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[editor@ijeast.com](mailto:editor@ijeast.com)



# A STUDY ON IMPACT OF DEMONETIZATION ON E-COMMERCE INDUSTRY

Mrs. Porinita Banerjee

Assistant Professor

AKI's Poona Institute of Management Sciences And Entrepreneurship,  
Camp, Pune

Mr. Vasimraja Sayyed

Assistant Professor

AKI's Poona Institute of Management Sciences And Entrepreneurship,  
Camp, Pune

**ABSTRACT:** Demonetization is known as an act of stripping a currency unit of its status as legal tender. It is also known as withdrawing of a particular form of currency from circulation. Government pulled the old Rs 500 and Rs 1,000 notes out of circulation. While the unprecedented action taken by the Prime Minister Narendra Modi has impacted e-commerce and at the same times it 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. The main aim 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 mode through online shopping post demonetization.

**Keywords:** Currency, Consumer, Demonetization,

December 30. All notes in lower denomination of Rs 100, Rs 50, Rs 20, Rs 10, Rs 5, Rs 2 and Re 1 and all coins continued to be valid, and new notes of Rs 2,000 and Rs 500 were introduced. There was no change in any other form of currency exchange be it cheque, DD, payment via credit or debit cards etc. 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. Such a step, for example, was taken when the European Monetary Union nations decided to adopt Euro as their currency. However, the old currencies were allowed to convert into Euros for a period of time in order to ensure a smooth transition through demonetization. Zimbabwe, Fiji, Singapore and Philippines were other countries to have opted for currency demonetization.

## I. INTRODUCTION

On November 8 evening, Prime Minister Modi, in his televised address to the nation, made Rs 500 and Rs 1000 notes invalid, saying that it was aimed at curbing the "disease" of corruption and black money which have taken deep root. People holding notes of Rs 500 and Rs 1,000 can deposit the same in their bank and post office accounts from November 10 till

## II. DEMONETIZATION AND E-COMMERCE INDUSTRY:

### **PESSIMISTIC VIEW:**

With the ban on Rs 500 and Rs 1000 currency notes, eCommerce players were forced to stop "cash-on-delivery" payment modes on their site. Certain eCommerce players like Flipkart and Snapdeal made restrictions on the order purchase value to below Rs 1000. While Amazon India stopped CoD orders, a



day after the big announcement. These eCommerce companies also stopped receiving old denomination notes of Rs 500 and Rs 1000 notes and paid more emphasis on other means of digital payments. The demonetization move has hurt the eCommerce conversions of various companies from Flipkart to Zomato, which is a food discovery and delivery portal with other companies that mainly generate revenues through hard cash that accounts for around 60-70% of total orders. With fall in CoD orders, demonetization has led to jump in digital payment options for making online transactions.

As per a research done by the Forrester Research, “The cash on delivery share will come down and it will force customers to make payments online. Initially, in the next 1-2 months it may hurt ecommerce companies.”

This drop was further attributed to the curb on black money due to this demonetization move which was used to make the purchase through various eCommerce stores. “About 40% of CoD was driven by black money according to a study done two years ago.” It has been further projected that “This will have a serious impact on GMV as not all CoD will move digital payments. In the rural economy where consumers are still not that comfortable with digital money yet and who are still adapting to the internet will stay away.”

With the scarcity of cash, it is definitely taking a toll on the conversion rate optimization practices and eCommerce sales are eventually dropping.

#### **OPTIMISTIC VIEW:**

Demonetization has given a boost to digital payments and is encouraging people to shop online more. This will definitely provide an opportunity for e-commerce players to push customers towards adopting cashless instruments and recalibrate business models to incentivize cashless instruments.

### **III. OBJECTIVES OF THE STUDY**

1. To analyse the frequency of customer buying product through online before and after demonetization.
2. To analyse the impact of demonetization on consumer’s mode of payment method while buying products through online shopping.

### **IV. RESEARCH METHODOLOGY**

**Sources of Data:** Primary data has been collected directly from the consumers by communicating with them through interview and observation method

The secondary data was collected from newspapers, books, magazines and internet sources.

#### **Sampling:**

#### **Sample size:**

The information was collected through structured questionnaire consisting of 15 questions A total of 100 respondents were interviewed during the survey. The study was conducted in the Pune city.

**Sampling technique:** The researcher has adopted Convenience sampling technique for the study.

#### **Limitation of the study:**

1. The sample size is limited to 100 respondents therefore, the result of the study can not be considered as universal.
2. Findings of the research are based on the assumption that the respondents have given correct information.
3. The study was conducted only in Pune city hence, various other potential samples outside city were not considered.

### **V. DATA ANALYSIS AND INTERPRETATIONS:**

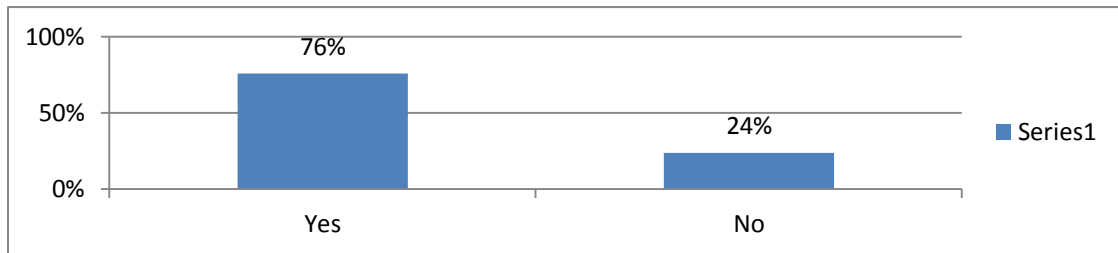
Table 1 Table showing percentage of respondents aware of Online shopping

<b>Particular</b>	<b>No.of Respondents</b>	<b>Percentage</b>
Yes	76	76%
No	24	24%



<b>Total</b>	<b>100</b>	<b>100%</b>
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Source: Field survey

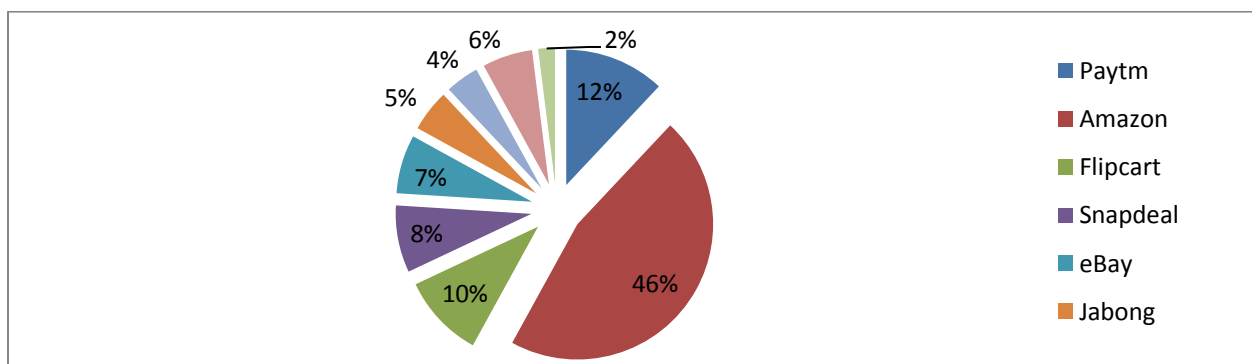


**Interpretation:** The above analysis shows that majority i.e 76% of the respondents are aware of online shopping facility and 24% are not aware of the same.

**Table-2 Table showing preference of the consumer for online shopping websites for buying products.**

Particular	No.of Respondents	Percentage
Paytm	12	12%
Amazon	46	46%
Flipcart	10	10%
Snapdeal	8	8%
eBay	7	7%
Jabong	5	5%
Homeshop 18	4	4%
Myntra	6	6%
Others	2	2%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Field survey



**Interpretations:** As it is represented in the pie diagram 12% of the consumers preferred paytm for online shopping, 46% respondents preferred amazon.in, 10% preferred flipkart, 8% preferred

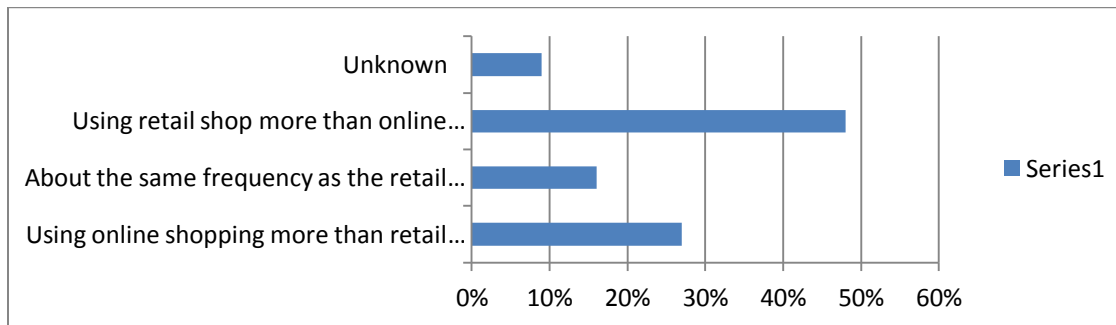
snapdeal, 7% preferred e bay, 5 % preferred jabong, 4 % preferred Homeshop18, 6 % preferred myantra and 2 % respondents preferred other sites for online shopping.



**Table-3 Table showing frequency of consumers buying product through online shopping before demonetization**

<b>Particular</b>	<b>No.of Respondents</b>	<b>Percentage</b>
Using online shopping more than retail shop	27	27%
About the same frequency as the retail shop	16	16%
Using retail shop more than online shopping	48	48%
Unknown	9	9%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Field survey



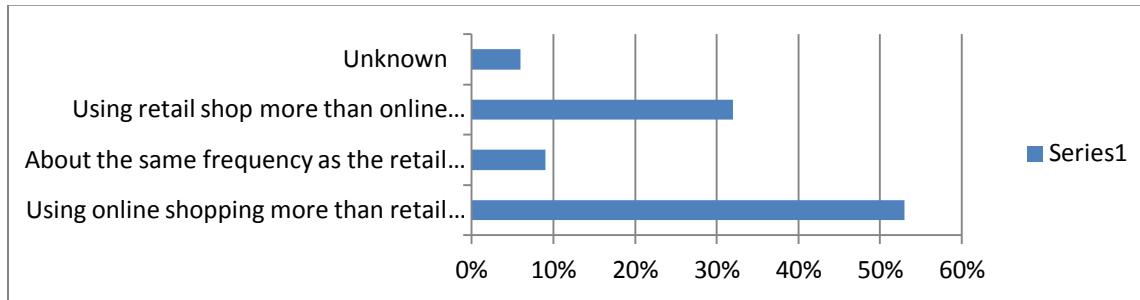
**Interpretation:** As shown in the graph before demonetization 27% of the consumers preferred online shopping more than retail shop, 16%

respondents uses the same frequency as the retail shop, 48% used retail shop more than online shopping, 9% said unknown.

**Table-4 Table showing frequency of consumer buying product through online shopping after demonetization**

<b>Particular</b>	<b>No.of Respondents</b>	<b>Percentage</b>
Using online shopping more than retail shop	53	53%
About the same frequency as the retail shop	9	9%
Using retail shop more than online shopping	32	32%
Unknown	6	6%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Field survey



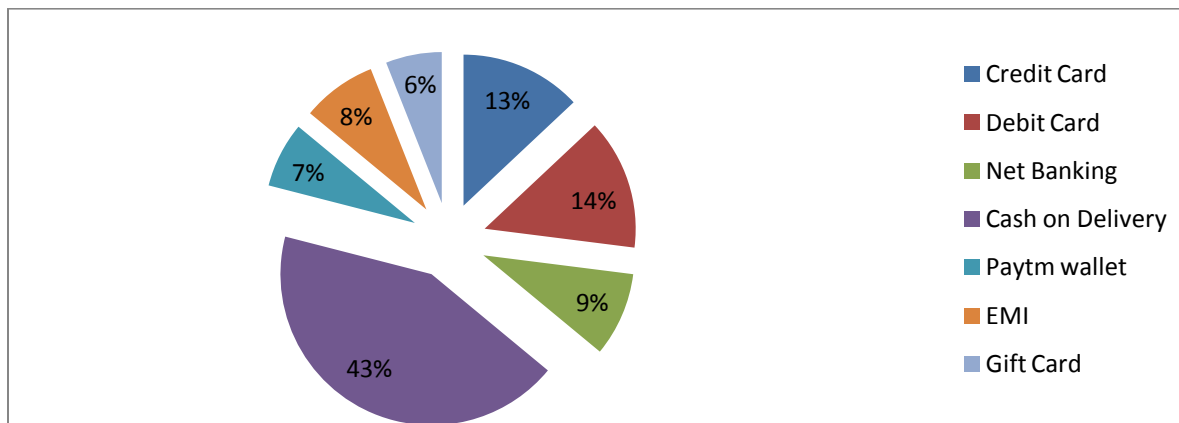
**Interpretation:** As shown in the graph after demonetization 53 % of the consumers preferred online shopping more than retail shop, 9%

respondents uses the same frequency as the retail shop, 32% used retail shop more than online shopping, 6% said unknown.

**Table-5 Table showing preferred mode of payment normally used by the customer for buying products through online shopping before demonetization**

Particular	No.of Respondents	Percentage
Credit Card	13	13%
Debit Card	14	14%
Net Banking	9	9%
Cash on Delivery	43	43%
Paytm wallet	7	7%
EMI	8	8%
Gift Card	6	6%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Field survey



**Interpretation:** The analysis shows that pre demonetization 13% consumers preferred to use credit card for the purchase of products from online shopping websites, 14 % consumers preferred to use

debit card, 9 % people used net banking for , 43% people used cash on delivery option , 8% consumers used paytm wallet, 7% people used EMI for the

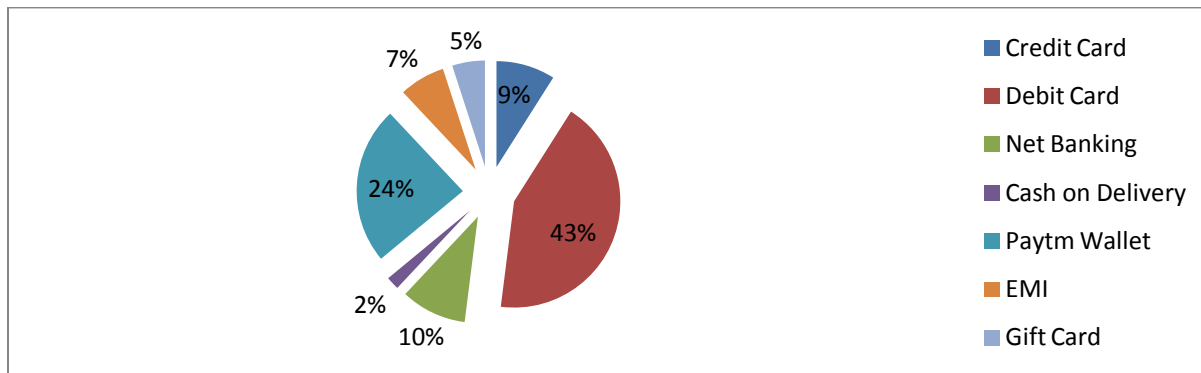


payment, 6 % respondents used gift card option as a mode of payment.

**Table-6 Table showing preferred mode of payment normally used by the customer for buying products through online shopping after demonetization**

<b>Particular</b>	<b>No.of Respondents</b>	<b>Percentage</b>
Credit Card	9	9%
Debit Card	43	43%
Net Banking	10	10%
Cash on Delivery	2	2%
Paytm Wallet	24	24%
EMI	7	7%
Gift Card	5	5%
<b>Total</b>	<b>100</b>	<b>100%</b>

Source: Field survey



**Interpretation:** The above analysis shows that post demonetization 9% consumers preferred to use credit card for the purchase of products from online shopping websites, 43 % consumers preferred to use debit card, 10 % people used net banking for , 2% people used cash on delivery option , 24% consumers used paytm wallet , 2% people used EMI for the payment, 5 % respondents used gift card option as a mode of payment.

**Major Findings of the study:**

- It has been found that pre demonetization the frequency of shopping through retail shop was 48% and consumer used to buy less products through online shopping.
- Post demonetization frequency of online shopping has increased drastically from 27 % to 53%.

- Pre demonetization consumer used to adopt cash on delivery option to make payment for buying products through online.43% of the respondents used to adopt COD facility.
- Post demonetization COD option for making payment has reduced to 2% and consumers started using debit card more for making payment. Use of debit card has increased from 14% to 43% post decentralization.

**VI. CONCLUSION**

Thus, from the above study it is pretty clear that demonetization has impacted the e-commerce industry. Due to demonetization consumers are buying more products through online instead of



retail shop due to cash crunch. The consumers have adopted new method of making payment, pre 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 mammoth opportunities for the e-commerce industry and it will prove huge boon for digital payment market.

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