

Impact of Demonetization: An Analysis of Online Shopping Industry in India

Pallavi Pahuja¹

Introduction

India is one of the key growth countries when it comes to e-commerce but it is still at a nascent stage and has a huge potential for growth. The Indian Government's sudden and unprecedented move on November 8, 2016 to take high-value currency notes out of circulation sent the Indian economy in a tizzy. Demonetization meant that Rs 500 and Rs 1,000 are now no longer legal tender, eliminating nearly 86 per cent of the currency in circulation, creating a huge cash crunch in the economy.

1. Assistant Professor CBSA Landran

Review of literature

The process in which internet and computer device are used as a medium to facilitate banking services is termed as internet banking. Internet banking is a web-based service that enables the banks authorized customers to access their account information. It permits the customers to log on to the banks website with the help of bank's issued identification and personal identification number (PIN). The banking system verifies the user and provides access to the requested services, the range of products and service offered by each bank on the internet differs widely in their content. Banks have traditionally been in the forefront of harnessing technology to improve their products, services and efficiency. Banks are using electronic and telecommunication networks for delivering a wide range of value added products and services.

The delivery channels include direct dial – up connections, private networks, public networks etc and the devices include Personal Computers. With the popularity of PCs, easy access to Internet and World Wide Web (WWW), Internet is increasingly used by banks as a channel for receiving instructions and delivering their products and services to their customers. Most of the banks offer internet banking as a value-added service. Previously many researchers performed research on internet banking in different parameters in different parts of the globe and described about the internet banking.

Various researchers have discussed internet banking concept in following way: Jun and Cai (2001) defined Internet banking as the use of Internet as a delivery channel for banking services which include opening a deposit account, transferring funds, electronic bill presentment and payment. Internet banking is an integrated system that provides their customers a flexible, convenient and inexpensive platform with integrated services including online bank balance checking and savings accounts, money market accounts, certificates of deposit, credit cards, home equity loans, home mortgage, insurance, investment services, portfolio management, and other related financial services (Bhattacharjee, 2001).

According to Siu and Mou (2005) the internet (electronic) banking is prominent example of information technology in the service industry; it is convenient and time saving in comparison to traditional banking. In traditional retail banking, one has to visit branch to conduct banking activity like money transfer, to issue cheque book, DD etc. but with the use of internet in banking, user can conduct these activities from any part of the globe, it requires internet connection and computer only. Apart from these activities user can purchase/sell, pay bills etc. from any convenient place.

Daniel (1999) also studied about e-banking and he described electronic banking as the delivery of banks information and services by banks to customers via different delivery platforms that can be used with different terminal devices such as personal computer and mobile phone with browser or desktop software, telephone or digital television. Further, Zeithaml et. al, (2002) stated about internet banking as a phenomenon where customers can access their bank account via the internet using a PC or mobile phone and web-browser.

It has not only created opportunities for businesses to reach out to consumers directly but also allows consumers an immediate access to the electronic markets (Gupta and Bansal, 2012). This result in growth in the internet banking users, almost all banks i.e. private, public and foreign banks are providing this facility to their customer. Banks also advertise or may say promote this service among the

The effects of this move have been seen at an individual as well as at an industry level.

Effects on Online Shopping

1. The Rise and Fall of CoD (Cash-on-Delivery)

India has always been dependent on cash for almost 90 per cent of its transactions. As far as online shopping is concerned, nearly 80 per cent of the transactions are paid through Cash on Delivery (CoD) method. Post the demonetization announcement, CoD was majorly hit while e-commerce giants such as [Amazon](#), [Flipkart](#), [Snapdeal](#) et al faced consequences with many shoppers cancelling cash orders immediately. However, this short-term pain will result in a long-term gain.

The ubiquity to pay for online shopping through digital methods like debit/credit cards, wallets, and net banking will drive people towards these channels and lead to the growth of this method. It will also benefit e-commerce platforms by cutting handling costs and risks related to cash. In the coming years, as digital payment methods better penetrate, CoD will be as good as extinct – a change that is good for e-commerce companies as well as users.

2. Cashless Becomes the New Norm – Mobile Wallets Reign

The cash crunch caused due the bold move by the Indian Government has driven people towards digital payment methods such as mobile wallets, Internet banking, and debit/credit cards. The country was essentially put on the fast track towards becoming a cashless society. While these changes were taking effect, mobile

wallets gained major traction. Popular mobile wallets such as [Paytm](#), [Freecharge](#), [Mobikwik](#), and [Citrus Pay](#) enjoyed a manifold increase in users.

In the coming year, payment through mobile wallets will become the most preferred online shopping payment method. This is due to the fact that wallet payments are snappy, safe and make for easy refunds. Online shopping portals will fare well by partnering with mobile wallets and giving wallet offers to their customers. Such a move will indubitably increase sales on these websites.

3. Grocery and Consumables Go Online



Online grocery shopping was already gaining momentum when the cash crunch took effect. Post demonetization, shopping grocery online saw a massive growth as local vendors refused to accept demonetized notes and consumers were yet to get their hands on new ones.

We can safely say that a major chunk of consumers will turn towards online shopping for groceries and everyday essentials. While some will continue to visit retail stores and use plastic money, websites like Amazon, [BigBasket](#), [Grofers](#) and Snapdeal will see a great surge in sales in this category. Discounted prices, quick deliveries and good quality of these products will lead to changed consumer behaviour and loyal customers. Revenue is therefore set to increase by leaps and bounds.

4. Cashback and Coupons Take Charge

As Indian's we love a good bargain every time we shop. In fact, a large number of people turn to online shopping just for the discounts and deals provided to them through the medium. The announcement of demonetization has brought a lot of value consciousness among shoppers.

People, therefore, will turn to cashback and coupon sites, such as CashKaro.com, which add to their savings, especially during this cash crunch. Online shopping destinations that partner with affiliates offering cashback and coupon benefits will come to the forefront, providing dual benefits in the form of savings for users and increased sales for e-commerce websites.

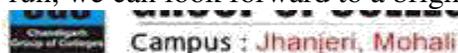
Challenges of Digitalization

With all these advantages associated with cashless transactions, there is a huge concern over the security of the data being tapped by hackers or unscrupulous people for their own mean ends. The excessive use of debit/credit cards for transactions put an extra load on the financial institutions.

The banking system in the country is going through the period of upgradation to cater to the increase in number of customers and transactions. This will further result in increases in web traffic and load on the

servers. There is a big role networking companies can play to counter this problem and to help secure payment gateways and ensure protection of highly confidential customer data. As customers learn about the benefits of internet banking, they should also be made aware of the security concerns while opting for digital banking.

Networking companies have set up the infrastructure and services in such a manner that will be helpful for the digitalisation of banking services. It is also a big challenge for both the networking and banking sector to move together in bringing the new era in the annals of the country's development. Now that the demonetization and digitalisation are coupled together in bringing the country's economy in the fast mode and in the longer run, we can look forward to a bright new economic development of the country.



Conclusion

Digital banking will reduce branch-level transactions and eventually ease customer service pressures, thereby reducing the operating costs for banks. Statistics show that there has been a 27% increase in bank accounts in FY15 and 20% of the population has internet access, but only 13% of the total banked population used digital banking. However, with the concerted efforts from the government and banking industry, this figure is expected to rise dramatically now. Network infrastructure providers will have to keep pace with the demands of the new economic order.

With the penetration of smartphones and mobile-led internet already showing a steady increase, the demonetization decision has been revolutionary, especially in terms of digital payments. According to the latest reports released by Reserve Bank of India (RBI), the volume of mobile banking transactions from April-November reportedly soared to 53.086 crore as against 38.949 crore in the last financial year i.e. 1.36 times higher.

Online payments are quick, hassle free and time saving. And EMIs are the best part about online payments. This avoids causing a financial strain when you make a large value purchase. Know how easy it is to get instant loans for all your appliance, furniture and gadget purchases. So do not let the ban on currency notes of higher denominations stop you from buying all that you wanted.