

Demonetization – Immediate Impact on Online Transactions and Usage of Mobile Wallets

Mnisha Shoor

Assistant Professor of Economics, Govind National College,
Narangwal, Ludhiana, Punjab
(email id -mnisha123@yahoo.com)

Abstract

When COD has been one of the popular payment option for significant portion of Indian Society who shop online, the present cash crunch after ban on Rs 500 and Rs 1000 notes has created inconvenience to Indian consumers. The entire nation lined up to exchange/deposit currency outside banks and ATMs. The online sites like Flipkart, Amazon, Snapdeal suffered huge change in their revenue soon after demonetization due to undelivered orders and suspension of COD orders. To cope up with problem of cash crunch people have begun to fill up then mobile wallets resulting in the growth of the mobile wallet provisions such as Paytm and free charge. The shopping sites too have started giving big discounts, offering gift cards and free-paid offers. The paper examines the immediate impact of demonetization on online shopping trends as well as the preference of the people for various mobile wallets particularly in Ludhiana city of Punjab.

keywords

demonetization, cash on delivery, mobile wallets, online shopping

AIM

The present research seeks to examine the

- Immediate impact of demonetization on online shopping orders from 8 November, 2016 to 9 November, 2016.

- Online & offline shopping trends among sample after demonetization.
- The study of recent most preferred payment wallets for shopping.

Methodology

A. Source

In order to achieve the stipulated objectives of present research, the data regarding immediate impact of demonetization on online shopping sales has been collected from secondary source i.e. data of All India Online Vendors Association (AIOVA) that represents 1500 online sellers, newspaper publication. The primary data related to recent preferred payment wallets has been collected by conducting survey using questionnaire on sample of 120 including 70 males and 50 females in Ludhiana.

B. Statistical Method

The tabular and functional analytical dots were used to achieve aim of study various statistical tools have been applied on results of survey like percentage and averages. The pictorial representation of results has done in the forms of pie charts and bar graphs.

Result & Discussion

The present study has been conducted on 120 people of Ludhiana city in Punjab particularly belonging to middle age group of 20 to 55 years of age. The results and discussion of the research study summarize has been into two parts:

- a. Immediate impact of demonetization on online shopping.
- b. online and offline shopping trends among people immediately after demonetization.

Immediate Impact On 2 Day Transactions

Cash on delivery has always been a popular payment option for significant section of population in India due to its advantage of offering consumers to receive the orders first and then pay for them.

Following the announcement on demonetization e-commerce platforms initially stopped this mode as online retailers could not accept the old notes. Amazon India stopped accepting COD on Wednesday. While Flipkart and Snapdeal Limited their orders to below Rs. 1000. These companies kept asking their customers to keep valid currency in hand or to use electronic payment options.

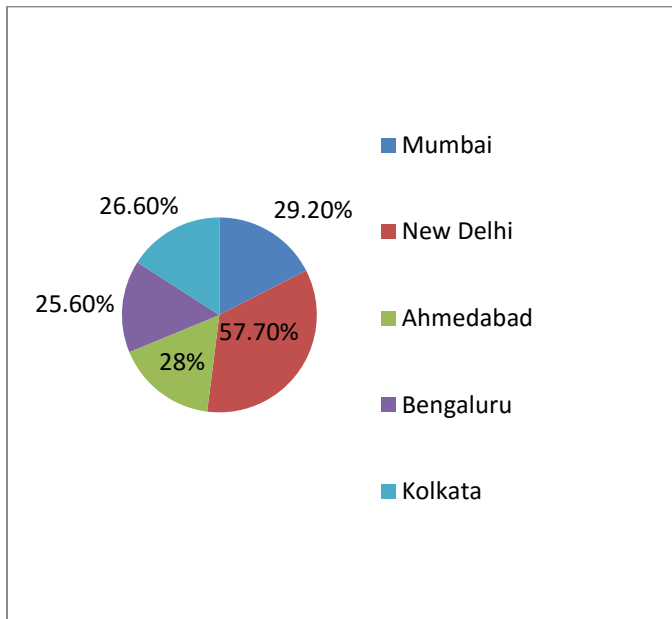
Online commerce companies aimed to reintroduce COD within a week's time while some retailers like Flipkart and Amazon India also have delivery executive who could take sale machines along with them while making delivery of the

products, allowing customers to swipe their debit or credit after they receive the product.

A reduction in CODs is expected to help online retailers save on the cost of processing such orders and reduce the returns that are pegged at 20-30 percent of all online retail orders. According to pay India CEO Amrish Rau, "about 40 percent of COD was driven by black money according to the study done two years ago". All India Online Vendors Association (AIOVA) representing 1500 online sellers feels that high rate of undelivered returns is more concerning as overall e-commerce sales are down by upto 70 percent since demonetization.

A. Drop in sales

There was lot of panic, cancelled orders and volumes immediately after announcement of demonetization. It was 26.40 percent drop in user sessions between 8 pm and 9 pm alone.



Source : Google analytics survey

Fig 1: Represents the drop in orders on major cities of India comparing Nov 6-7 to November 9-10.

Fig 1 depicting comparison of various states in drop of orders concludes that New Delhi was highly affected with drop in sales by 37.7 percent, then Mumbai at second place with 29.2 percent drop. Bengaluru seemed to be least affected with drop in sales by 25.6 percent. Not only this post November 8, we have seen 19-20 percent drop in traffic redirecting to top e-commerce sites from pricebaba.

Comparing the wide range of products that were affected by the demonetization the price ranges given in fig 2 clearly depicts the percentage of impact on each price interval.

The products ranging below Rs 5000 were 37 percent affected by making Rs 500 and Rs

1000 notes non-legal tenders. 39 percent impact on sale of products ranging below Rs 7500 was seen while the lowest impact was seen on price range of Rs 20,000 and Rs 35000.

Table 1 shows the price range of products and percentage impact on their sale due to demonetization

Price range of Products	Percent Impact
Price below 5000	37
Price below 7500	39
Price below 1000	38
Between 10000-20000	34
Between 20000-30000	26
Between 30000-35000	24

Source : inc42.com

- Amazon India ran cashless offer under which it sold gift cards worth Rs 500, Rs 1000 and Rs 2000.
- Jabong gave 25% discount on minimum purchase of Rs 999
- goods bought via Axis Bank, HDFC, SBI or ICICI bank debit / credit card were given at discounts

In order to solve this problem Amazon offered 20 percent discount, Flipkart offered upto 20 percent off on electronic products bought through any debit/credit card.

B. Recent modes of payment

Following the announcement on demonetization,

the whole nation was seen standing in queues for couple of hours in front of banks, ATMs and Post Office, but returning bare hand. For first few days, the economy went to stagnation, as cash crunch forbade people even basic good necessities.

The undelivered orders too gone up by nearly 50 percent due to lack of liquid asset in hands. The survey was conducted using questionnaires of 12 questions regarding online or offline preferred payments, the most preferred payment wallets as well as rising popularity & usage of wallets. The total of 120 sample i.e. 70 males and 50 females has been taken samples age have between 20 years to 55 years. The result has been summarized below:

(a) Online shopping vs offline shopping

The survey conducted on people of Ludhiana exhibits that presently 74 percent of people prefer online shopping due to current cash crises and only 26 percent of people favour offline payment through cash due to inability to operate online mode like Net-Banking or payment through debit or credit cards.

Table 2 shows percentage liking for online and offline shopping

Online shopping	74%
Offline shopping	26%

(b) Most preferred payment wallets

When 74 percent of respondents have begun to shop online since demonetization has been announced, the Paytm has become the undisputed leader with 61 percent user share among Freecharge, Mobikwik, Citrus and Oxigen. Today even the stall has a notice saying use Paytm. Paytm is followed

By freecharge getting 28 percent user share while only 7 percent comes to Mobikwik. The wallets like Citrus and Oxigen have almost

failed to get good percent of user share in whole survey.

Table 3 shows percentage share of mostly preferred payment wallets

Mobile Wallets	Percentage Share
Paytm	61%
Freecharge	28%
Mobikwik	7%
Citrus	2%
Oxigen	1%
Others	1%

(c) Most preferred payment method used after demonetization

In present scenario when people feel reduction in risk and cost of handling cash after demonetization even the online payment methods could be categorized under four subheadings shown in table 4.

The table showed that 44 percent of people prefer using online wallets like Paytm, Freecharge etc. after the ban on Rs 500 and Rs 1000 notes.

Table 4 depicts percentage share of various modes of payment in transactions

Mode of Payment	Percentage Share
COD-via using Debit / credit card	19%
Net Banking	20%
Using wallets like Paytm, Mobikmik	44%
COD via cash	17%

The net banking choice is done by 20 percent of entire sample while cash on delivery payments using debit/credit card is done by 19

percent population. Even now 17 percent COD via cash is being done.

(d) Shop of groceries / consumables

While shopping for groceries or the consumables the preference for online wallets seems to have reduced to 16 percent only while 38 percent shop offline for consumables by making payment via credit or debit card. It has been observed that maximum payments on departmental stores is being done via cards.

Table 5 shows preference for various modes of payment while shopping for groceries or consumables

Mode of Payment	Percentage share
-----------------	------------------

Flipkart	4%
Snapdeal	6%
Paytm	16%
Shop offline pay via card	38%
Shop offline pay via cash	15%
Amazon	21%

15 percent shop offline and pay via cash for basic necessities of daily life. With online shopping sites gaining popularity Amazon gets 21 percent of user share while snapdeal and flipkart users are 6 percent and 4 percent respectively.

Conclusion

Ban on Rs 500 and Rs 1000 notes obviously have great impact upon Indian Society as corrupt practices would come to end and banking system will slowly head to cashless society but there is a fear of turning cashless to moneyless soon among various economists.

The common public and bankers are undoubtedly facing hardships since more than 85% of currency in circulation has been rendered

illegal in one single stroke. The e-commerce industry through faced immediate impact of demonetization in beginning but now its future in India seems to be brighter as people finds it complement using online wallets even for their basic necessities. The survey conducts that it is the time to unleash full potential of debit cards and do online payments as far as possible. More people have begun to fill up their mobile wallets as it has made transaction easy.

REFERENCES

[1]Braga, F.D., Isabella G and Mazzon J.A., (2013). Digital wallets as a payment method influence consumer in their buying behaviour,

http://www.anpad.org.br/admin/pdf/2013_EnANPAD_MKT1209.pdf

[2]Partap Singh. 2013.Depreciation of Rupee in Indian Economy: An Analysis, "International Journal of Innovations in Engineering and Technology (IJJET)", Vol. 2 Issue 4 August 2013 332, (ISSN: 2319 – 1058)

[3]Lee, Jinkook, Fahzy Abdul-Rahman, and Hyungsoo Kim. "Debit card usage: an examination of its impact on household debt." Financial Services Review. 16.1 (2007): 73.

[4]Mercatanti, Andrea, and Fan Li. (2014). "Do debit cards increase household spending? Evidence from a semiparametric causal analysis of a survey." The Annals of Applied Statistics. 8.4: 2485-2508

[5]Padmini Sivarajah. (2016, Nov. 11). Demonetisation: Madurai Corporation makes record tax collection on a single day.The Times of India.<http://timesofindia.indiatimes.com/city/chennai/Demonetisation-Madurai-Corporation-makes-recordtax-collection-on-a-single-day/articleshow/55374378.cms>

[6]PTI. (2016, Nov. 9). Demonetisation will benefit economy in long run: Jaitley. The Hindu Business Line. Retrieved from <http://www.thehindubusinessline.com/economy/demonetisation-to-increase-ecosize-enhance-revenue-base-says-jaitley/article9324312.ece>

[7] PTI . (2016, Nov. 12). Hyderabad civic body collects Rs 65 crore of property tax. The Indian Express. Retrieved from <http://indianexpress.com/article/india/india-news-india/demonetisation-hyderabadcivic-body-collects-rs-65-crore-of-property-tax-4372156/>

[8]Internet desk. (2016, Nov. 12). Recalibration of ATMs will take up to three weeks, says Jaitley. TheHindu.<http://www.thehindu.com/news/national/demonetisation-arun-jaitley-on-atms-goingdry/article9338238.ece>

[9]http://www.businessstandard.com/article/economy-policy/five-likely-effects-of-demonetisation-on-economy-116110901411_1.html

[10]http://www.businessstandard.com/article/economy-policy/five-likely-effects-of-demonetisation-on-economy-116110901411_1.html

[11]<http://www.indianeconomy.net/splclassroom/309/what-are-the-impacts-of-demonetisation-on-indianeconomy/#sthash.Vr8Pt0e.dpuf>

[12]Newspapers: The Economics Time, August – September, 2012, The Business Line, July-September, 2012