

DEMONETIZATION: A BOON TO E-COMMERCE

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Abstract –

The make in India campaign is an initiative, which was launched by prime minister of India on 25th September 2014. To accelerate the movement, various schemes have been launched by the Government till the end of year 2016. Demonetization is one of them. It is a bold move initiated on 8th November 2016, to fight against corruption, curbing black money and fake notes hawala and many other issues affecting the country.

However, it became short-term pain but long-term gain for e-business. The aim of demonetization is to make the country a strong cashless economy and to remove the parallel untaxed and unaccounted economy. The objective behind the study is to discuss about the importance of demonetization in India, opportunities, and challenges in front of the e-commerce.

Key words - demonetization, cashless, economy, e-commerce, e-marketers, transaction.

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I. Introduction

A major step taken by the Government of India by demonetizing the high value currency notes of Rs. 500 and 1000 which makes 86% of India's currency from midnight of 8th November 2016 with a view to curb corruption, black money, fake notes and many more issues facing by the country.

This is an important move to fight against the disease called black money, it became a boon to e-commerce sector. After demonetization there is an increasing trend of cashless transactions using e-banking, credit or debit cards, digital transaction system, e-wallets and others due to inadequacy of cash which resulted in reduction of cash on delivery at a large percentage with several e-commerce stores such as amazon, flipkart, paytm, snapdeal, zewame, ebay etc.

Recently India has emerged as a cashless economy due to which cash transactions suffered a reduction in the demand for other forms of payment including online transactions, like e-banking, credit cards, debit cards, digital transaction systems, e-wallets etc.

Although the aim of demonetizing the high value currency is to ban the fake notes and curb black money from the country, but it has gained to e-commerce a lot or it has in turn led to a growth in the online purchasing of various consumer goods. We can see a rise in the number of online orders and digital payments as well. The online companies are also hoping that demonetization will inspire even more people to move online in coming years.



Figure 1.1: procedure of online purchasing

II. Objectives of the study

- ❖ To study the positive impact of demonetization on e-commerce industry.
- ❖ To study the challenges facing by the e-commerce industry.

III. Research design

The present study is primarily based on secondary data, and to understand the problems and subject-matter of the research work, the data has been collected and analyzed from various published e-journals newspapers and websites. The collected data has been classified and analyzed in a scientific and logical way to make conclusions and generalization.

IV. Limitations of the study

- ❖ The research study is primarily based on secondary data.
- ❖ The scope of the study has become limited due to lack of time.

V. Benefits of demonetization to e-commerce

- ❖ Expansion of m-commerce: M-commerce or mobile commerce is an electronic commerce, which is used for buying and selling of goods and services through electronic devices such as mobile phone, tablets, laptops etc. Due to the expansion of m-commerce, most of the people motivated to make digital payments instead of cash payments.
- ❖ Earnings on wallet recharge: Some companies like ola and uber limited earned almost 1500 percent in wallet recharges within 12-15 hours just after demonetization.
- ❖ Cash back websites: Cash back websites like paytm, mobikwik, freecharge etc. Have provided various facilities of recharge, bill payments, booking of movie tickets etc. so that people can avail these cashless facilities.
- ❖ Card on delivery: Most of the online retailers have started using card on delivery option to use instead of cash on delivery. Under this scheme, delivery executives carry point of sale(POS) machines and they allow customers to swipe debit or credit cards at the time of receiving the product.
- ❖ Long-term benefits: However, the e-commerce industry has suffered a lot after demonetisation in short-term, but according to the expert's opinion, these e-marketers will make profits in the long-term as soon as India emerged as a cashless economy.

- ❖ Increase in sales figures: However, the sales of the e-marketers have dropped down due to short-term effect of the demonetization, but some of them such as flipkart, snapdeal and shopclues have recovered the sales and recorded 15% increase in the sales figures from smaller towns and cities.
- ❖ Positivity of investors: As the investors are always long-term oriented, hence they are hopeful of good business in the coming years. According to investors' community, the demonetization will have a positive impact on the country's economy and on these companies as well in the long-term.
- ❖ Government scheme: the central government has issued guidelines to NABARD to support Rural Regional Banks and Co-operative Banks to issue rupaykisan cards to around 4.32 crore kisan credit card holders, so that they would be able to make digital payments.

VI. Problems/Challenges

Most of the e-commerce companies such as amazon India, flipkart and snapdeal have missed their target till the end of 2016 because in a developing country like India, where there are more than 80% transactions take place in cash, these e-marketers will definitely earn profits in long run, because it will take some time to people to go cashless or to pay digitally. The e-commerce companies have faced so many problems and challenges in the short run. Some of them have been discussed as follows:

- ❖ Immediate impact: After demonetization (from 9th November 2016) amazon stopped accepting cash on delivery and at the same time other companies like snapdeal and flipkart has limited such orders to below rs. 1000, and the average sales figures has been reduced by 30% in the whole industry.
- ❖ Rural economy: In rural economy, where people are not still comfortable with digital payment, it is very difficult to convince them to purchase goods and services online to fulfill their needs.
- ❖ Grocery stores: grocery stores such as big bazar, big basket, grofers, local baniya, housejoy etc. have allowed various offers to customers for digital payment through net banking, debit/credit cards and earn benefit like cash back vouchers etc.

- ❖ Decrease in order volume: After the demonetization Indian e-commerce industry estimated about \$16 billion or 55.5% decrease in order volumes till the end of calendar year 2016, however this figure was projected to 75% till the end of second quarter of the year.
- ❖ Decelerate the economic growth: although the decision of demagnetization has been taken to let the country grow as a cashless economy and to remove parallel untaxed and unaccounted economy but it would affect the Indian economy adversely in the short run.
- ❖ Adverse effect on GDP: investment advisory firms say that demonetization is good for the country in the long-term. But in the short period GDP of the country will get slow down till the end of 2018 to 5.8%, which is lesser than the earlier estimate of 7.3%. This is another reason that the e-commerce companies are unable to meet their year ending targets.
- ❖ Payment gateway provided by the cash back websites: some cash back websites such as paytm are providing payment gate way to local retailers, and also providing various schemes on payment by using their payment gateway.
- ❖ High frequency of returns: There is a high frequency of return the product when cash on delivery is offered by the e-commerce store. This factor is responsible to the increase expenses as the company has to pay delivery charges twice.
- ❖ Cash on delivery: today in India, e-commerce is more dependent on COD as compared to other emerging economies in the world. Many people avoid to use plastic money because of security purposes. COD is considered as an evil in the e-commerce industry, as it becomes expensive if a consumer returns the product because the company has to pay delivery charges twice. Here are some reasons that will explain that why people prefer COD instead of digital payment:
 - Lesser credit card usage as compared to other economies all over the world.
 - Keeping black money is very common.
 - Due to security concern.
 - They want to see and touch the product physically, before payment.
 - Digital unawareness.
- ❖ Government schemes: The GOI has launched various schemes to promote the cashless payment system. The main objective to launch these schemes is to incentivize digital payments

and increasing awareness among poor, lower middle class and small businesses. These schemes would be a strong hurdle in the growth of e-commerce industry. The schemes are as follows:

- Government of India has introduced “lucky grahakyojna” and the “digidhanvyapariyojna” on 25th December 2016. These schemes have been proposed by central government’s planning body NITI AYOJ and would be operated by the national payment corporation of India, to incentivize the poor, lower middle class and small businessmen.
- BHIM (Bharat Interface for Money) a digital payment solution UPI (unified payments interface) based application. This application has been developed in India itself after demonetisation.
- Providing POS (point of sale) machines to local retailers without VAT.
- No act formed by the government for e-commerce industry so far.

VII. Mitigation

- ❖ M-commerce penetration: Although the internet penetration in India is very low (19% when compared to BRICs) but, the m-commerce penetration is growing day by day (i.e. 30%). Hence the companies should focus on mobile friendly applications and websites.
- ❖ Facility of card on delivery: As the country is going to become a cashless economy very soon, so the e-commerce company should remove the COD option from the website and add card on delivery option instead.
- ❖ Secured sockets layer (SSL) certificate: SSL certificate or TSL (transport layer security) certificate is a protocol which is used to secure a transaction and also secure the website of a company. The federal government should make it compulsory to take SSL certificate for all e-commerce websites.
- ❖ Benefits of BHIM: BHIM will also be helpful for growth of the e-commerce business.

VIII. Conclusion

Demagnetization is a bold move to fight against black money and corruption. It has impacted on the country’s overall growth. As no area is immune to this policy, e-commerce industry has also been impacted. Where there about 80% transactions are in cash people need to be aware of digital payment. As long as the people of the country are not accustomed to digital transactions until these companies should not expect for their growth. However, the e-commerce industry is

hoping to be more profitable after few years as this system will lead more people to use traditional banking as well as e-banking services such as credit cards/debit cards, net banking, m-banking etc. However, the e-commerce industry after demonetisation is facing various problems and challenges, but the long-term expectations of e-commerce industry are very exciting as the foreign investment to India is growing and the e-commerce giants are also playing an important role to speed up their business and this will lead the progress of the whole industry.

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