

Analysis of impact of Demonetization on Mobile Commerce Applications in semi urban areas

Gupta, Manu¹ and Gupta Chandan²

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Abstract

Nearly few months before Government of India had announced demonetization in India and declared that the Indian currency i.e. Rupee 500 and Rupee 1000 will not be a legal tender which has impacted nearly all the sectors positively or negatively. This research paper will discuss the positive impacts of demonetization on Mobile commerce as India has also witnessed a tremendous growth of mobile commerce and it has become an integral part of nearly all the sectors. This research paper will analyse the positive impacts of demonetization on Mobile shopping, Mobile Payments and Mobile Banking.

Keywords: Currency | Consumer | Demonetization | Mobile Commerce

Introduction

As per the Indian Express “Demonetization is a radical monetary step in which a currency unit’s status as a legal tender is declared invalid. This is usually done whenever there is a change of national currency, replacing the old unit with a new one” *i.e.* Demonetization is the act of stripping a currency unit of its status as legal tender. The old unit of currency must be retired and replaced with a new currency unit. On 8th November 2016, Government of India had announced that from today onward rupees 500 and 1000-rupee note will not be a legal tender which meant that 500 and 1000-rupee note will be accepted by anyone except the organization declared by government. This is being valid up to 30th December 2016. The unprecedented action taken by the visionary Prime Minister Narendra Modi has impacted M-commerce and at the same times it has an impact on the consumers and their shopping behaviour through online shopping, Mobile banking, & Mobile Payments. Thus it becomes necessary to study the impact of demonetization on M-commerce industry.

For correspondence:

¹Department of Mathematics, J.V. Jain College, Saharanpur, Uttar Pradesh

²Quantum School of Business, Roorkee, Uttarakhand

Cause of demonetization

Causes of Demonetization in any economy are: Introduction of New Currency, Black Marketing, Currency Storage, Corruption and others. India has a huge parallel black economy which the government can't tax and which forms an isolated island away from the main economy. Nobody knows the exact figure but it has been estimated to be in the range tens of thousands of billions of Rupees in the past to lakhs of billions today. We can be sure that a good chunk of this will come into the main economy after demonetization. Also government was convinced that there is excess fake currency in the economy which too was a main reason of demonetization. The biggest advantage of demonetization is that it would help the government to track people who are having large sums of unaccounted cash or cash on which no income tax has been paid because many people who earn black money keep that money as cash in their houses or in some secret place, such people have two options one is to deposit the money in bank accounts and second option is to let the value of that cash reduced to zero. When that money is deposited in bank they have to pay taxes on such amount which was very difficult to find previously.

History and background of demonetization

India is not new to demonetization and this is not the first time when Indian currency was demonetized. The first instance was in 1946 and the second was in 1978 when an ordinance was brought to phase out notes with denomination of Rs. 1000, Rs. 5000 and Rs. 10000. The highest denomination note printed by the RBI in India was the Rs. 10000 note which was in 1938 and this again printed in 1954. But these notes were demonetized in January 1946 and again in

January 1978, according to reports of RBI. Rs. 1000 and Rs. 10000 bank notes were in circulation prior to January 1946. Higher denomination banknotes of Rs 1000, Rs 5000 and Rs. 10000 were reintroduced in 1954 after demonetization in 1978, the Rs. 1000 note was again introduced in November 2000 in market. Rs. 500 note came into market circulation in October 1987. The move was then justified as attempt to contain the volume of banknotes in circulation due to inflation. However, this is the first time that Rs. 2000 currency note is being introduced.

Mobile commerce surge in India

M-commerce accounts for nearly 60 percent of online sales in the country, on the back of 30 to 50 per cent growth in online transactions in the tier II and III cities. The growth in m-commerce has been fueled by the availability of affordable smartphones and mobile data plans. India currently has nearly 400 million smartphone users, and more than 45 percent of all mobile phones shipped in Indian market were smartphones in the first quarter of 2016. Mobile Internet user base in India has increased to 371 million in 2016 and the user base is expected to annually grow by 50 million till 2019. Online shoppers in India are likely to more than double by 2020, it noted. "The current online shoppers are in the range of 80-100 million and expected to increase to 175-220 million by 2020,"

Demonetization and cashless transactions

Demonetization encourages cashless transactions. Since transactions are via digital medium, the amount of money printed decreases and thus reducing the cost of printing as well as black money circulation. Cashless transactions can be done by four modes:

i). MOBILE WALLET (MW)

Mobile wallets are the digital versions of traditional wallets which a person carries. MW have many variations but usually they can hold digital information about credit and debit cards for making payments, store coupons and loyalty programs, specific information about personal identity etc. A lot of traders and business houses have started to prefer this mode of cashless transaction for both receiving as well for payments. A few examples mobile wallet are paytm, mobikwik etc.

ii). PLASTIC MONEY

Plastic money is generally used to refer to credit cards, debit cards and various forms of prepaid cards. It is comfortable to use plastic money as a huge amount of money is not needed to carry around. In case of credit cards payment is made after the purchase of goods. In case of debit cards payment is made by debiting amount from one's bank account directly. In case of other forms of prepaid cards the amount is already paid in the card before purchase or use of the card for usage.

iii). IMMEDIATE PAYMENT SERVICE (IMPS)

Immediate Payment Service is a real time interbank electronic fund transfer system of India. IMPS offers an interbank electronic fund transfer service through mobile phones. It is available all through the year 24x7 including bank holidays. It is managed National Payments Corporation of India (NPCI).

iv). UNIFIED PAYMENTS INTERFACE (UPI)

Unified Payments Interface is a system that powers multiple bank accounts, several banking services features like fund transfer (P2P), and

merchant payments in a single mobile application. UPI was launched by NPCI with the Reserve Bank of India's (RBI) vision of migrating towards 'less-cash' and more digital society. UPI was built on IMPS platform.

Objectives

- (i) To analyse the demonetization post effects on retailers and consumers using mobile commerce.
- (ii) To know the trends and behaviour change in consumers buying through cashless transaction.
- (iii) To know the effects of demonetization on certain mobile commerce applications.

Methodology

The research project is analytical in nature. The research project is mainly based on primary data. The sample size is 100 persons that includes students, businessman, serviceman, housewives etc. in a town Deoband of 1.50 lakhs population. The structured questionnaire survey was conducted on selected persons based on convenience sampling method.

Limitation of the study

- (i) Since the sample size is limited to 100 respondents hence results cannot be considered as universal.
- (ii) Study was conducted in Deoband town only thus various other potential samples outside the town were not considered.
- (iii) Analysis is based on the supposition that respondents have replied correctly to the information required.

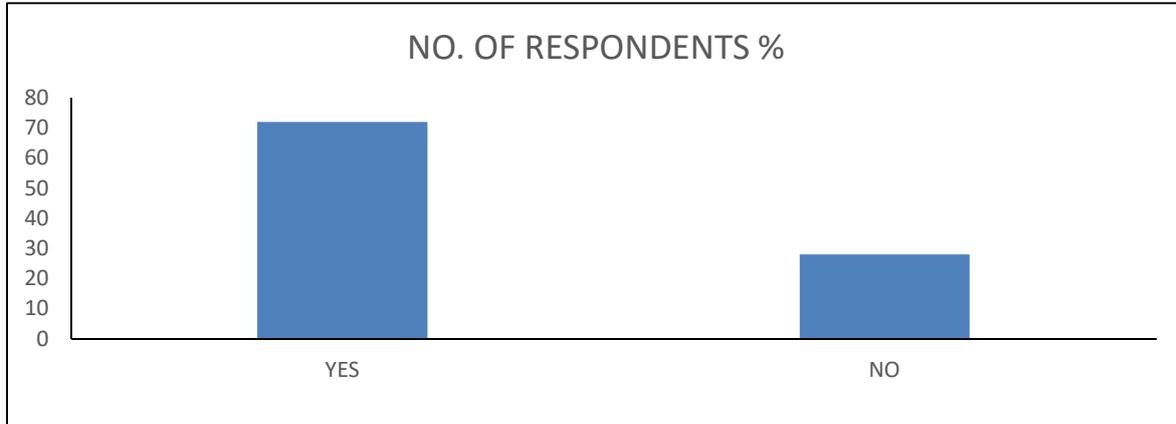
5. Data analysis and interpretations

Interpretation: The analysis shows that a larger part *i.e.* 72% of the respondents are aware of using Mobile Commerce applications

PARTICULAR	NO. OF RESPONDENTS	PERCENTAGE
YES	72	72
NO	28	28
TOTAL	100	100%

Table 1: Table showing % of respondents aware of using Mobile Commerce applications post Demonetization

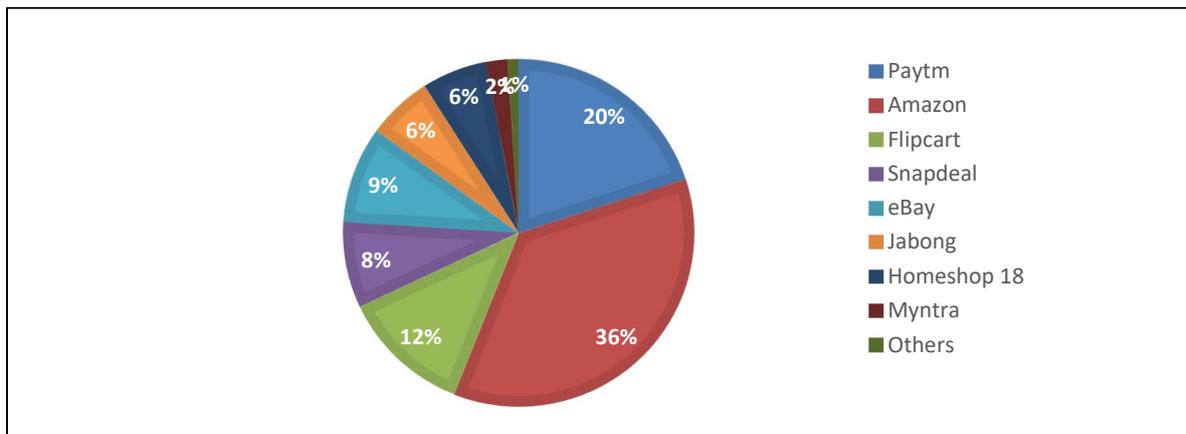
Source: Field survey



PARTICULAR	NO. OF RESPONDENTS	PERCENTAGE
Paytm	20	20
Amazon	36	36
Flipcart	12	12
Snapdeal	8	8
eBay	9	9
Jabong	6	6
Homeshop 18	6	6
Myntra	2	2
Others	1	1
Total	100	100%

Table 2: Table showing preference of the consumer for performing Mobile commerce application through different shopping websites

Source: Field survey



Interpretation: We observe through pie diagram that 36 % of the consumers preferred amazon for performing Mobile commerce application through different shopping websites while 20% preferred

paytm, 12% preferred Flipcart, 8% Snapdeal, 9% eBay, 6% jabong, 6% Homeshop18, 2% myntra and 1% respondents preferred other sites.

PARTICULAR	NO. OF RESPONDENTS	PERCENTAGE
Using online shopping more than retail shop	20	20
About the same frequency as the retail shop	15	15
Using retail shop more than online shopping	52	52
Unknown	13	13
Total	100	100%

Table 3: Table showing frequency of consumers performing mobile commerce application for buying products before Demonetization

Source: Field survey



Interpretation: From the graph above we observe that before demonetization 20% of consumers preferred online shopping more than retail shopping, 15 % respondents uses same frequency as retail shopping, 52 % used retail shops more than m- commerce applications and 13 % were unknown about it.

PARTICULAR	NO. OF RESPONDENTS	PERCENTAGE
Using online shopping more than retail shop	45	45
About the same frequency as the retail shop	13	13
Using retail shop more than online shopping	32	32
Unknown	10	10
Total	100	100%

Table 4: Table showing frequency of consumers performing mobile commerce application after demonetization

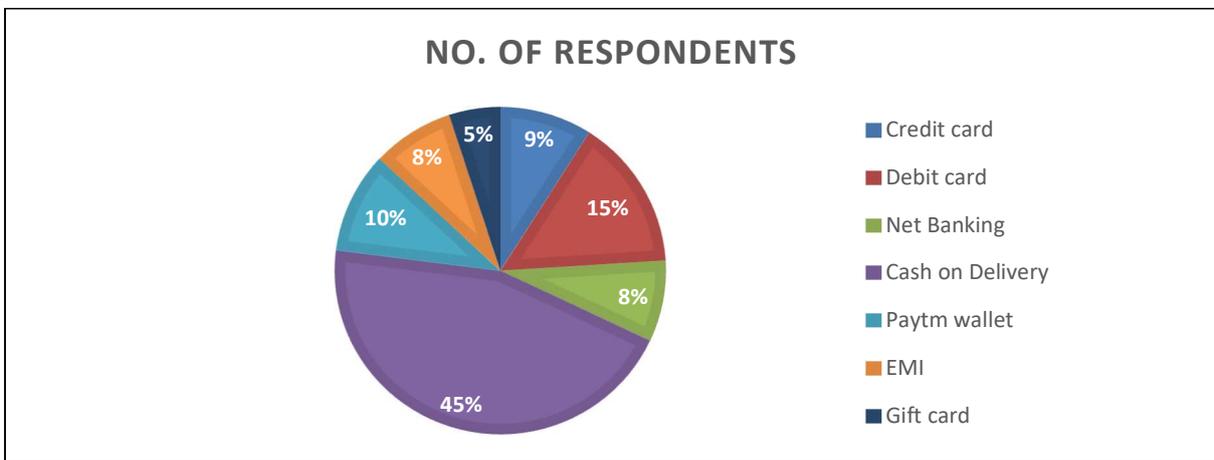
Source: Field survey



Interpretation: From the graph above we observe that after demonetization 45% of consumers preferred online shopping more than retail shopping, 13 % respondents uses same frequency as retail shopping, 32 % used retail shops more than m- commerce applications and 10 % were unknown about it.

PARTICULAR	NO. OF RESPONDENTS	PERCENTAGE
Credit card	9	9
Debit card	15	15
Net Banking	8	8
Cash on Delivery	45	45
Paytm wallet	10	10
EMI	8	8
Gift card	5	5
Total	100	100%

Table 5: Table showing preferred mode of payment for Mobile Commerce applications before demonetization
Source: Field survey

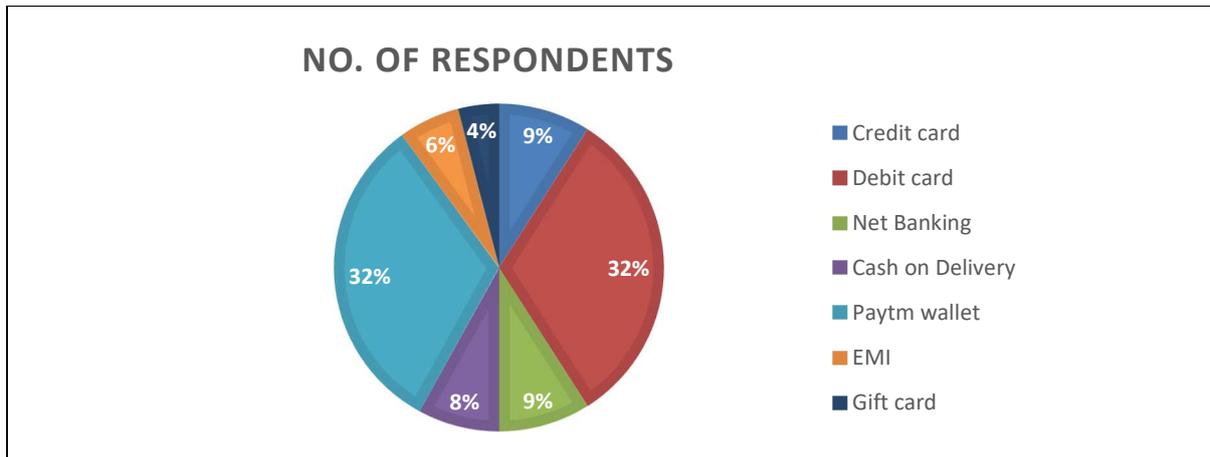


Interpretation: The analysis of the above pie chart shows that pre demonization period 45% used cash on delivery option after that came the debit card with 15 % , 9 % used credit card 10% preferred paytm wallet , 8 % used net banking and 8% EMI option while only 5% preferred gift card for payment modes.

PARTICULAR	NO. OF RESPONDENTS	PERCENTAGE
Credit card	9	9
Debit card	32	32
Net Banking	9	9
Cash on Delivery	8	8
Paytm wallet	32	32
EMI	6	6
Gift card	4	4
Total	100	100%

Table 6: Table showing preferred mode of payment normally used by the customer for M-commerce applications through online shopping after demonetization

Source: Field survey

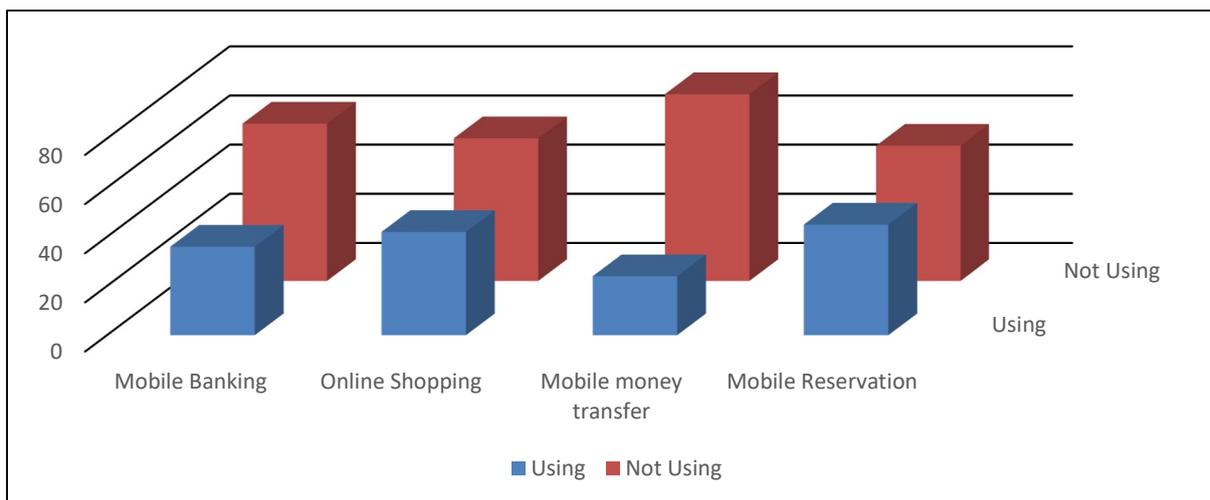


Interpretation: The analysis of the above pie chart shows that post demonization period only 8% used cash on delivery option, 32% respondents preferred debit card, 9% used credit card, 32% preferred paytm wallet, 9% used net banking and 6% EMI option while only 4% preferred gift card for payment modes.

M-Commerce applications	Using	Not Using
Mobile Banking	36	64
Online Shopping	42	58
Mobile money transfer	24	76
Mobile Reservation	45	55

Table 7: Table showing No. of person using/Not using Different M-Commerce application before demonetization

Source: Field survey

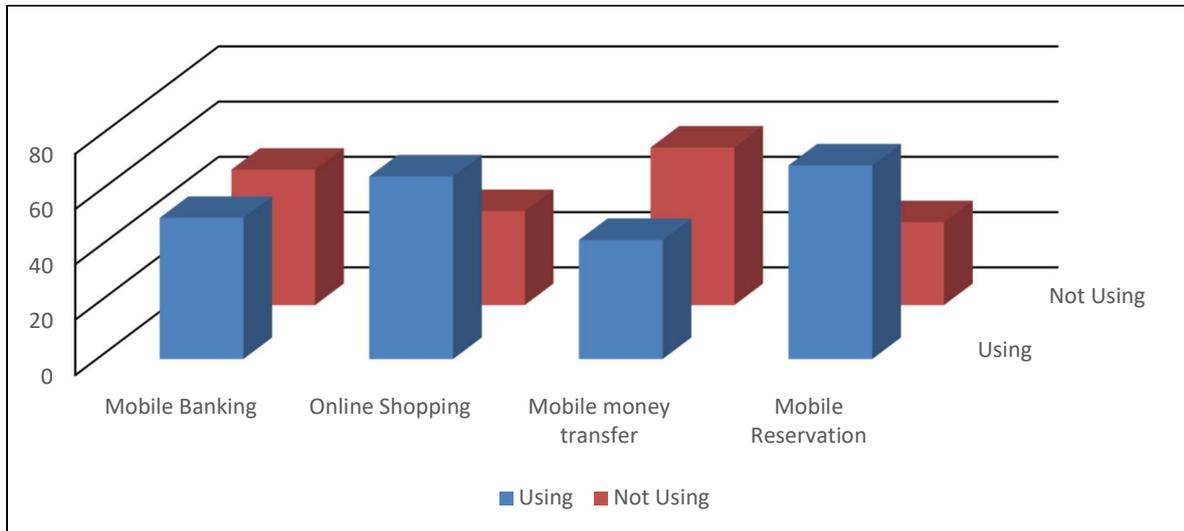


Interpretation: The analysis of the above graph shows that predemonetization period 36% were using mobile banking application while 64% respondents were not using this application. In case of online shopping 42% respondents were using it while 58% were not using it. Also for mobile commerce applications money transfer and mobile reservation 24% and 45% were using it while 76% and 55% were not using it.

M-Commerce applications	Using	Not Using
Mobile Banking	51	49
Online Shopping	66	34
Mobile money transfer	43	57
Mobile Reservation	70	30

Table 8: Table showing No. of person using/Not using different M-Commerce application after demonetization

Source: Field survey



Interpretation: The analysis of the above graph shows that post demonetization period 51% were using mobile banking application while 49% respondents were not using this application. In case of online shopping 66 % respondents were using it while 34 % were not using it. Also for mobile commerce applications money transfer and mobile reservation 43 % and 70 % were using it while 57 and 30 % were not using it.

Major Finding of study for the impact of the demonetization on Mobile Commerce Applications

- It has been found that pre demonetization the frequency of shopping through retail shop was and consumers buy less product through online shopping.
- Post demonetization frequency of online shopping has increased rapidly from 20% to 45%.
- Pre demonetization consumers used to adopt cash on delivery (COD) option for payments for buying products in online shopping but Post demonetization COD option has reduced and consumers are using more debit card and paytm wallets as payments options.

- Before demonetization mobile commerce applications like Mobile Banking, Online Shopping, Mobile money transfer and Mobile Reservation were used in limited number but after demonetization it has increased in greater folds.

Conclusion

From the above investigation impact of demonetization on mobile commerce applications is clear fact and due to demonetization people are buying more products using mobile commerce applications instead of direct cash due to cash shortage. Also consumers are adopting new method of payments leaving COD mode to debit card and paytm wallets mode. Thus demonetization has

opened the huge scope for the development of mobile commerce applications industry and it will prove huge help for digital payment merchandise.

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