

Growth of E-Commerce Sector with Reference to Demonetisation

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Abstract – While the world reeled from the stun result of the US Presidential Elections, on November ninth, 2016, a country of a billion of people faced an even bigger surprise as all existing currency notes of 500 and 1000 rupees would be demonetised, with immediate effect. Since November 8, every Indian is in the dilemma of picking a secure and convenient cashless payment option. The cashless payment options that are currently available include credit/debit cards, e-wallets, for example, Paytm, Mobikwik, SBI E-wallet, etc., RTGS, NEFT etc. The move of 'Demonetization' by the Hon'ble Prime Minister of India, Mr. Narendra Modi swayed everybody on November 08, 2016. It resulted into a frenzy circumstance because people were short of money in their grasp. Demonetization impacted internet shopping at introductory phase however later the online sellers witnessed complex increase in their sales and revenue. The consequences of this led to the use of computerized payments and online exchanges in pretty much every piece of the nation. This move likewise increased the use of advanced and mobile wallets offered by different companies and banks. This unpredictable move made by the Prime Minister Narendra Modi has impacted e-commerce as well as at the same time affects the consumers and their shopping behavior through online shopping. Consequently, it becomes necessary to ponder the effect of demonetization on e-commerce industry and the purchasing propensities for the people. The principle focal point of the investigation is to understand effect of demonetization on consumer's frequency of buying item and consumer's mode of payment for online shopping post demonetization. The examination reveals more positive than negative effects of Demonetisation on E-commerce industry.

Keywords: Demonetization, Growth, E-Commerce, Online Shopping, E-Payment

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1. INTRODUCTION

With the huge announcement that came on eighth November, 2016 regarding the prohibition on Rs 500 and Rs 1000 currency notes, there were widespread tremors experienced by the people in India. While a large portion of the people were hailing it as a "masterstroke" move against black money, currency counterfeiting, and terrorism. There were certain sections of people in society, which were making hue and cry about the move that has brought unnecessary problems for them. 86 per cent of the currency available for use ceased to become legal tender after 12 pm of that day. As indicated by Bloomberg data, the volume of cash exchanges in India is 98 per cent as compared to 55 per cent in the U.S and 46 per cent in the UK. So, demonetization spell fate for ecommerce in India.

The prohibition on Rs 500 and Rs 1000 currency notes have restricted the shopping capacity of people through money. Alongside this, the ATM withdrawal limit of Rs 2,500 has complicated the entire matter further.

E-commerce websites in India like Amazon and Flipkart take payments in type of cash on delivery and digital payment. Due to demonstration 500 and 1000 RS notes became obsolete just as there was a top on money which can be pulled back from banks. On November eighth when PM Narendra Modi suddenly announced demonetisation whole nation was tossed into turmoil. The mad rush to deposit now illegal tender of Rs 500 and Rs 1000 notes has resulted in long lines at banks and at the same time lines and foot falls at shops and business premises have vanished. As cash gets rationed businesses and industry that depend on cash have been directly impacted. A surprise in this rundown is quickly developing E-commerce industry in India and is the reason is over dependence on Cash on Delivery as a payment method. Every E-commerce organization either you talk about Amazon or flipkart or snapdeal, each of these companies are confronting a great misfortune.

2. DEMONETISATION

The term Demonetization has become a household name since the Government pulled the old Rs 500 and Rs 1,000 notes out of circulation. This announcement by the Prime Minister Narendra Modi is perhaps the most critical step taken, targeted at ferreting out black money and curbing corruption. The effects and its effect is seen everywhere crosswise over industries. CashKaro.com – India's largest Cashback& Coupons site completed a survey recently to understand the 'Effects of Demonetization on Online Shopping'. Over 1000 people crosswise over India participated in the survey. 85 per cent of the respondents said they are supportive of the recent move and agreed that it would be instrumental in reducing black money and corruption in the Indian ecosystem.

Swait and Rohan Bhargava, Founders of CashKaro.com commented, "We welcome Prime Minister Narendra Modi's intense decision to phase out the circulation of Rs 500 and Rs 1000 bank notes as this will bring transparency and stronger responsibility. The move has definitely given a lift to digital payments and has encouraged people to shop online more. Wallets like Paytm have seen noteworthy growth. We have seen an increase in the number of people navigating Cash Karo and setting off to our partner sites to purchase day by day essentials and consumables. One of the primary reasons for this increase is that the Cashback that members earn from Cash Karo is paid over or more applied markdown coupons, bank and wallet offers. Cash Karo Cashback is as Real Cash and can be transferred to user's Bank Account."

In the context of Indian Economy, presently, Demonetization means that Reserve Bank of India has pulled back the old 500 rupees and 1000 rupees notes from use and circulation as an official mode of payment. Technically, Demonetization is the demonstration in which the currency unit is stripped of its status as legal tender. It happens whenever there is a change of national currency. The current type of money is pulled from circulation in the market and retired which will be further replaced with new notes or coins.

It is interesting to note that no American or European country has ever conducted a demonetisation operation of this scale. What is even more peculiar is that no nation on the planet, except for India, has gone for partial demonetisation, where just select currency notes and coins are demonetised. In 2016, with little cautioning, India's Prime Minister Narendra Modi announced to demonetize the 500-and 1000-rupee notes, the two biggest denominations in its currency system. These notes accounted for 86% of the nation's coursing cash and 68% of all exchanges in the nation are cash-based. The citizens of India had until the end of the year to deposit or exchange them for newly introduced 2000 rupee and 500-rupee

notes. Despite the fact that the same measure was adopted by a previous government under PM Morarji Desai in 1978, the scale was minuscule compared to the one being carried out at this point.

This strategy was initiated:

- ▶ To discourage tax evasion on undeclared income
- ▶ To check terror financing
- ▶ To promote a cashless economy
- ▶ To reduce Inflation
- ▶ To eliminate the circulation of fake currency from the nation
- ▶ To facilitate trade
- ▶ To eradicate the propensity for money laundering

People and entities with huge aggregates of black money were forced to take their large-denomination notes to a bank, which was by law required to acquire tax data on them. In the event that the owner couldn't provide confirmation of making any tax payments on the cash, a penalty of 200% of the owed sum was imposed. Yet, it has been taken care by Government that the open that a person who changed his higher value cash will get exactly the equal sum in lower denominations.

The demonetisation follows a tax amnesty scheme called the Income Declaration Scheme which was concluded on September 30th, 2016, as the last deadline for people to declare their assets and make good on government obligation on the same. PM Modi had promised severe activity against tax evaders after the end of a successful 2014 general elections campaign, and this is being viewed as the main noteworthy move towards the same.

It does not answer questions about how/when/why the characteristics occurred. Rather it addresses (What are the characteristics of the populace or circumstance being studied?). The characteristics used to describe the circumstance or populace is generally some sort of categorical scheme otherwise called descriptive categories. The examination is based on the secondary data. Secondary data has been collected through the entire relevant sources like Discussions, Newspapers, Internet, Government reports and distributions, Other Research Article etc.

Demonetization will lead to the economic development of India and prosperity for its people. It will result in higher GDP, transparency and integrity in the system, provide security to work,

employments for the young, cheaper loans to promote entrepreneurship and development, support farmers to double their income, provide affordable lodging for all and higher revenues to the Government which can spend it on poor people and marginalized sections of society. In particular, it has expedited a smile the face of every honest Indian.

3. DEMONETIZATION AND E-COMMERCE INDUSTRY

Gloomy View With demonetization hitting hard, the majority of ecommerce websites, for example, Flipkart, Amazon, Snapdeal, Jabong and a lot more have disabled their Cash on Delivery (CoD) mode of payment. This has turned out to be a negative element in their business as the majority of their revenue was earned through Cash on Delivery. Another issue that has been raised by this boycott is how to manage the already placed Cash on Delivery orders. Voonik, an online retailer of women's apparel, earns its major revenue through COD, much the same as some other e-commerce website is as yet hasn't been able to figure out how to carry forward these orders. This is a cashless phase where the digital wallets like Paytm and Freecharge are overpowering the nation. With smartphones available at an insignificant price, every taxi driver, shopkeeper and auto driver can get one and download digital wallets to earn their bread and butter.



Bright View Demonetization was a step to check black money stashed in pantries of "former rich" people. It had a very positive effect on Digital India as because of shortage of cash, people are resorting to cashless exchanges. Cashless exchanges mean a corruption less environment. There is a high plausibility in the e-commerce sector that Cash on Delivery will be slowly stopped and other modes of digital payment will take its place, for example, Card on Delivery, Net Banking, Debit Card, Credit Card etc. Demonetization will certainly help India enhance

its ecommerce industry and make it easier for people to go cashless.

4. SHORT TERM EFFECT OF DEMONETISATION ON E-COMMERCE

As indicated by a statement by Amish Rau, CEO of PayU India "Around 40 per cent of COD was driven by black money as per an investigation done two years back." Demonetisation cracked down the whip on black money compelling people to go digital. Truth be told, the initial 2 months after demonetisation saw a decline in ecommerce growth in India as there was a reduction in sales. The cash crunch and top on ATM withdrawal limits affected the buying limit of majority of consumers, especially customers in tier-2 and tier-3 cities who are used to the payment mode of COD. Some of the online retailers needed to temporarily suspend their COD payment option.



Figure 1: Effect on Commerce

Source: Internet

► Demonetization results in slow growth

From the above figure 1 we can see that demonetisation has negatively affected the E-commerce Industry and resulted in slow growth for some period of time. It has led to the following consequences:

• Undelivered Orders

As mentioned before – For people like myself, we settle for the cash on delivery option. A COD order is the one where in your place an order online and agree to pay on the spot when delivered at your doorstep. Be that as it may, due to the stop on the usage of notes, this errand couldn't be completed.

• Suspension on COD orders

Boycott of notes in return created a break for Cash on delivery and along these lines, several retailers needed to temporarily stop their service of cash on

delivery purchase option. This turned out to be a blow for the revenue generation of a few retailers.

- **Reduction in the number of orders**

From a well-known survey conducted by business insider, 83 % of consumers in India settle for COD option. As a result of demonetization, it detrimentally affected the number of orders placed online as most consumers did not wish to settle for online exchange. As a major piece of orders placed on the online sites is paid with cash on delivery, demonetization detrimentally affected the number of orders placed. People just needed to hang tight to get their old currencies to be exchanged and few of the customers are skeptical about online payments.

- **Impact on Online Payments**

One great effect of demonetization was the increase in the usage of cashless exchanges by means of credit and debit cards rather than being tied up in unending queues at the ATM. Even something as simple as purchase of vegetables from a vendor began to be done by means of mobile wallets, for example, PayTm-with cashless money transfer. Vendors just as open transport workers settled for online payments due to the restriction on notes.

- **Expansion of Payment options**

Credit and debit cards are the existing options for online payments; yet the extra option to fix this void would be the online wallet service: for example: The Amazon pay balance usage for purchase. This option made the consumers feel considerably more comfortable amid online exchanges. Online payments are speedy, hassle free and time sparing. Furthermore, EMIs are the best part about online payments. This abstains from causing a monetary strain when you make a large value purchase. Expertise easy it is to get moment loans for all your appliance, furniture and gadget purchases. So, don't let the restriction on currency notes of higher denominations prevent you from buying all that you wanted. Unified Payments Interface (UPI) will see a steady growth. The help of the government has likewise been agreeable to advancing UPI for online payments. Banks like ICICI have introduced debit card EMI option for mobile and other purchases. This can likewise benefit customers making online purchases without a credit card. Imagine being to purchase all top of the line smart phones and PC on EMI even without owning a credit card.

- **Lucrative Discount options**

Seeing the decrease in the number of orders placed online, retailers began to provide several discounts offers to draw in customers for purchase of their items. Several retailers additionally ran attractive promotions and discounts in order to encourage people to place orders.

- **Go cashless to make payments**

To encourage customers on the usage of online payment office, retailers likewise began to provide offers and discounts specifically to those consumers who decided to go for cashless payment. Therefore, it helped in pulling in customers back to E-commerce websites. Online retailers additionally have introduced impressive discounts for all the cashless payments. This encourages more customers to choose a payment method other than COD and guarantee their discounts and thusly helping the E-commerce businesses retain a reasonable cash flow.

- **Increase in POS terminal and Online Shopping**

Online shopping sees surge; Paytm wallet and COD payments by means of bank cards most preferred among shoppers. Currently, the number of POS devices are pretty low in relation to the number of online orders made. By increasing the number of POS devices, E-commerce players can make it convenient for the customers by allowing them the security and convenience of COD orders.

5. CHANGES IN E-COMMERCE SEGMENTS

One of the long-haul benefits for the e-commerce industry is reduction in payments through COD. For online retailer's COD involves extra expense and the danger of returns or thefts is higher in this type of payment. Here is the means by which demonetisation has affected the 4 fundamental segments of the e-commerce industry:

- **Online Retail** Online retailers like Amazon and Snapdeal welcomed the Government's move on demonetisation yet they have additionally needed to deal with a drop in business. There has been a 30 per cent-40 per cent reduction in COD orders. The last quarter of 2016 was definitely not as productive as in the previous years for goliaths in the ecommerce business. The consumer isn't in a disposition to spend and this circumstance is expected to continue till the end of the main quarter in 2017. The vast majority of the online retail stores continue to be dependent on cash payments as it will take some time for all customers to change to digital payments.

- **Payments** The digital wallet and payment segments have emerged clear winners post demonetisation. Local vegetable shops and paani puri vendors have been showcased via web-based networking media for showing signs requesting digital payments. Payment gateways have already seen a 80 per cent growth and the

number is increasing each week. There is a growth in low-value exchanges as well.

- **Logistics** E-commerce based strategic firms have taken a hit as 20 per cent of COD orders were cancelled post the demonetisation announcement. In the vehicle business, the vast majority of the exchanges are done through cash and this is expected to take more than a quarter to normalize. Sahil Barua, CEO of e-commerce focused logistics firm Delhi very stated that the firm has started accepting card payments and other modes of payment like wallets on delivery. There are some other logistics firms that don't offer card payments and will require some time to scale up their operations.
- **Hyper-local Delivery** This sector in the e-commerce industry has seen tremendous growth post demonetisation. Hyper-local delivery firms supply groceries, household items and food from restaurants to customers. The number of new customers that this segment receives is increasing continuously and there is a surge in pre-paid orders. Online food-ordering stages like Swiggy and Zomato have seen a rise in exchanges.

6. GROWTH OF E-COMMERCE IN INDIA AFTER DEMONETIZATION

There are different changes happening in E-commerce business and these are classified as long haul and short-term effects. Soon after currency banned in India E-commerce business were looking with a sudden fall however it brings some enthusiastic positive changes too which can be keep going for long time, these are:

- It causes break on cash on delivery payment. Numerous E-commerce marketers stop cash on delivery payment this gets a sudden fall marketing because the greater part of the people still have trust issues for online payment.
- Marketers quit accepting old currency of INR500 and INR1000 soon after demonetisation which results in tremendous number of deliveries returns for Cash on delivery order.
- This trend emphasizes on payment through digital mode. Shortage of cash forced people to use online payment mode or E-wallet. Special offers are being given on online payments.

- It leads to increment in delivery returns because of absence of cash. The vast majority of the user after COD delivery said to take old currency otherwise asked to return the delivery. This led to numerous orders getting cancelled and consequently results in heavy misfortune to marketers.
- E-commerce going towards offering heavy discounts and drive sale offers to increase sale by online payment. They likewise put discounts by means of online or card payment to increase engagement of users in selling and purchasing.
- Sudden increment being used of online wallet likes Mobikwik, pay money, Paytm, etc. Increase user traffic on even small website, like: huge basket, grofers, etc., because these are accepting cards and online payment and shortage of cash forced people towards these online stores.
- Increase in application download and their use because it gives a stage for better experience of marketing with special discounts and offers. It provides an easiest method to follow order with keep payment details safe for further use also.
- Every business man is looking towards E-commerce instead of commerce business because of demonetization. Since people are moving towards digital payment and digital marketing so businessman is likewise advancing as needs be.

► Growth of E-Commerce after Demonetisation

Despite the fact that demonetisation carried with it a sudden decline in e-commerce exchanges, the main quarter of 2017 has brought some positive changes. Demonetisation goes for pushing consumers towards making digital payments, thereby adding to a cashless economy. NITI Aayog published a report on the growth of digital payments in India post-demonetisation. As per this report, digital payments have seen an incredible surge of 271 per cent in the very first month following demonetisation. The number of mobile wallet exchanges has increased to 63 lakhs from 17 lakhs. Paytm, one among the biggest players in the mobile wallet space revealed that it served 45 million customers inside 3 weeks after demonetisation. Exchanges by means of RuPay cards have likewise increased suggesting that more JanDhan account holders have started utilizing debit cards for online exchanges. "We saw an underlying decline in exchanges for the first 10 days of demonetisation; however, the exchanges started getting back to typical from first week of December. As of February, we see a steady

increase in exchanges just as online payments as mentioned by Vikash Khetan, Founder of Couponz Guru (A coupons and deals aggregator in India).

7. CONCLUSION

The E-commerce industry is tremendously growing in India. Together with a quick paced growing economy and a rather large youthful populace gathering, the industry seems very encouraging and it would seem that we are in a progress period from traditional shopping to digital shopping. Retailers who adjust the best will likely have the better edge in the next few years. This trend is partially confirmed by the survey as 75% of the respondents already uses online shopping regularly. Regarding the demonetization in India that occurred in November 2016, a large portion of the respondents seems welcoming this approach. With respect to the effect on the Ecommerce business, the demonetization helped to increase its prominence even more. Demonetization however has created some positive and some negative effects on different sectors yet in long run it definitely will have positive effect in controlling black money and fake money.

To tackle the after-effects of demonetization, E-commerce stages have added credit card on delivery as one of the payment options to put customers coming up short on cash at some ease. Due to demonetization consumers are buying more items through online mode instead of retail shops due to cash crunch. The consumers have adopted new method of making payment where preceding demonetization, consumers were making payment by picking the cash on delivery option however at this point majority of them are shifted to debit card and Paytm wallet to make payments. Hence, it tends to be concluded that demonetization has opened up more opportunities for the ecommerce business and it will prove huge boon for digital payment market.

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