

## Effect of Demonetization on E-Commerce: A Review

**Aadesh Kumar Chaudhary,**

Research Scholar,  
Department of Commerce, H N B Garhwal  
University, Srinagar, Garhwal, U.K.

**A. K. Pokhriyal,**

Professor,  
Department of Commerce, H N B Garhwal  
University, Srinagar, Garhwal, U.K.

### ABSTRACT

*Demonetization makes big effect on India. It's make social, political, legal and economic effect on Indian. But economic effect is a big effect on Indian economy. E-commerce industry grows year by year in Indian. Demonetization makes big effect on e-commerce industry. These effects are positive as well as negative. This paper explores effect of demonetization on e-commerce industry in Indian. This study base on secondary data. Effect of demonetization on e-commerce for short term is negative but in long term it may be very positive of growth of e-commerce industry in Indian.*

**Keywords:** e-commerce, demonetization, Indian economy, digital payment and transections.

### INTRODUCTION:

Business term start from the starting of civilization of human society. The way of business change time to time, due to change in the society. Now business environment is totally different because information technology era is going on. Business also adopted IT techniques and application for doing their business. Technology totally changed the way of doing business in current scenario like, online purchasing and sales through the internet are called as E-Commerce. "Business activities conducted using electronic data transmission via the Internet and the WWW" call e-commerce [Schneider and Perry, 2000]. E-commerce is an activity and process by which doing online sales, purchase, information collection and make and collect payment for business purpose. In present time, e-commerce plays a vital role in the business because it provides a lot of option & verity at signal place at best price. It is a platform for seller as well as purchaser for buying and selling of goods and services.

### E-COMMERCE:

"Electronic commerce commonly known as e-commerce. It is a process in which sales and purchase of product and services through computer networks with the help of internet. Electronic commerce draws on technologies such as mobile commerce, electronic fund transfer, supply chain management, internet marketing, online transaction processing, electronic data interchange (EDI), inventory management system and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as E-mail [Martin Kutz, 2016]. E-commerce was first introduced in India in the late 1990's but, it not so much known till 1999. In 1999 Rediff added online shopping on their portal first time in India. After 3 and 4 month later of rediff, India-times enter in the e-commerce market in 2000. That time only two companies were working in e-commerce market. Baazee.com another company comes in e-commerce market in 2000 with pre-owned product. Indian railway introduces first e-commerce portal for online tickets booking in 2002 with the name of IRCTC portal. Than After many more other company come in e-commerce market year by year with their portal. This change comes in the market due to increase users of internet in India. Now days lost of company working in Indian e-commerce market, Because Indian has a big e-commerce market place where e-commerce growing rapidly year by year. But on 8 November Indian government take historical decision in Indian economic reform. Government of Indian takes decision for demonetization of 500 and 1000 notes. Indian respectable prime-minister shri Narendra Modi allowance Rs. 500 and 1000 notes are out of trend from midnight of 8 November

2016. It is a big decision taken by the government about Indian currency because due to this decision 86 % of country currency out from the market due to stop of Rs500 and 1000 notes. It makes big effect of Indian e-commerce market.

### **DEMONETIZATION HISTORY:**

First time demonetization in India introduced by congress government in 1946 after independent of India. That time Rs1000 and 10000 notes stop by government from the trend. Than after second time demonetization introduce by janta party on 10 January 1978. That time Rs1000, 5000 and 10000 notes out of trend from the economy and 1.7 % total notes demonetized from the circulation. It was only 0.1 % of total GDP and 68% of total currency value. Recently third time demonetization introduces by BJP government on 8 November 2016. This time Rs. 500 and 1000 notes stop by the government from trends. It covers 86% of the total circulated currency and 11% of GDP value.

### **REASON OF DEMONETIZATION:**

1. Flushing out black money
2. Eliminate Fake Indian Currency Notes (FICN)
3. Strike at the root of financing of terrorism and left wing extremism.
4. Convert non-formal economy into a formal economy to expand tax base and employment
5. Give a big boost to digitalization of payments to make India a less cash economy

### **REVIEW OF LITERATURE:**

Rani , Geeta (2016) in study analyzed concept of demonetization and its effect on currency and economy This paper tells us about post effects of demonetization on retailers. This paper explores problems faced by shopkeepers, how their business effected and the effects on most popular brands sale. Conclusion of the study tells us how consumers shifting from cash to cashless through paytm, internet banking, debit card credit card and e-violate etc.

Preethi, S. & Sangeetha , V.M. (2017) analyzing the impact of demonetization on various sectors and the economy of the country. This study explore the reason of demonetization by are these 1. Make India corruption free, 3. Curb black money, 3. Control inflation, 4. Stop terror financing, 5.more people pay income tax 6. Make a cashless society and create Digital India. The conclusion of the study tel us demonetization policy is step of financial reform in the country. But it is big decisions which have own its merits and demerits. These merits and demerits make big effect on country business and economical activity.

Muthulakshmi , E.Kamatchi & Kalaimani, G. (2017) describe how the tool of Demonetization can be used to eradicate parallel economy. Government addresses various issues with the help of Demonetization like black money, counterfeit currency, corruption, terrorism etc. result of the study show that government solve many problem with a single solution in the favor of county reformed . This policy is expected to cleanse the formal economic system and discard black money from the economy.

Kalyani, Pawan (2017) In this paper is going to study the effects and shifting trends in marketing /purchasing to the alternative options available in the market. The date was collected by questionnaire for better cognize market situation. Result of the study show two purpose od demonetization. had both pros and cons . It is like refresh button in the Indian economy and flush all the dead deposited money into the economy, to the market through proper channels. It also help the economy sift from cash to cash less transactions with the help of many e-wallet companies like Paytm and other source of online payments like mobile banking , online shopping, e-wallets, online banking, credit cards, debit cards, UPI etc.

Uke, Lokesh (2017) analyzes the positive and negative impact of note demonetization by Indian government. This study is based on secondary data, which is collected from newspapers, magazines, websites from internet, some useful books related to topic etc. Here I have utilized the opinions of expert on financial economist, economics and intellectual politicians. the result of the study show that Central government was tacked a well-thought out and well-implemented step which would really eradicate all the existing black money from the trend.

## **OBJECTIVE OF THE STUDY:**

1. To assess the factor effect on e-commerce after demonetization.

## **RESEARCH METHODOLOGY:**

This is descriptive nature study. This paper is based on secondary data. That is collected from different -2 secondary resources like newspaper, news website, RBI report, magazine and government of India financial department report and some other literature review.

## **EFFECT OF DEMONETIZATION:**

Demonetization affects every field of the life like socially field, economically, politically and legally field, but its main effect on economic and business activity of the county. Demagnetization too much effect e-commerce industry in India. These effects are positive as well as negative effect on e-commerce.

## **NEGATIVE EFFECT ON E-COMMERCE:**

Demonetization makes negative effect on e-commerce. These are given blow.

**Online Sales Sudden Go-Down:** Demonetization makes sudden a big effect on online sales. Because Indian customer mostly believed in cash transactions so that Indian online sales 90 % based on cash transaction. Demonetization effect 86% currency of the country so people have very less cash for spending on online purchase. Online sales sudden go-down due to less cash, Because purchaser have less cash so that he/she purchase first essential thing for fulfil their basic requirement than after he/she purchase other things. It makes big effect on online sales.

**Order Undelivered Increase:** India face cash crisis after demonetization. Its result more than 50 % order of online purchases undelivered after 8 November 2016 due to non-payment of cash on delivery (according ET Tech report) and make payment in old currency against cash payment by purchaser, but company do accept old currency. These Undelivered orders make loss for the companies due to logistics and packing cost accrue in sales process. E-commerce total sales go down by up to 70% during the demonetization time. (According to "AIOVA" all Indian online wander association Spokesperson).

**Online Purchase Order Reduction:** During cash crisis in Indian total no of individual purchase order decreases. These are the reason of online purchase reduction, First purchaser do not have enough cash for purchase. They have small quantity of cash in hand, so that they keep cash for purchase necessary goods to fulfill their basic requirements. Second black money is spend on luxury goods, entertainment & leisure things like antiques , car, interior decorator, electronic, clothes and fashion , movies , exotic vacations, dining out and personal grooming at salon etc. both of the reason make big effect of online purchase order, due to this reason online purchase order reduce during demonetization.

**Suspension of COD Orders:** Indian customer believed in cash purchase. Indian 90% purchase and sales based on cash transaction. So that Indian customer preferred COD mode of payment for online purchase by 83% (according Nielsen's global connected consumer survey). These are reasons for COD mode of payments preferred by Indian consumer 1. Online fraud risk 2. Convenience 3. Familiarity 4. Less use of plastic money 5. Lack of trust in online payment. After demonetization % COD order undelivered due to lake of cash payment. Undelivered orders increase unnecessary expense of the e-commerce company, so that companies take decision of COD facility suspension up to 60% on online purchase for short time. It makes adverse effect on online business.

**Preference Of Online Purchasing Sudden Change:** After demonetizations purchase preference of Indian consumer sudden change due to cash crisis in India because they have lesser cash in their hand for spending. The Indian consumer shift from luxury good to necessary good like online food order, kitchen items, glossary items and fruits & vegetables etc... for fulfill their basic requirement. these items fulfill the basic need of the customer.

**Purchasing Power Effectuated:** During demonetization many people lose their jobs. Many people do not run their business properly and many of not very friendly with use of plastic money. Many do not have money in their hand due to all money deposit in bank. Many people do not have debit card, credit card and net banking facility on their accounts. So they have money in their bank accounts but do not have any option of use. It makes big effect on purchasing power of Indian customer due to demonetization. Purchasing power makes adverse effect of e-commerce sales.

**Luxurious Goods Sales Effected:** Indian consumer spends their most of black money on luxurious goods like expensive watches, clothes, cosmetics product home appliances etc. Demonetization throw-out whole black money from the circulation of the economy. Now back money totally out of trend due to this reason they lose their purchasing power of luxurious goods. Sales of luxurious good through E-commerce dump during this period due to low purchasing power.

**POSITIVE EFFECT:**

Demonetization makes positive effect on e-commerce industry in India. These are effect given blow.

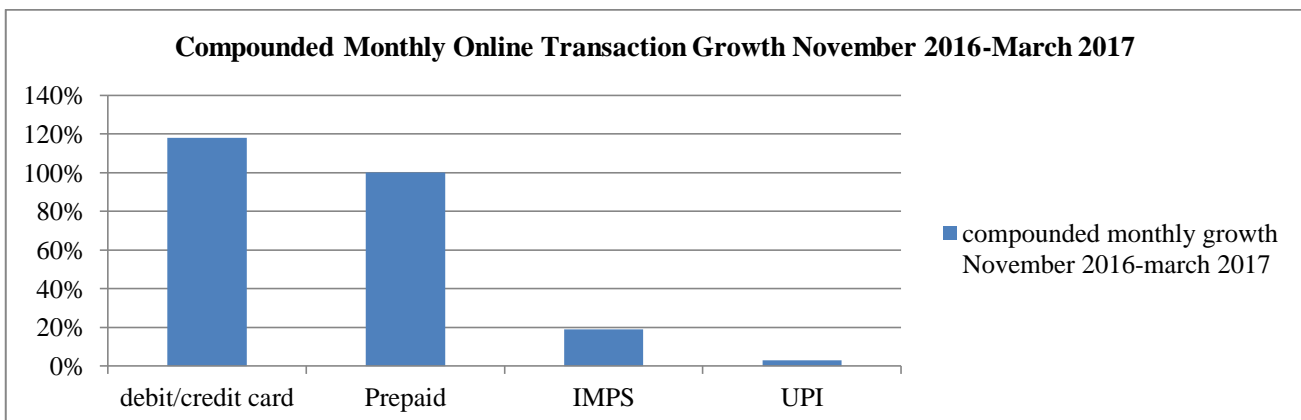
**Online Web Traffic Increases:** online traffic increase on online payments sites. NITI Aayog published a report on the growth of digital payments in India post-demonetization. According to this report, digital payments have seen a whopping surge of 271 per cent in the very first month following demonetization. The number of mobile wallet transactions 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 within 3 weeks after demonetization. Transactions via RuPay cards have also increased suggesting that more Jan-Dhan account holders have started using debit cards for online transactions. “We saw an initial decline in transactions for the 1<sup>st</sup> 10 days of demonetization; however the transactions started getting back to normal from 1<sup>st</sup> week of December. As of February, we see a steady increase in transactions as well as online payments” as mentioned by Vikash Khetan, Founder Of C-ouponzGuru (A coupons and deals aggregator in India)

**Purchase of Essential Good Increase:** sales of essential goods like Grocery and food delivery set-ups increase because they sell essential items. Online orders by new customer go up to 25%, from the usual 15-16%. Total online food ordering increase between 40 to 50% during the November to January (according business world 9, feb 2017).

**Online Payment Option Repaid Increase:** Indian faces cash crises in India after demonetization because they do not have cash in hand for purchase and payment. They had money but in theirs banks so that they go for online payment with online payments options like paytem, credit/ debit card, online banking, MIPS, NEFT, UPI & other e-payment options. Due to this reason online option repaid increase. After 8 November Transaction through card Growth of more than 300 % in terms of number & more than 500% in terms of value of transaction. Transection through mobile wallets Growth was more than 200 % in terms of number and value of transaction. Source (RBI).

**E-Transection Increase in Small Town:** Demonetization makes big effect on small tier2 &3 city’s /town’s online payment habit. Tier 2 city online transection increased by 150% and tier 3 online transection increases by 157% (Innovite payments solutions CEO 2017). They shift from cash to online payment for purchase and payment purpose. Its increase online business and profit in long term.

**Online Payment Increase:** Demonetization big aim to push customer towards making digital payments. People do not had cash in hand so that they move from cash to online payment options due to this reason digital payments transection rapid increase day by day after 8 Nov 2016. Transection through card Growth of more than 300 % in terms of number & more than 500% in terms of value of transaction. Transection through mobile wallets Growth was more than 200 % in terms of number and value of transaction. Transaction on e-wallets have increase from 17 lakh to 63 lakh par day and using of Rupay card increased from 3.85lakh to 16 lakh per day( Times of India business Dec 9,2016). Indian online total digital transactions increase 400-1000% after demonetization (government of India).



### **Government Promote Go Online:**

Government of India promote for online payment. Our respected prime minister of Indian promote through paytem, Exactly 30 days after junking existing high-value Rs500 and Rs1,000 banknotes, Union finance minister Arun Jaitley sought to draw Indians toward digital payments by offering up to 10% off on insurance policies, highway usage and concessions on train travel. The government will also waive service tax on online transactions below Rs2,000 (\$29.6), he added. Apart from these, there will be a 0.75% discount at petrol stations even though oil companies currently add a surcharge for using debit or credit cards.

### **Private Partners Promote for online Payment:**

Many online options available for payments. They give lots of discount for go online payments like HDFC bank, axis bank credit card, SBI credit card, Paytem discount on utility bill payments, recharge it now give discount for online different-2 bill payment and Coupon Dunia give discount coupon for online purchase etc.

### **Bank Deposits Increase:**

Indian nationalized as well as private bank deposits suddenly increase after demonetization. Cash deposits totalling 1.6-1.7 lakh crore were made during the demonetization period (“demonetization and banking growth” Research article posted on RBI website) total aggregate deposited grew by 14.5% during November 11 to December 30, 2016 as against 10.3% during the corresponding period of 2015(demonetization and banking growth” Research article posted on RBI website )

### **Income Tax:**

Demonetization makes positive effect on income tax. The number of return filed increase by 24.7% as compare to 9.9 % previous year growth rate(according Central Board of Direct Taxes) and personal advance income tax collections growing by 41 per cent as on 5 august 2017 ( according finance minister). Personal Income Tax under Self-Assessment Tax (SAT) raised at 34.25% over the corresponding period in F.Y. 2016-2017

### **CONCLUSION:**

Demonetization makes big effect on e-commerce business. It's make positive as well as negative effect. It also makes big effect on social, political, legal and economic environment of the country. After demonetization online sales sudden go down by 70% but sales of food product, grocery and necessary thing increase. Sales of online business go-down only for 5 months, than after it is increase slowly-2. Online sales decrease but no of customer increase because use of ATM debit card and mobile wallets increase in small town. They are new customer for online business. Government and private payment service provider give the big discounts on online utility bill payment and purchase. These types of discount push online business activity. Now After nine months effect of demonetization on online business is very low but in long term its make positive effect on e-commerce business. E-commerce increase day by day in India.

### **LIMITATION OF THE STUDY:**

Study base on one year time period only. Source of the information is very limited of the study. This study not explores all the aspect of e-commerce. Some other aspects also remain for future study.

### **FUTURE RESEARCH SCOPE:**

This paper show short time effect of demonetization on Indian e-commerce market but long term effect of demonetization is different on Indian economy so that long term effects of demonetization have scope for further research.

### **REFERENCES:**

- Rani, Geeta (2016). Effects of demonetization on retail outlets, *International Journal of Applied Research*; vol 2(12), p 400-401
- Preethi, S. & Sangeetha, V. M. (2016). Impact of Demonetization on Indian Economy, *International Journal of Research in Economics and Social Sciences (IJRESS)*, Vol. 7 Issue 3, March- 2017, pp. 20~28
- Parmar, D. K. & Dave S. K. (2017). Impact of Demonetization on Major Sectors of Indian Economy, *International Journal of Scientific Research in Engineering (IJSRE)*, Vol. 1 (2),
- Muthulakshmi, E. Kamatchi & Kalaimani, G. (2017). Impact of Demonetization on Indian Economy, *IOSR*

*Journal of Humanities and Social Science*, PP 50-54

- Kalyani, Pawan (2016). An Empirical Study of the Effects of Demonetization in India in the Year 2016 and Analyzing Shifting Trends in Marketing /Purchasing to The Alternative Options. *Journal of Management Engineering and Information Technology (JMEIT)*, Volume -3, Issue- 6
- Shukla, Mansi (2017). Impact of digitalization in economy and the effects of demonetization: an overview, *ELK Asia Pacific Journals - 978-93-85537-02-8*
- Kumar, R. Rajendra (2016). Demonitization and its effect on life of common people in India, *Indian Journal of Economics and Development*, Vol 4 (11),
- Uke, Lokesh (2017). Demonetization and its effects in India, *SSRG, International Journal of Economics and Management Studies (SSRG-IJEMS)*, Volume 4 issue2 Page 18
- Srija, A. (2017). The Demonetization Exercise Is A Move Towards Making India A 'Less Cash' Economy, cover story of Communiqué .

----