ABSTRACT
While the world reeled from the shock result of the US Presidential Elections, on November 9th, 2016, a nation 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 choosing a secure and convenient cashless payment option. The cashless payment options that are currently available include credit/debit cards, e-wallets such as Paytm, Mobikwik, SBI E-wallet, etc., RTGS, NEFT etc. This unpredictable action taken by the Prime Minister Narendra Modi has not only impacted e-commerce but at the same time has an impact on the consumers and their shopping behaviour through online shopping. Thus it becomes necessary to study the impact of demonetization on e-commerce industry and the purchasing habits of the people. The main focus of the study is to understand and analyze the effect of demonetization on consumer’s frequency of buying product and consumer’s mode of payment for online shopping post demonetization. The study reveals more positive than negative effects of Demonetisation on E-commerce industry.

Keywords: Demonetization, e-commerce, online shopping, E-Payment, E-Wallet

INTRODUCTION
E-commerce websites in India like Amazon and Flipkart take payments in form of cash on delivery and digital payment. Due to demonstration 500 and 1000 RS notes became obsolete as well as there was a cap on money which can be withdrawn from banks. On November 8th when PM Narendra Modi suddenly announced demonetisation whole country was thrown 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 list is fast growing E-commerce industry in India and is the reason is over dependence on Cash on Delivery as a payment method. Every E-commerce company either you talk about Amazon or flipkart or snapdeal, each of these companies are facing a great loss.

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 significant step taken, targeted at ferreting out black money and curbing corruption. The effects and its impact is seen everywhere across industries. CashKaro.com – India’s largest Cashback & Coupons site did a survey recently to understand the ‘Effects of Demonetization on Online Shopping’. Over 1000 people across India participated in the survey. 85 per cent of the respondents said they are in favour 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 bold decision to phase out the circulation of Rs 500 and Rs 1000 bank notes as this will bring transparency and stronger accountability. The move has definitely given a boost to digital payments and has encouraged people to shop online more. Wallets like Paytm have seen significant growth. We have seen an increase in the number of people clicking through Cash Karo and going to our partner sites to purchase daily essentials and consumables. One of the main reasons for this increase is that the Cashback that members earn from Cash Karo is paid over and above applied discount coupons, bank & wallet offers. Cash Karo Cashback is in the form of Real Cash and can be transferred to user’s Bank Account.”

OBJECTIVES

1. To analyze the growth rate of products purchased through e-commerce websites before and after demonetization.
2. To analyze the impact of demonetization on payments modes used by the customers through online shopping.
3. To identify reasons how Currency Demonetization will impact E-commerce Growth in India.

RESEARCH METHODOLOGY

This study is descriptive in nature. The paper is based upon the findings from relevant literature. The present study is descriptive type of research. Descriptive research is used to describe the characteristics of a phenomenon being studied. It does not answer questions about how/when/why the characteristics occurred. Rather it addresses (What are the characteristics of the population or situation being studied?). The characteristics used to describe the situation or population is usually some kind of categorical scheme also known as descriptive categories.

The study is based on the secondary data. Secondary data has been collected through the entire relevant sources like Discussions, Newspapers, Internet, Government reports and publications, Other Research Article etc.

REVIEW OF LITERATURE

2. Eleonora Lorenzini (2012) in the article “Innovation and e-commerce in clusters of small firms: The case of a regional e-marketplace” has evaluated literature on innovation in clusters and e-commerce to investigate how a particular kind of innovation project, the establishment of a regional e-marketplace (REM), may contribute to regional development.
3. Kumar Ashwani, Aggarwal Gourav (2016) in their article “A Conceptual Study on Demonetization and its effect on E-Commerce”, have analysed Demonetization and its revolutionary effects in the field of e-commerce and technology. Demonetization shows how it helps to boost cashless economy.
4. Kalyani Pawan (2016), in her article “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”
5. Banerjee Porinita, Sayyed Vasimraja (2017) in their article “A Study on Impact of Demonetization on E-Commerce Industry” has analysed the effect of demonetization on consumer’s frequency of buying product and consumer’s mode of payment mode through online shopping post demonetization.

6. Gupta Prairna,(2017) in her article “Impact of Demonetization on E-Commerce Industry” has analysed understand and analyze the effect of demonetization on consumer’s frequency of buying product and consumer’s mode of payment for online shopping post demonetization.

7. Dhamija Deepika Dhamija Ankit (2017),in their article “Impact of Demonetization on E-Commerce Websites& Payment Systems ”,have analysed analyze the effect of demonetization on consumer’s frequency of buying product and consumer’s mode of payment mode through online shopping after demonetization.

8. Firdous Khatoon (2017) “Demonetization: A Boon to E-Commerce” has analysed the importance of demonetization in India, opportunities, and challenges in front of the e-commerce.

9. Prajapati Naincy Singh Sanjeev Kumar (2017)“A Study On Impact Of Demonetization On Online Transactions” have explained effects on online transactions during this huge transformation period and what are the changes in trend of online transactions (encouraged or discouraged) from a cash dominant economy to a cashless economy.

IMPACT OF DEMONETISATION ON E COMMERCE

Effect on E-Commerce Websites before and after Demonetization

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. But, due to the halt on the usage of notes, this task could not be completed. Thus, there had been a sudden decrease in the amount of purchases done online, proving to be a negative impact and a significant loss for E-commerce businesses like Amazon, Flipkart, Snapdeal and so on. Most of the orders that were placed with the cash on delivery option could not be delivered because the online retailers could not accept old notes. All the overheads and the costs incurred in shipping the orders go a waste in case of undelivered orders. This is indeed a significant loss for the E-commerce players.
Suspension on COD orders

Ban of notes in return created a break for Cash on delivery and thus, several retailers had 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 popular survey conducted by business insider, 83 % of consumers in India settle for COD option. As a result of demonetization, it had a detrimental effect on the number of orders placed online as most consumers did not wish to settle for online transaction. As a major chunk of orders placed on the online sites is paid with cash on delivery, demonetization had a detrimental effect on the number of orders placed. People only had to wait to get their old currencies to be exchanged and few of the customers are sceptical about online payments. This lead to a notable surge in the number of orders placed on the online shopping sites.

Impact on Online Payments

One good impact of demonetization was the increase in the usage of cashless transactions via 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 via mobile wallets such as PayTm- with cashless money transfer. Vendors as well as public transport workers settled for online payments due to the ban on notes.

If there is one thing that has been growing at a good pace after demonetization, it is online payments. Rather than being tied up in the cash crunch and standing in the never ending ATM queues, more people switched to online payments. There has been a rise in the number of debit and credit card transactions. Even smaller vendors have introduced cashless payment methods. There has been a significant growth in the mobile wallet sector. Transferring money as well as making payments for online orders is easy with mobile wallets. More people have begun to fill up their mobile wallets resulting in the growth of the mobile wallet providers like Paytm, Mobikwik and more.

Expansion of Payment options

Credit and debit cards are the existing options for online payments; but the additional option to patch this void would be the online wallet service: for example: the Amazon pay balance usage for purchase. This option made the consumers feel much more comfortable during online transactions. 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.

Unified Payments Interface (UPI) will see a steady growth. The support of the government has also been in favour of promoting UPI for online payments.

Banks like ICICI have introduced debit card EMI option for mobile and other purchases. This can also benefit customers making online purchases without a credit card. Imagine being to purchase all high-end smart phones and laptop on EMI even without owning a credit card!

You could choose to purchase all the gadgets, furniture and appliances you have always hesitated to purchase due to your financial constraint through online loans and pay easily with your debit card. These micro-loans are paid through your debit cards and thus make it easy for you to purchase any gadget say like iPhone 5S on EMI without a credit card from any of your favorite online retailer. Besides payment through internet banking and debit or credit cards,
mobile wallet payments are great too. E-commerce sites can start adding more options of payments and payment through popular mobile wallets too.

**Lucrative Discount options**

Seeing the decrease in the number of orders placed online, retailers began to provide several discount offers to attract customers for purchase of their items. Several retailers also ran attractive promotions and discounts so as to encourage people to place orders.

**Go cashless to make payments**

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

**Increase in POS terminal and Online Shopping**

Online shopping sees surge; Paytm wallet & COD payments via bank cards most preferred amongst 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. This, in turn, would reduce the number of undelivered orders for the online retailers thus making it a win-win situation. Though the situation cannot be fully rectified in one go, E-commerce retailers could take certain steps to make it easy for the customers to make their payments and thus, in turn, help their own businesses as well.

**Reasons how currency Demonetization will impact E-Commerce Growth in India.**

There are various changes occurring in E-commerce business and these are classified as long term and short term effects. Just after currency banned in India E-commerce business were facing with a sudden falls but it brings some vigorous positive changes as well which can be last for long time, these are:

- It causes break on cash on delivery payment. Many E-commerce marketers stop cash on delivery payment this brings a sudden falls in marketing because most of the people still have trust issues for online payment.
- Marketers stop accepting old currency of INR500 and INR1000 just after demonetisation which results in vast number of delivery returns for Cash on delivery order.
- This trend emphasise on payment through digital mode. Scarcity 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 lack of cash. Most of the user after COD delivery said to take old currency otherwise asked to return the delivery. This led to many orders getting cancelled and consequently results in heavy loss to marketers.
- E-commerce going towards offering heavy discounts and drive sale offers to increase sale by online payment. They also put discounts via online or card payment to increase engagement of users in selling and purchasing.
- Sudden increment in use of online wallet likes Mobikwik, pay money, Paytm, etc. Increase user traffic on even small website, like: big basket, grofers, etc., because these are accepting cards and online payment and scarcity of cash forced people towards these online stores.
Increase in app download and their use because it gives a platform for better experience of marketing with special discounts and offers. It provides an easiest way to track order with keep payment details safe for further use as well.

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 also moving ahead accordingly.

CONCLUSION
To tackle the after-effects of demonetization, E-commerce platforms have added credit card on delivery as one of the payment options to put customers running out of cash at some ease. Websites like Snapdeal and Flipkart have also been offering more discounts on online payments and zero cost EMI schemes. Amazon spokesperson said that the company witnessed ten times growth in credit card on delivery mode. However, this hasn’t been helping the sellers much which have complained that such efforts do not compensate for the loss incurred over COD mode. It is pretty clear that demonetization has impacted the ecommerce industry. Due to demonetization consumers are buying more products through online mode instead of retail shops due to cash crunch. The consumers have adopted new method of making payment where prior to demonetization, consumers were making payment by choosing the cash on delivery option but now majority of them are shifted to debit card and Paytm wallet to make payments. Hence, it can be concluded that demonetization has opened up more opportunities for the ecommerce industry and it will prove huge boon for digital payment market. 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 labour, jobs for the youth, cheaper loans to promote entrepreneurship and innovation, support farmers to double their income, provide affordable housing for all and higher revenues to the Government which can spend it on the poor and marginalized sections of society. Most importantly, it has brought a smile on the face of every honest Indian.

FUTURE SCOPE OF STUDY
The future research must consider the consequences of cost changes for the behaviour of agents and effects of internet market on vertical integration in “Bricks and mortar” companies.

REFERENCES


