

Impact of Demonetization on E-Commerce Industry

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Abstract – The move of 'Demonetization' by the Hon'ble Prime Minister of India, Mr. Narendra Modi influenced everyone on November 08, 2016. It came about into a frenzy circumstance since individuals were shy of money in their grasp. Demonetization affected web shopping at introductory stage yet later the online merchants saw complex increment in their deals and income. The results of this prompted the utilization of advanced installments and online exchanges in pretty much all aspects of the nation. This move likewise expanded the utilization of advanced and versatile wallets offered by different organizations and banks. It is otherwise called pulling back of a specific type of cash from dissemination. Government pulled the old Rs 500 and Rs 1,000 notes unavailable for general use. While the phenomenal move made by the Prime Minister Narendra Modi has affected internet business and at similar occasions it affects the customers and their shopping conduct through web based shopping. In this manner it becomes important to think about the effect of demonetization on online business industry. The primary point of the examination is to comprehend and dissect the impact of demonetization on buyer's recurrence of purchasing item and customer's method of installment mode through web based shopping post demonetization.

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1. INTRODUCTION

Web shopping in India is certainly not another wonder. The innovative improvements, expanded speed of web (3G to 4G), accessibility of minimal effort PDAs are contributing towards the development of web shopping in India. Also, web shopping offers different favorable circumstances to the customers, for example, accommodation, limits, assortment of items, value examination, careful shopping, and so forth. The trends demonstrate that in past years, web shopping is expanding with a quicker pace. The most recent move of 'Demonetization' of money notes of Rs. 500 and Rs. 1000 reported by the Hon'ble Prime Minister of India Mr. Narendra Modi on Nov 08, 2016 had its effect on individual dimension and mechanical dimension for traditional shopping just as web shopping.

On November 8 evening, Prime Minister Modi, in his broadcast address to the country, made Rs 500 and Rs 1000 notes invalid, saying that it was gone for controlling the "illness" of debasement and dark cash which have taken profound root. Individuals holding notes of Rs 500 and Rs 1,000 can store the equivalent in their bank and mail station accounts from November 10 till December 30. All notes in lower division of Rs 100, Rs 50, Rs 20, Rs 10, Rs 5, Rs 2 and Re 1 and all coins kept on being substantial, and new notes of Rs 2,000 and Rs 500

were presented. There was no adjustment in some other type of money trade be it check, DD, installment through credit or platinum cards and so on. Demonetization is a radical financial advance in which a money unit's status as a lawful delicate is proclaimed invalid. This is generally done at whatever point there is a difference in national money, supplanting the old unit with another one. Such a stage, for instance, was taken when the European Monetary Union countries chose to receive Euro as their cash. In any case, the old monetary forms were permitted to change over into Euros for a timeframe so as to guarantee a smooth progress through demonetization. Zimbabwe, Fiji, Singapore and Philippines were different nations to have settled on cash demonetization.

With regards to Indian Economy, by and by, Demonetization implies that Reserve Bank of India has pulled back the old 500 rupees and 1000 rupees notes from use and flow as an official method of installment. In fact, Demonetization is the demonstration in which the cash unit is deprived of its status as legitimate delicate. It happens at whatever point there is a difference in national money. The present type of cash is pulled from dissemination in the market and resigned which will be additionally replaced with new notes or coins.

It is interesting to take note of that no American or European country has ever led a demonetization activity of this scale. What is much progressively exceptional is that no nation on the planet, aside from India, has gone for incomplete demonetization, where just select cash notes and coins are demonetized. In 2016, with small cautioning, India's Prime Minister Narendra Modi declared to demonetize the 500-and 1000-rupee takes note of, the two greatest groups in its money system. These notes represented 86% of the nation's flowing money and 68% of all exchanges in the nation are money based. The natives of India had until the year's end to store or trade them for recently presented 2000 rupee and 500 rupee notes.

1.1 Demonetization and E-Commerce Industry

► Pessimistic View

With the prohibition on Rs 500 and Rs 1000 money notes, web based business players were compelled to stop "money down" installment modes on their webpage. Certain web based business players like Flipkart and Snapdeal made limitations on the request buy an incentive to beneath Rs 1000. While Amazon India ceased CoD requests, multi day after the enormous declaration these web based business organizations additionally quit accepting old category notes of Rs 500 and Rs 1000 notes and paid more accentuation on different methods for computerized installments. The demonetization move has harmed the internet business changes of different organizations from Flipkart to Zomato, which is a nourishment discovery and conveyance entry with different organizations that fundamentally create incomes through hard money that represents around 60-70% of all out requests. With fall in CoD requests, demonetization has prompted hop in advanced installment choices for making on the web exchanges.

According to an exploration done by the Forrester Research, "The money down offer will descend and it will drive customers to make installments on the web. At first, in the following 1-2 months it might hurt web based business organizations."

This drop was additionally credited to the check on dark cash because of this demonetization move which was utilized to make the buy through different internet business stores. "About 40% of CoD was driven by dark cash as indicated by an investigation completed two years prior." It has been additionally anticipated that "This will seriously affect GMV as not all CoD will move advanced installments. In the country economy where shoppers are as yet not unreasonably OK with advanced cash yet and who is as yet adjusting to the web will remain away?"

With the shortage of money, it is certainly negatively affecting the transformation rate enhancement

practices and web based business deals are in the end dropping.

1.2 Optimistic View

Demonetization has given a lift to advanced installments and is urging individuals to shop online more. This will give a chance to internet business players to push customers towards receiving cashless instruments and recalibrate business models to boost cashless instruments.

1.3 The 2-D's (Digitisation And Demonetisation) Impact

The move is to a great extent observed as a driving force to PM Modi's yearning venture "Computerized India" which looks to incorporate an advanced framework into the present system. One of the objectives of this venture is to a great extent take out money based exchanges by empowering advanced installment systems. The Reserve Bank of India has tossed its full weight behind a cashless economy by making another computerized installment interface called Unified Payments Interface.

From the antiquated time, cash has assumed a critical job in our lives. The manner in which cash is seen has changed every once in a while. From trade economy to money, and now cash has changed from physical notes to plastic cash to advanced, yet most vital its job is irreplaceable. The accommodation of less money has been all around used by technology and today, that is what is driving us to embrace computerized installments. The ongoing money demonetization declaration has fuelled numerous portable wallet organizations to drive Indian to embrace advanced installments and in this way quicken far from money and different options. The customers need erosion free development of cash. Since November 8, each Indian needs a protected, secure, advantageous and cashless installment alternative. At present accessible cashless installment systems incorporate credit/check cards, e-wallets, for example, Paytm, Unified Payment Interface (UPI), IMPS, USSD, RTGS, and NEFT. The dispatch of BHIM on Android telephones will take the cashless economy to communities, particularly once Aadhaar-empowered cash exchanges are made conceivable without the utilization of even a telephone. The vegetable merchants in the city have made up Paytm wallet record and they have swiping machine in their shop where somebody can filter the standardized tag and make the installment. Modi's demonetization activity has been a help for India's e-installment providers. Paytm announced a three-time flood in new clients - attaching more than 14 million new records in November alone. While Oxygen Wallet's day by day normal clients expanded by 167% since demonetization started. We have all of a sudden

observed a spike in both application downloads and shipper enlistments. This spike is currently originating from all urban areas, of all shapes and sizes, dish India, comprising of little dealers like vegetable sellers, Kirana retailers [small comfort stores], road sellers, rickshaw drivers, taxi's and so forth., who've marked onto Oxygen Wallet application for the trader installments service. Digitization and money lessness will unmistakably expand the banked populace in the economy, and alongside that it will prompt higher banking exchange force and recovery of lethargic financial balances in the current banked populace.

The essential thought of online business implied more advantages for the general population as less work, that too from home with digitization enabling them to chip away at their PC. The effect of advanced development has become increasingly clear over the most recent couple of years with ecommerce deals seeing a noteworthy lift. Each business from a web based garments store to a product provider to a physical store should be innovatively redesigned. The advanced world has and will keep on changing social trends, which thusly legitimately influences shopper conduct and requests. Customers are never again contrasting brands and their immediate rivals, yet rather all brands they expend, regardless of the business or item. It has become simple for the customers to whine about awful service, implies now it's a lot harder for brands to fulfill customers' needs and needs. Customers place a vast accentuation on the simplicity of service, and if this isn't met they will take to advanced media to grumble and tell others of their hardships.

1.4 Impact on E-Commerce

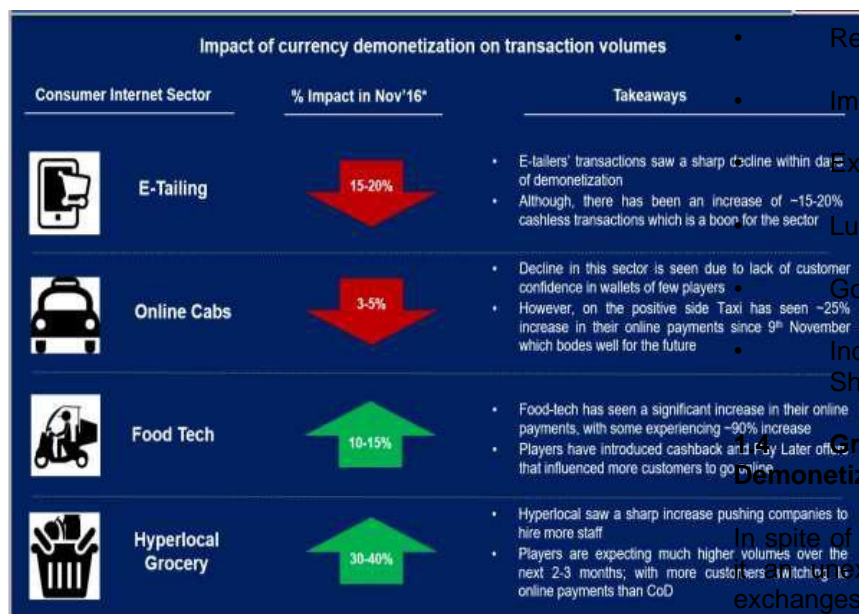


Figure 1 Short Term Effect of Demonetization on E-commerce

As per an announcement by Amish Rau, CEO of PayU India "Around 40 percent of COD was driven by dark cash as indicated by an examination completed two years prior" Demonetization split down the whip on dark cash constraining individuals to go computerized. Truth be told, the initial 2 months after demonetization saw a decrease in web based business development in India as there was a decrease in deals. The money crunch and top on ATM withdrawal limits influenced the purchasing limit of dominant part of buyers, particularly customers in level 2 and level 3 urban communities who are utilized to the installment method of COD. A portion of the online retailers needed to briefly suspend their COD installment choice.

► Effect on E-Commerce Websites before and after Demonetization

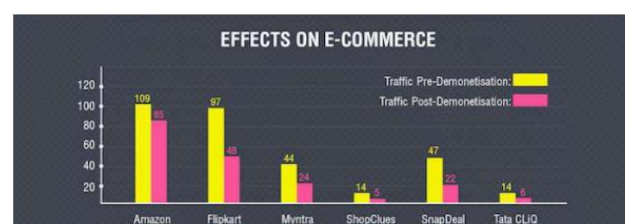


Figure 2 Effects on Commerce

From the above figure 1 we can see that demonetization has negatively influenced the E-trade Industry and brought about moderate development for some timeframe. It has prompted the accompanying results:

- Undelivered Orders
- Suspension on COD requests
- Reduction in the quantity of requests
- Impact on Online Payments
- Expansion of Payment choices
- Lucrative Discount choices
- Go cashless to make installments
- Increase in POS terminal and Online Shopping
- Growth of E-Commerce after Demonetization

In spite of the fact that demonetization carried with it an expected decrease in internet business exchanges, the primary quarter of 2017 has brought some positive changes. Demonetization goes for pushing buyers towards making advanced installments, subsequently adding to a cashless economy. NITI Aayog distributed a give an account of the development of advanced installments in

India post-demonetization. As indicated by this report, computerized installments have seen an incredible flood of 271 percent in the absolute first month following demonetization. The quantity of portable wallet exchanges has expanded to 63 lakhs from 17 lakhs. Paytm, one among the greatest players in the versatile wallet space uncovered that it served 45 million customers inside 3 weeks after demonetization. Exchanges by means of RuPay cards have additionally expanded proposing that more JanDhan account holders have begun utilizing charge cards for online exchanges. "We saw an underlying decrease in exchanges for the first 10 days of demonetization; anyway the exchanges began returning to typical from first seven day stretch of December. As of February, we see an enduring increment in exchanges just as online installments" as referenced by Vikash Khetan, Founder Of CouponzGuru (A coupons and arrangements aggregator in India)

1.5 Changes in E-Commerce Segments

One of the long haul benefits for the online business industry is decrease in installments by means of COD. For online retailers COD includes extra expense and the danger of profits or burglaries is higher in this type of installment. Here is the means by which demonetization has influenced the 4 fundamental fragments of the online business industry.

- Online Retail
- Payments
- Logistics
- Hyper-local Delivery
- Reduction in Cash on Delivery – Short Term Pain but Long Term Gain

2. REVIEW OF LITERATURE

Muthulakshmi, E.Kamatchi and Kalaimani, G. (2017) portray how the instrument of Demonetization can be utilized to kill parallel economy. Government tends to different issues with the assistance of Demonetization like dark cash, fake money, defilement, fear based oppression and so on aftereffect of the investigation demonstrate that administration take care of numerous issue with a solitary arrangement in the support of province improved. This arrangement is relied upon to wash down the formal economic system and dispose of dark cash from the economy.

Preethi, S. and Sangeetha, V.M. (2017) examining the effect of demonetization on different sectors and the economy of the nation. This investigation explore the reason of demonetization by are these 1. Make India debasement free, 3. Control dark cash, 3.

Control expansion, 4. Stop dread financing, 5.more individuals make good on salary regulatory obligation 6. Make a cashless society and make Digital India. The end of the examination tells us demonetization arrangement is venture of financial change in the nation. Yet, it is major choices which have claimed its benefits and negative marks. These benefits and negative marks make huge impact on nation business and economical movement

Kalyani, Pawan (2017) in this paper is going to consider the impacts and moving trends in marketing/acquiring to the elective choices accessible in the market. The date was gathered by survey for better cognize market circumstance. Aftereffect of the investigation shows two reason of demonetization. Had the two upsides and downsides. It resembles invigorate catch in the Indian economy and flush all the dead stored cash into the economy, to the market through appropriate channels. It additionally help the economy filter from money to money less exchanges with the assistance of numerous e-wallet organizations like Paytm and other wellspring of online installments like versatile banking, web based shopping, e-wallets, internet banking, credit cards, charge cards, UPI and so on.

Rani, Geeta (2016) in concentrate broke down concept of demonetization and its impact on cash and economy. This paper informs us concerning post impacts of demonetization on retailers. This paper explores issues looked by businesspeople, how their business affected and the impacts on most prominent brands deal. Finish of the investigation discloses to us how buyers moving from money to cashless through pay tm, web banking, charge card credit card and e-abuse and so forth.

3. OBJECTIVES OF THE STUDY

1. To break down the recurrence of client purchasing item through online when demonetization.
2. To break down the effect of demonetization on purchaser's method of installment strategy while purchasing items through web based shopping.

4. RESEARCH METHODOLOGY

4.1 Sources of Date

Essential information has been gathered legitimately from the shoppers by speaking with them through meeting and perception strategy. The secondary information was gathered from papers, books, magazines and web sources.

4.2 Sample size

The data was gathered through organized poll comprising of 15 addresses A sum of 100 respondents was met amid the study. The examination was led in the Pane city.

4.3 Sampling technique

The researcher has adopted Convenience sampling technique for the study.

5. DATA ANALYSIS AND INTERPRETATIONS:

Table 1 Table showing percentage of respondents aware of online shopping

Particular	No. of Respondents	Percentage
Yes	76	76%
No	24	24%
Total	100	100%

Source: Field survey

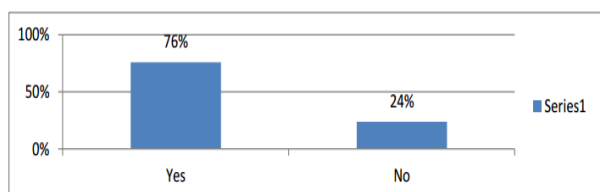


Figure 1 Table showing percentage of respondents aware of online shopping

Interpretation: The above analysis shows that majority i.e. 76% of the respondents is aware of online shopping facility and 24% are not aware of the same.

Table 2 Table showing preference of the consumer for online shopping websites for buying products

Particular	No. of Respondents	Percentage
Paytm	12	12%
Amazon	46	46%
Flipkart	10	10%
Snapdeal	8	8%
eBay	7	7%
Jabbing	5	5%
Home shop 18	4	4%
Mantra	6	6%
Others	2	2%
Total	100	100%

Source: Field survey

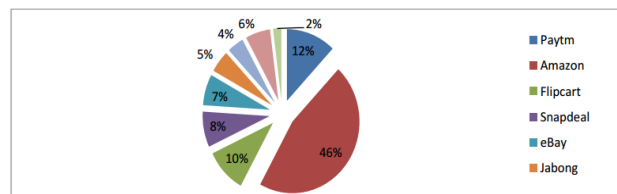


Figure 2 Table showing preference of the consumer for online shopping websites for buying products

Interpretations

As it is spoken to in the pie outline 12% of the purchasers favored pay tm for web based shopping, 46% respondents favored amazon.in, 10% favored flipkart, 8% favored snapdeal, 7% favored e cove, 5 % favored jabong, 4 % favored Homeshop18, 6 % favored myntra and 2 % respondents favored different destinations for internet shopping.

Table 3 Table showing frequency of consumers buying product through online shopping before demonetization

Particular	No. of Respondents	Percentage
Using online shopping more than retail shop	27	27%
About the same frequency as the retail shop	16	16%
Using retail shop more than online shopping	48	48%
Unknown	9	9%
Total	100	100%

Source: Field survey



Figure 3 Table showing frequency of consumers buying product through online shopping before demonetization

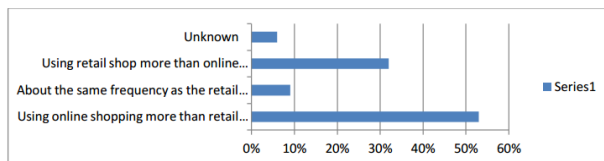
Interpretation

As appeared in the chart before demonetization 27% of the customers favored internet shopping more than retail shop, 16% respondents utilizes a similar recurrence as the retail shop, 48% utilized retail shop more than web based shopping, 9% said obscure.

Table 4 Table showing frequency of consumer buying product through online shopping after demonetization

Particular	No. of Respondents	Percentage
Using online shopping more than retail shop	53	53%
About the same frequency as the retail shop	9	9%
Using retail shop more than online shopping	32	32%
Unknown	6	6%
Total	100	100%

Source: Field survey

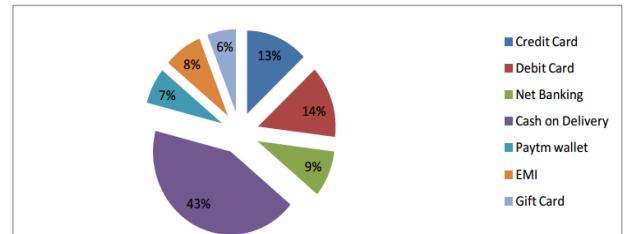
**Figure 4 Table showing frequency of consumer buying product through online shopping after demonetization****Interpretation**

As appeared in the chart before demonetization 27% of the customers favored internet shopping more than retail shop, 16% respondents utilizes a similar recurrence as the retail shop, 48% utilized retail shop more than web based shopping, 9% said obscure.

Table-5 Table showing preferred mode of payment normally used by the customer for buying products through online shopping before demonetization

Particular	No. of Respondents	Percentage
Credit Card	13	13%
Debit Card	14	14%
Net Banking	9	9%
Cash on Delivery	43	43%
Paytm wallet	7	7%
EMI	8	8%
Gift Card	6	6%
Total	100	100%

Source: Field survey

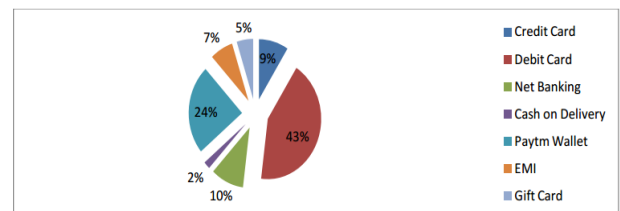
**Figure 5 Table showing preferred mode of payment normally used by the customer for buying products through online shopping before demonetization****Interpretation**

The analysis demonstrates that pre demonetization 13% customers wanted to utilize credit card for the buy of items from web based shopping sites, 14 % purchasers liked to utilize check card, 9 % individuals utilized net banking for, 43% individuals utilized money down choice, 8% buyers utilized paytm wallet, 7% individuals utilized EMI for the installment, 6 % respondents utilized gift voucher alternative as a method of installment.

Table-6 Table showing preferred mode of payment normally used by the customer for buying products through online shopping after demonetization

Particular	No. of Respondents	Percentage
Credit Card	9	9%
Debit Card	43	43%
Net Banking	10	10%
Cash on Delivery	2	2%
Paytm Wallet	24	24%
EMI	7	7%
Gift Card	5	5%
Total	100	100%

Source: Field survey

**Figure 6 Table showing preferred mode of payment normally used by the customer for buying products through online shopping after demonetization****Interpretation**

The above analysis demonstrates that post demonetization 9% customers liked to utilize credit

card for the buy of items from web based shopping sites, 43 % buyers wanted to utilize check card, 10 % individuals utilized net banking for, 2% individuals utilized money down alternative, 24% buyers utilized paytm wallet, 2% individuals utilized EMI for the installment, 5 % respondents utilized gift voucher choice as a method of installment.

6. FINDINGS OF THE STUDY

- It has been discovered that pre demonetization the recurrence of shopping through retail shop was 48% and customer used to purchase less items through internet shopping.
- Post demonetization recurrence of web based shopping has expanded definitely from 27 % to 53%.
- Pre demonetization shopper used to receive money down alternative to make installment for purchasing items through online.43% of the respondents used to embrace COD office.
- Post demonetization COD alternative for making installment has decreased to 2% and customers began utilizing charge card more to make installment. Utilization of check card has expanded from 14% to 43% post decentralization.

7. CONCLUSION

In this way, from the above investigation it is truly evident that demonetization has affected the web based business industry. Because of demonetization buyers are purchasing more items through online rather than retail shop because of money crunch. The customers have embraced new strategy for making installment, pre demonetization purchasers were making installment by picking the money down choice however at this point dominant part of them are moved to check card and Paytm wallet to make installments. Henceforth, it very well may be inferred that demonetization has opened up mammoth open doors for the web based business industry and it will demonstrate tremendous help for advanced installment market.

The E-trade industry is massively developing in India. Together with a quick paced developing economy and a somewhat vast youthful populace group, the industry appears to be encouraging and it would seem that we are in a change period from traditional shopping to advanced shopping. Retailers who adjust the best will probably have the better edge in the following couple of years. This pattern is in part affirmed by the study as 75% of the respondents as of now utilizes web based shopping normally. With respect to demonetization in India that occurred in November 2016, the majority of the respondents appear to be respecting this

arrangement. With respect to the effect on the E-trade industry, the demonetization expanded its prominence considerably more. The objective of the demonetization move in India is to make the economy more grounded and dispose of the parallel money economy which is unaccounted and untaxed. While this can affect the GDP negatively for the time being, it should have positive long haul results. For web based business organizations, for example, Amazon which as of now have an advanced installments system in place, it should prompt higher online installment and in the long run take out the agonizing money down alternative. India is a solid development market for online sites and the organizations are putting a tremendous sum in the nation. Demonetization however has made some positive and some negative effects on various sectors yet in long run it unquestionably will have positive effect in controlling dark cash and phony cash.

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