buy something from his/her shop.
- If the shopkeepers do not have the product that the customers want, they will refer—the customers to the shops that they know will suffice the consumer's demands. There is **no negative or violent competition** between the shopkeepers at Ritchie Street



# ATTITUDE TOWARDS E-COMMERCE

BUYING AND SELLING OF ELECTRONIC GOODS FALLS UNDER ONLINE RETAIL SEGMENTATION OF E-COMMERCE.

**Mixed Emotions:** While some traders saw E-Commerce as the way forward and were keen to adapt to the changing times, there were also people who resisted the wave of third-party aggregators and continued to trade using traditional business ways.



**Depends on the type of business:** Only traders who sell finished goods find E-Commerce useful and lucrative for their business, whereas those who deal in spare parts and intermediate goods still rely on regular customers who make bulk orders for further supply.



**B2B Marketplace > B2C Marketplace:** Penetration of TradeIndia and IndiaMart, India's top wholesale market aggregators, is more than B2C websites like Amazon and Flipkart.

25.1%<sup>4</sup>

Compound annual growth rate (CAGR) for 2015-25



1.2 million<sup>5</sup>

Daily e-commerce transactions



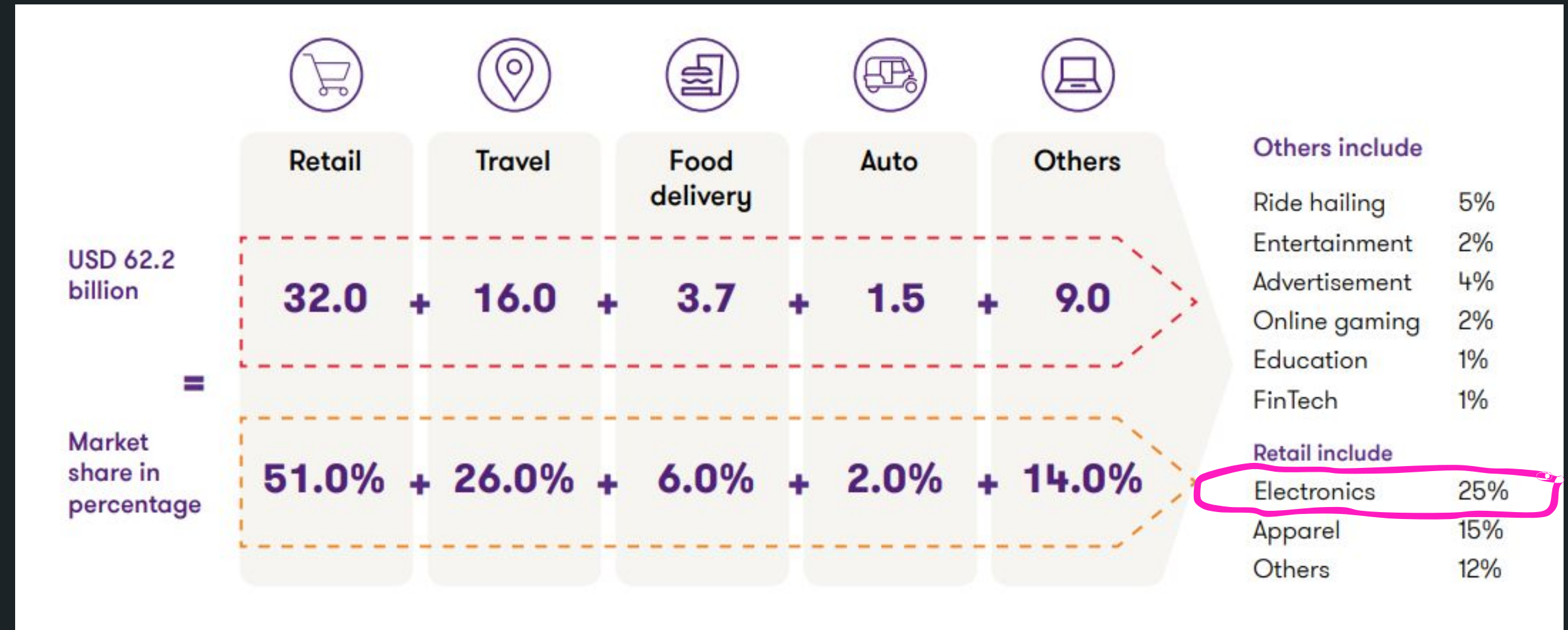
974 million<sup>6</sup>

Internet users in India by 2025



220 million<sup>7</sup>

Online shoppers in India by 2025



# MIGRATION TO RITCHIE STREET

- The owners of most of these shops hail from all over the country- a good number of them are from the **North Indian Marwari community**, while many also hail from Gujarat.
- People from **North East** are also present in slight proportions, but they seem to be occupying the secondary and tertiary posts in the shop.
- North Indians in Ritchie Street are not a recent phenomenon- when they realized the economic opportunities in the area, they migrated south, some even over **thirty years ago**.
- The area has **Hindu, Muslim, Christian, and Jain** proprietors- a large number of the **Muslims** are from Kerala.
- The **Christians** appear to be predominantly from **Tamil Nadu**, and the Hindus are from all over the country. **Jains** belong to the **Gujarati** community.

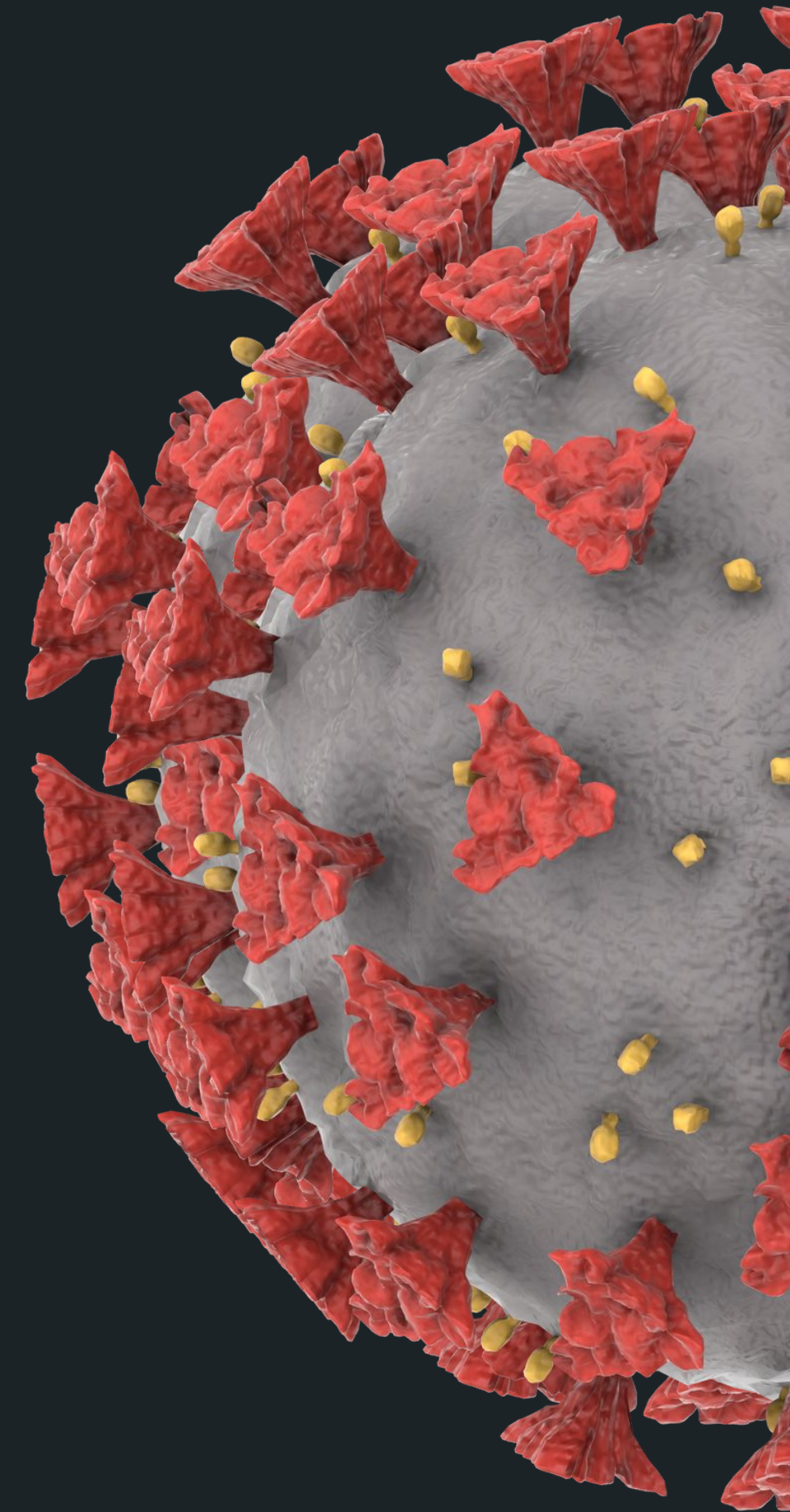




# IMPACT OF COVID-19 PANDEMIC

HERE WE WILL TALK ABOUT THE EXPERIENCE OF RITCHIE STREET DURING AND POST PANDEMIC.

- During the COVID-19 pandemic, there were multiple lockdowns which were imposed over Ritchie Street, due to which shops could **not earn revenues and went into losses**.
- Most shops around Ritchie Street are **on rent and are not owned by the shopkeepers to keep their recurring costs low**. Due to this, at the time of the pandemic, shopkeepers had to keep on paying rent to retain their shops.
- Many **shopkeepers went bankrupt**, and the building owners had no option but to seek rent due to their abrupt flow of income from other businesses.
- The **building owners are usually the wholesalers** who give the ground floor of the building on rent to small shops and use the first and second floors of the buildings as godowns.
- The **e-commerce websites could not provide any respite** because of **lack of supplies** that were supposed to come from China and the high rate of aversion to Chinese products as an aftermath to the pandemic.

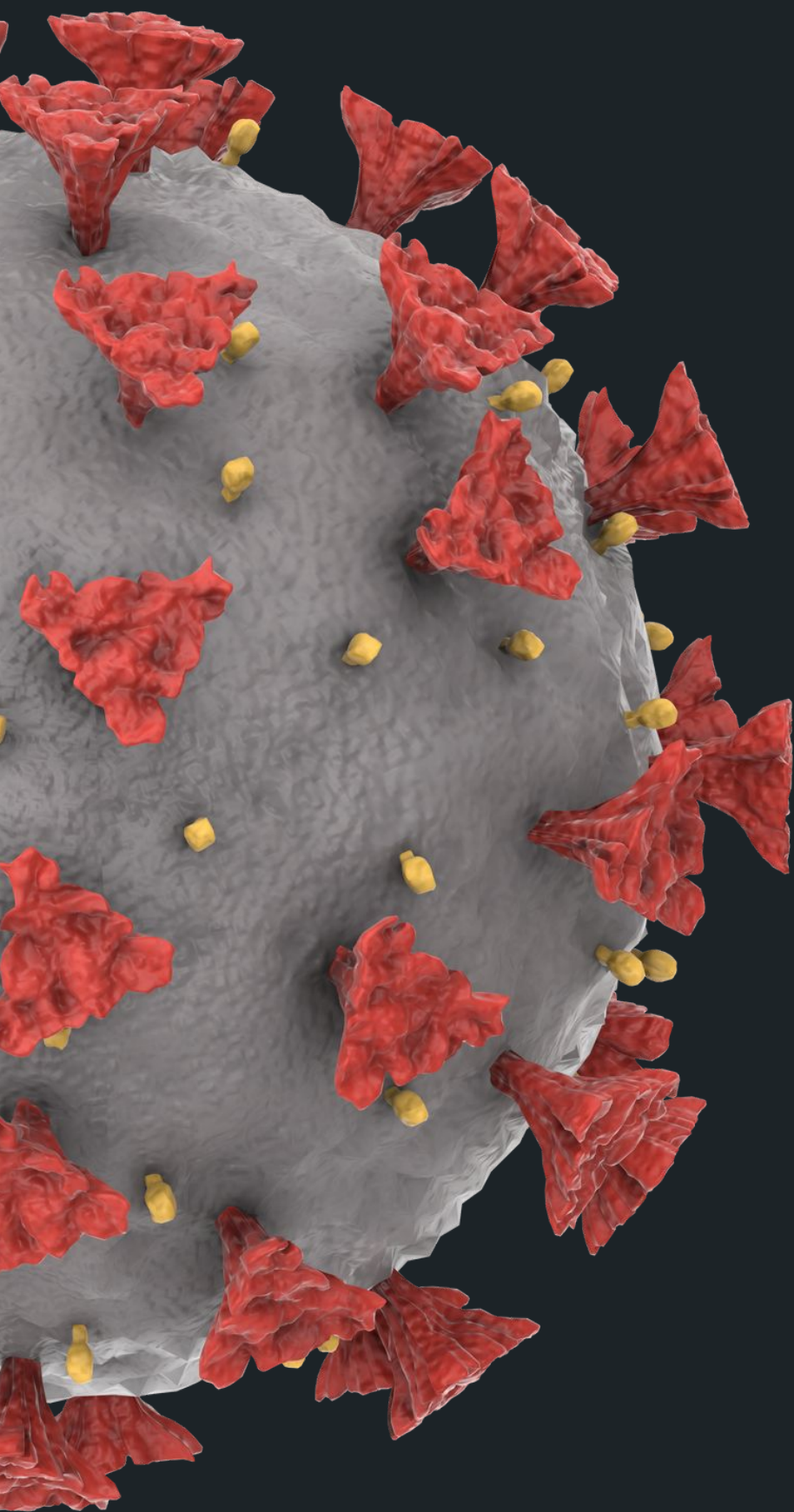




# IMPACT OF COVID-19 PANDEMIC

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- In the post-pandemic period, **shopkeepers really look forward to the crowd of customers that used to be there before the pandemic.** But to widen the options of target customers, they take the assistance of e-commerce, which a couple of shopkeepers feel is a cut on the daily revenue of their shops.
- Many of the **shopkeepers have winded up their businesses** after the pandemic due to the rate at which the revenue generation was happening was very low after the pandemic.
- With the wider usage of digital payment across India, the shops at Ritchie Street had no option but to get accustomed to the ease of customers' comfort. So, **digital payment has been adopted in Ritchie Street but irregularly.**
- Further, the shopkeepers have been **finding means and measures to make money by giving very little service charge to the govt. or by making it an informal transaction.** For example, for the usage of UPI Payments, govt. has imposed 1% service charge for business holders.



# DIGITAL PAYMENTS IN RITCHIE STREET

- In the last ten years, especially after demonetisation, there has been a clear shift in the preference from paper-based transactions to digital transactions
- The volume of digital transactions has surged from 18% in 2010-11 to 61% in 2019-20
- This has been assisted by the services of NEFT(National Electronic Funds Transfer), IMPS(Immediate Payment Service), and UPI(United Payments Interface)
- One of the said advantages of digital payments is that it records all economic transactions and does not allow the sustenance of black or underground economies
- In Ritchie Street, this has manifested as a resistance to digital payments; while UPI payments are accepted, most prefer and demand cash





Shopkeepers and owners cite several other reasons for this resistance as well:

01

Service in return for cash ensures sufficient amount of cash stock with the shopkeepers, enabling them to forego the constant run to ATMs and banks

02

A considerable amount of electronic items come from China without bills and the transactions involving such non-billed items are easier to be carried out with cash; these instances are boosted by the market's reputation as a grey inexpensive market

03

Some shopkeepers attributed their refusal to the difficulty in tracking the credited payments, as it sometimes take upto 48 hours for banks to process payment





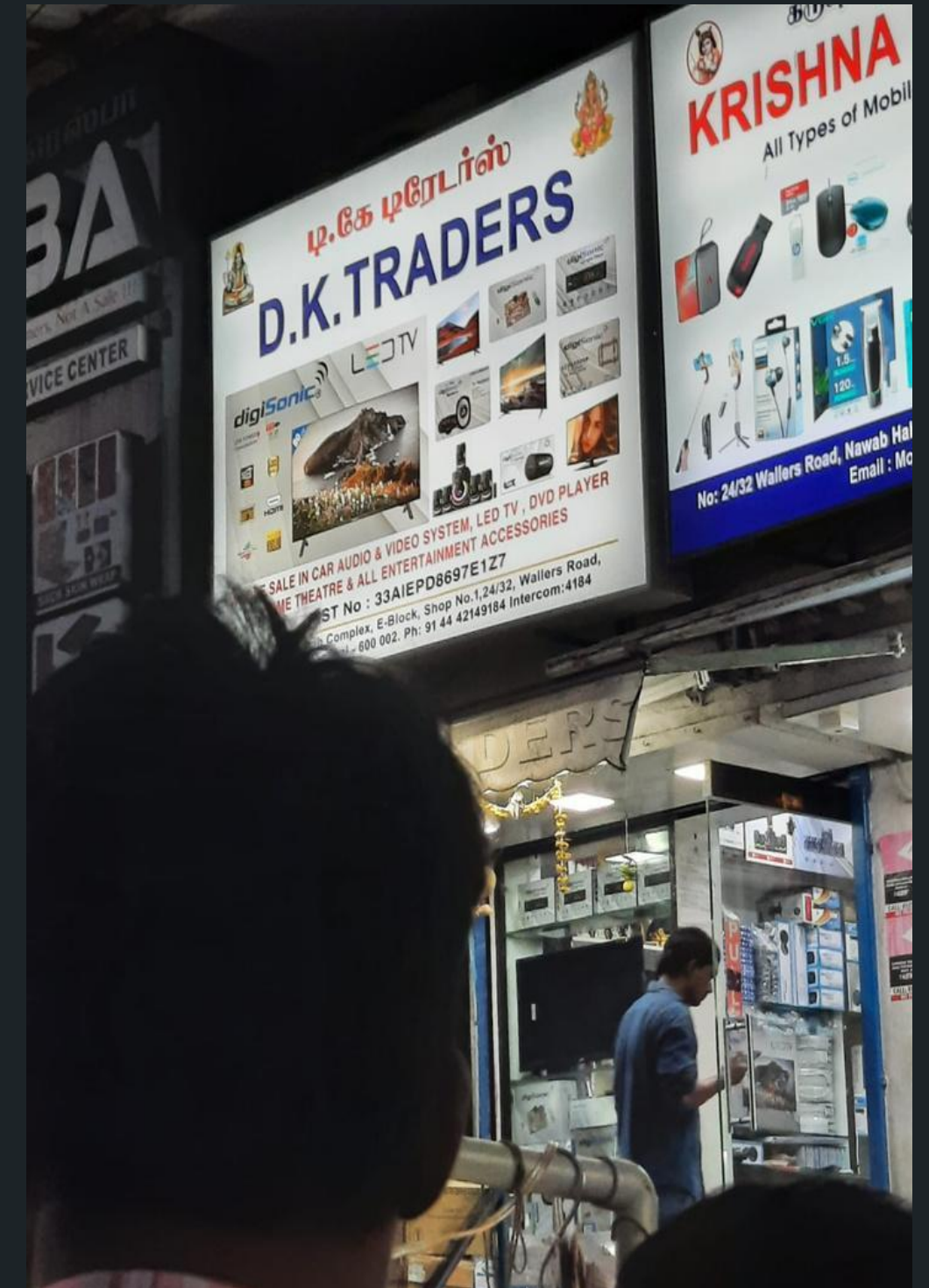
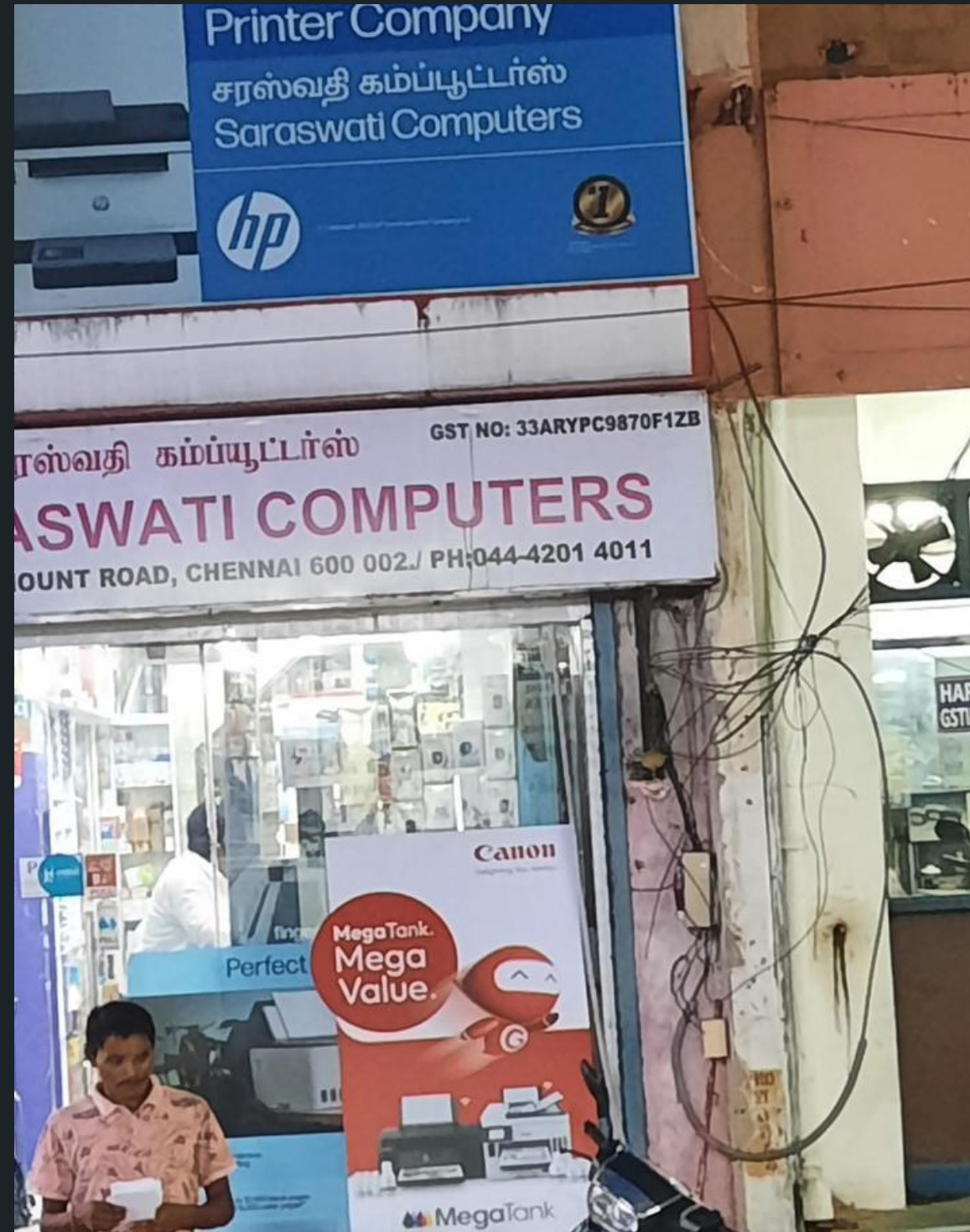
- A few cited the **misuse of UPI** by customers- incorrect payments or non-payments
- There were also complaints about the financial services on the part of Paytm and Gpay, where the soundbox was charged **Rs.150** even while it was not used
- Some were annoyed by the constant noise made by **Paytm soundbox**, nevertheless, requests to return the box was ignored by the service providers even after **70 days**
- Some older shopkeepers were personally against customers' **habit** of paying even minimal sum of money by digital means



# TAXATION IN RITCHIE STREET









# GST IN RITCHIE STREET

- Goods & Services Tax or GST mandates that any sales turnover crossing **10 lakhs** has to be subjected to taxation within their respective tax brackets
- While the GST was expected to formalize India's large (almost **25%**) underground and unreported markets, taxation in markets such as Ritchie Street are yet to come under **practical enforcement**
- Transactions without bills and payments through cash allow shopkeepers to record the **official turnover** well within the limits of 10 lakh; the rest remains as unrecorded income
- While this isn't the practice within the entirety of Ritchie Street, the ability to do this makes filing for GST **dependent on the mentality** of the shop-owner rather than the laws laid down by government
- Even as shopkeepers shared grievances alluding to business troubles, none pertained to





# ROLE OF TRADE UNIONS

- The Chennai Mount Road All Traders Welfare Association and the Chennai Electronics & Infotech Traders Association (CEITA) are two unions that the shop owners in Ritchie Street are part of.
- Usually, trade unions take up regulatory roles, helping the employees get reasonable wages, and help shop owners set up stores at nominal rents, etc.
- The CIETA represents all the traders in the area and are the official spokesperson for them to the media and other bodies.
- During COVID, the chairperson of CIETA had given multiple interviews to national channels regarding the losses they were facing and the remedial measures the





# WHAT DO THE SHOPKEEPERS FEEL?

We interviewed a few shop owners and asked them what the role of these unions are and here are their responses:

“ They are mostly involved with conducting events for the members of the community. They organise blood donation camps, festival celebrations, and other events”.

“In case of any internal or external conflicts, they intervene and help us solve the problem. They help with court cases also.”

“They also play an advisory role- they ask us to register for GST and all.

# WHAT DO THE SHOPKEEPERS EXPECT?

Since more than 70% of the shop owners have rented the spaces their shops are in, a majority of their sales (which they already feel is less), goes into rent.

Rents for even a 10x10 sq.ft can go as high as Rs. 40,000.

This is because there is a problem of double-renting, where middle men rent the shops, and rent it again to the shop owners, at a higher price.

Shopkeepers wanted the intervention of trade unions in regulating the rent of these shops.





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# THANK YOU

