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IMPACT OF DEMONETIZATION ON M-COMMERCE INDUSTRY

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Abstract

Demonetization has given the tremendous growth to m-commerce transactions in India a lot. Center government scrapping of Rs. 500 and Rs. 1000 currency notes is affecting the economy and money circulation, that decision seems to have positive impact on m-commerce industry. Mobile commerce refer to wireless electronic commerce used for conducting commerce or business through handy device like smart phone or tablet. As the competition in M-commerce is intensified, it becomes more important for online retailers to understand the antecedents of consumer acceptance of online. The current research study is an effort to understand impact of demonetization on m-commerce industry in India and discusses the future growth of cashless transection in India's m-commerce. The data carried out by secondary sources.

Keywords: M-commerce, Demonetization, online transaction.

Introduction

What is Demonetization?

Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit

In 2016, the Indian government decided to demonetize the 500- and 1000- rupee notes, the two biggest denomination notes. These notes accounted for 86% of the country's cash supply. The government's goal was to eradicate counterfeit currency, fight tax evasion, eliminate black money gotten from money laundering and terrorist financing activities, and promote a cashless economy. By making the larger denomination notes worthless, individuals and entities with huge sums of black money gotten from parallel cash systems were forced to convert the money at a bank which is by law required to acquire tax information from the entity. If the entity could not provide proof of making any tax payments on the cash, a tax penalty of 200% of the tax owed was imposed. Now lets us understand the m-commerce.

What is M-commerce? The phrase mobile

commerce was originally coined in 1997 by Kevin Duffey at the launch of the Global Mobile Commerce Forum, to mean "the delivery of electronic commerce capabilities directly into the consumer's hand, anywhere, via wireless technology." Many choose to think of Mobile Commerce as meaning "a retail outlet in your customer's pocket."

The Global Mobile Commerce Forum, which came to include over 100 organisations, had its fully minuted launch in London on 10 November 1997. Kevin Duffey was elected as the Executive Chairman at the first meeting in November 1997. The meeting was opened by Dr Mike Short, former chairman of the GSM Association, with the very first forecasts for mobile commerce from Kevin Duffey (Group Telecoms Director of Logica) and Tom Alexander (later CEO of Virgin Mobile and then of Orange). Over 100 companies joined the Forum within a year, many forming mobile commerce teams of their own, e.g. MasterCard and Motorola. Of these one hundred companies, the first two were Logica and Cellnet (which later became O2). Member organisations such as Nokia, Apple, Alcatel, and Vodafone began a series of trials and collaborations.

Mobile commerce services were first delivered in 1997, when the first two mobile-phone enabled Coca Cola vending machines were installed in the Helsinki area in Finland. The machines accepted payment via SMS text messages. This work evolved to several new mobile applications such as the first mobile phone-based banking service was launched in 1997 by Merita Bank of Finland, also using SMS. Finnair mobile check-in was also a major milestone, first introduced in 2001.

What is Retail?

Retail involves the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Demand is identified and then satisfied through a supply chain.

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space.

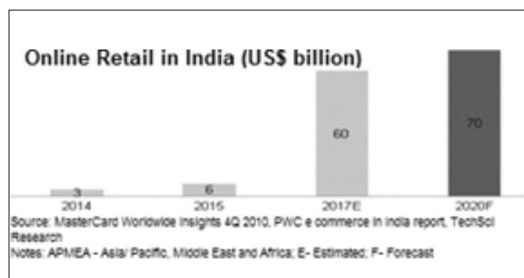
India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$

600 billion in 2015#, driven by income growth, urbanisation and attitudinal shifts. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent.

India's Business to Business (B2B) e-commerce market is expected to reach US\$ 700 billion by 2020 whereas the Business to Consumer (B2C) e-commerce market is expected to reach US\$ 102 billion by 2020.## Online retail is expected to be at par with the physical stores in the next five years.

India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Various agencies have high expectations about growth of Indian e-commerce markets. Indian e-commerce sales are expected to reach US\$ 120 billion! by 2020 from US\$ 30 billion in FY2016. Further, India's e-commerce market is expected to reach US\$ 220 billion in terms of gross merchandise value (GMV) and 530 million shoppers by 2025, led by faster speeds on reliable telecom networks, faster adoption of online services and better variety as well as convenience.

India's direct selling industry is expected to reach a size of Rs 23,654 crore (US\$ 3.51 billion) by FY2019-20, as per a joint report by India Direct Selling Association (IDSA) and PHD.



Objective

The objective is this research to study the impacts of demonetization on mobile

commerce industry and find out the current situation of m-commerce payment industry and find out upcoming growth of cashless transaction in India's m-commerce.

Literature Review

Pousttchi et.al (2006) proposed a model addressing perceived usefulness, perceived ease of use, subjective security and task technology fit influencing m commerce acceptance. The results confirmed the findings from the task technology fit theory and technology acceptance model but rejected subjective security as a driver influencing m commerce.

Fong et.al (2008) conducted an experiment in china to understand the Chinese acceptance of the m commerce. His results suggested that the Chinese were not too eager to buy the m commerce story in spite of their agreeing to the convenience it offers.

Wei et.al (2008) conducted an experiment in Malaysia to uncover the m commerce adoption factors there. The results established that perceived usefulness, social influence and perceived cost were important determinants associated with consumer's intentions to use m commerce.

Yeh and Ming Li (2009) emphasized that trust was an important determinant in acceptance of m commerce and conducted a study including quality and satisfaction as a determinant towards building trust. The results showed that despite customization , brand image and satisfaction all directly affecting customer trust , it were customization and brand image which had a stronger direct effect on trust formation. This leads us to believe that trust is an important determinant towards acceptance of m commerce.

Danny Kao (2009) also emphasized that trust was an important determinant towards acceptance of m commerce and conducted a survey exploring if the transaction

trust which would significantly affect the intentions to adopt m commerce. The results emphasized that transaction trust does significantly impact customer's intention to adopt m commerce.

Studies for factors leading to acceptance of m commerce by the retailers across geographies and this motivated the researchers to conduct a similar experiment in India. As per the recent demonetization nice of Rs. 500 and 1000 notes Hence the some variables which can be considered for the retailers acceptance for the m-commerce

Research Methodology

Research types – This research is in qualitative in nature.

Data Collection- Secondary data is used for this study. The Data will obtained from different article, Internet and research papers.

An analysis of impact of Demonetization on m-commerce Business impact analysis

The banning of higher currency notes and introducing new currency notes might have a significant and long term impact on the economy. However sectors like Real estate, unorganized trade, commodities, agricultural sector & services might have a negative impact. With Liquidity crippling both NPA & working capital needs are most likely to go up

Small Businesses both in urban & rural areas will feel the heat as these are mostly run via cash transactions. Also with the rise in NPA banks will be averse to fund these businesses even for a short period of time. Businesses with cash transaction will now have to rely on funding from other sources and might end up paying a lot more.

Analysis on the following variables

- I) Liquidity – The immediate impact will be on liquidity. Businesses dealing with large amount of cash can no longer use

the currency to drive business.

- II) Loan Demand – To fill up the gap and run business smoothly the demand of loans or funding from bank and other financial institutions will increase.
- III) Loan Dis-approval – Businesses dealing with cash will have difficulty in getting funding as the Balance sheet will give a different story, making them unqualified for loans. Moreover Banks will be reluctant and extremely cautious as they would want to avoid NPA's.
- IV) High Cost – Even if one can avail funding through other institutions, the cost of lending will be much higher.

In this study let see the impact of demonetization on m-commerce since the announcement of demonetization , Paytm has been raking in money like never before. One of the biggest beneficiaries of demonetization has been Paytm as people have moved to cashless payments owing to cash crunch. Within 12 days, Paytm has witnessed over 7 million transactions worth Rs 120 crore a day.

The mobile wallet is now four months ahead of its target and crossed \$5 billion GMV sales .

Gross Merchandise Value (GMV), which is an industry term for estimating the total worth of goods sold through a digital platform, for Paytm was \$3 billion last year.

“Paytm is registering over 7 million transactions worth Rs 120 crore in a day as millions of consumers and merchants across the country try mobile payments on the Paytm payment platform for the first time,” said Sudhanshu Gupta, Vice President, Paytm.

Paytm has over 150 million mobile wallet users currently.

In the same time demonetization will boost

mobile wallet as Paytm has over 150 million mobile wallet users currently. Mobile wallets have changed that. While awareness has been low and the reach of the new fintech companies has mostly been in cities, a decision like this will make people look for them. Twitter is already full of anecdotal evidence of people's rising interest—how senior citizens, maids and hawkers asking about 'phone wala payment'.

Mobile based payments are invariably safer than plastic. India has the second largest mobile user base in the world and many are turning to smartphones. With data costs becoming cheaper, it is expected that India will turn to mobile-based money.

Another factor that will help the growth of mobile wallets is that it does not really require the receiver—the shops and establishments—to invest anything in infrastructure. India may just leapfrog the plastic payment regime. just leapfrog the plastic payment regime.

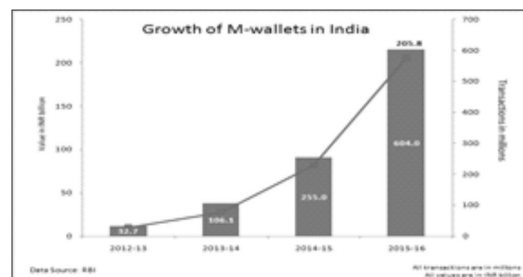


Figure 2

In the last four years, m-wallets have shown impressive growth, though on a slow-base. The payments have grown more than 20 times in value terms and more than 18 times in volume terms, meaning there has been an increase in average transaction value too.

Yet, m-wallets account for less than 0.1% of total payments in India. That will most likely change with this announcement. At present, even as the debate is on about how much will the decision be able to curb black money, few can question the positives that it will have on digital payment in general and mobile wallets in particular.

India is ready for cashless revolution

India is currently in the middle of an all out movement to modernize the way things are paid for. New bank accounts are being opened at a heightened rate, e-payment services are seeing rapid growth, cash-on-delivery in e-commerce has crashed, and digitally-focused sectors like the online grocery business have started booming.

“Even the vegetable vendors on the streets have opened up Paytm accounts and they have a machine outside their shop where someone can scan the bar code and make the payment,” Nangia explained.

“A lot more retail outlets are accepting e-wallets, including my laundry provider and my dabbawala,” Prasad proclaimed. “This is revolutionary, and survival of the fittest.”

Modi's demonetization initiative has been a boon for India's e-payment providers. Paytm reported a three-times surge in new users -- tacking on over 14 million new accounts in November alone. While Oxigen Wallet's daily average users increased by 167% since demonetization began.

“Ever since Prime Minister Narendra Modi's demonetization announcement, we have suddenly seen a spike in both app downloads & merchant registrations. This spike is now coming from all cities, big and small, pan-India, consisting of small merchants like vegetable vendors, Kirana shopkeepers [small convenience stores], street vendors, rickshaw drivers, taxi's etc., who've signed onto our Oxigen Wallet app for the merchant payments service,” said Pramod Saxena, the founder and CMD of Oxigen Services. Crypto currencies like Bitcoin and Asiadigicoin have also been the recipients of a positive upswing from Modi's currency purge — with Bitcoin in particular being driven up in value.

The lack of cash in the economy combined with the buzz around electronic payments

systems has also sparked some very innovative solutions. The farmers' markets of Telangana began experimenting with their own electronic payment system where customers with Aadhar-linked bank accounts could buy vegetables using tokens which could be purchased via debit cards at specialized kiosks.

"These changes indicate towards a more inclusive society in the future," Saxena said. He then outlined several areas in which India is trying to improve its digital economy, which include simpler, more technologically advanced digital payment systems, increased merchant acceptance, improvements in UPI, which allows monetary transfers between any two bank accounts via a smartphone, as well as a reduction in cash-based transactions..

Payment through mobile wallet small vendors and retailers like are accepting. Grocery shops and milk booths too have gone cashless. Mother Dairy booths are using digital payment services to avoid the hassle of providing loose change. Even parking facilities at tony malls are started accepting plastic money. Many small vendors has prominently displayed his phone number for customers to pay through ewallets. "I have nothing to hide, What I accepted in notes can now be paid online. All the more, I don't have to deal with hassles of loose change. I wish my wholesaler can accept the same way. He has flatly refused and I am looking for another." To beat the acute cash crush, even doctors are accepting consultation fee through mobile payment, though reports are mixed about their enthusiasm for such transactions. Many, therefore, gave consultations for the fee to be paid at a later

date when new currency notes would be readily available.

The demand is being fuelled by the fact that India is one of the fastest-growing markets for smartphones in the world and is expected to become the second largest market by next year, replacing the United States.

Conclusion

The future of M-Commerce is difficult to predict. There are various impact of demonetization on m-commerce like cash less transection started accepted by the small vendors and retailers. Indian is one of fastest market for the smart phone in the world. Demonetization is one essential factor which will significantly contribute to the boom of the growth of M-Commerce industry in India. digital transactions will happen at 10 times the current level. Demonetisation may serve as the catalyst. But cash will stubbornly resist wholesale digital disruption. The demonetiser's dilemma is a real one. Smoking out the underground economy — at least the parts not in gold or in offshore accounts — is commendable. Yet, a switch to digital in a digitally under-evolved country such as India is anything but digital — you cannot go directly from zero to one. It is bound to be a journey of many small increments. This journey should have been anticipated.

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