

IMPACT OF DE-MONETIZATION ON CONSUMERS OF DELHI/ NCR

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In an astonishing step to restrain black money, corruption and terrorism, the government of India banned high denomination notes of Rs. 500 and Rs.1000. Although this type of move is not new to India but the kind of turbulence that most industries are facing is unusual. Due to lack in disposable income in the hands of consumer, the pattern of consumption will obviously change. Nevertheless, government has increased limits to withdraw money and there is no more liquidity crunch but our government has a vision to make this India digitalized. The continuous campaigning and reinforcement is to encourage people to use more and more electronic mediums to make transactions. This has motivated people to move towards e-monetization i.e. towards electronic medium and avoiding cash dealings.

Retail industry which can broadly be divided into organized and unorganized retailing had different impact on each category. Organized sector which accounts for 5% of total retailing had positive impact as consumer preferred buying online or from places having digital payment facility. The major hit was consumer durables as white/brown goods still operate 80% on cash thereby affecting the volumes. Maximum shock was on traditional trade and rural population, both of which depend on cash for transactions. Moreover, there were several sections of retail that remained insulated from the impact of demonetization.

These changed external environmental conditions have forced consumers to search and learn various alternatives to make payment and

thus have been introduced to e-monetization. This new way of shopping has also turned many people towards online shopping and thus behavior pattern of shoppers now is also very different from traditional shoppers. The consumer behavior can be defined as a complete process through which an individual, a group or groups select, buy, use, and dispose the product from the market. This involves complete understanding of consumers and their needs so that they can be satisfied profitably.

This article has following three objectives:

- The first objective is to understand impact of e-monetization on shopping behavior of consumers. It will focus on the value which e-monetization has added to the industry.
- The second focus is on impact of e-monetization on retail industry.
- Finally, the article will compare level of e-monetization of each category of retailing.

LITERATURE REVIEW

There are many authors and researchers who had already highlighted consumer behavior issues and e-commerce's impact on it. Arjun Mittal in his article "E-commerce: Its impact on consumer behaviour" concluded various reasons and obstacles for using e-commerce as a platform for shopping. According to this article, detailed information and improved service are the major reasons for online shopping and to further encourage it, marketers have to change and improve marketing strategies focusing on payment safety and after sales service.

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The article also explained the factors influencing consumer behavior. Zivil Bouboniene, MRU, Lithuania emphasized that lower price, ability to find a different product, lack of time, wider choice, and easier and more convenient shopping lead to shopping through electronic medium. Dr. Hem Shweta rather, in the article "Adoption of digital wallet by consumer" explained the term digital wallet. The term digital wallet has been applied to diverse form of electronic payments, even some as simple as prepaid cash. In addition to money, however, traditional wallets also typically hold various forms of payments and identification that might be stored and assessed digitally. According to this article, digital wallets can be an alternate choice for online payments as more than 200 million smart phone users are available. Paytm, Freecharge, Mobiwik, and Vodaphone M-pesa have already been major contributors to digital wallets. The drawbacks with digital wallets are dependency on internet and security problem. Kunal Taheam, Rahul Sharma and Saurabh Goswami in their article "Divers of digital wallet usage: Implications for leveraging digital marketing" inferred that the main factor which can promote digital wallets are controllability, security, societal influence, usefulness, transaction, and ease of use. N. B. Harshvardhan Reddy and A Srinivas, in their article entitled, " Impact of Demographic Factors of Indian Consumers Online Shopping Behaviour" in the International Journal of Accounting, Business and Management inferred that in traditional way of shopping, the shoppers have limited choice, but still restriction is felt due to no-touch feel factor in online shopping. Dr. A. Kumudh and Dr. K. S. Laxmi in their article "Digital marketing: Will the trend increase post demonetization" explained its importance as it ensures transparency in the economy. Verma and Jain (2015) understand online shopping as individual's actions which are determined by the intention to shop online. Panda, War (2014) focus on aspects that influence the individuals buying behavior. Malik Guptha (2013) investigates the

relationship between the decision and intention to shop online and factors affecting such decisions. They have pointed out that online shopping behavior refers to the process of purchasing products or services through internet and the process consists of five steps: identification of problem, information search, evaluation, purchase decision, and post purchase decisions. Pavlov and Eygensen (2006) equate online shopping to e-commerce and suggest the definition that e-commerce is the activity where consumers get information and purchase products using internet.

All the above work is done when online shopping is an option and not coercion to buy online. This article has focused on consumer behavior when cash alternative is banned.

RESEARCH METHODOLOGY

The current research is an explorative research where in data was collected both from secondary as well as primary sources. Secondary data was collected after reviewing various literatures available: various magazines, marketing books, newspapers, and literature available on internet. Primary data was collected by conducting survey of 100 respondents. The population identified was everyone who was capable of online shopping and was between the ages 22-45 years. The sampling frame chosen was telephone directory and sampling technique was simple random sampling. The primary data was analyzed by simply calculating central tendency. On the other hand, secondary data was analyzed using case study method.

LIMITATIONS

The research had following limitations:

1. Since the data was analyzed specific conditions therefore it can be generalized.
2. The study was not exhaustive.
3. Time was another limitation.
4. The study was limited to Noida and Ghaziabad.

ANALYSIS AND CONCLUSIONS

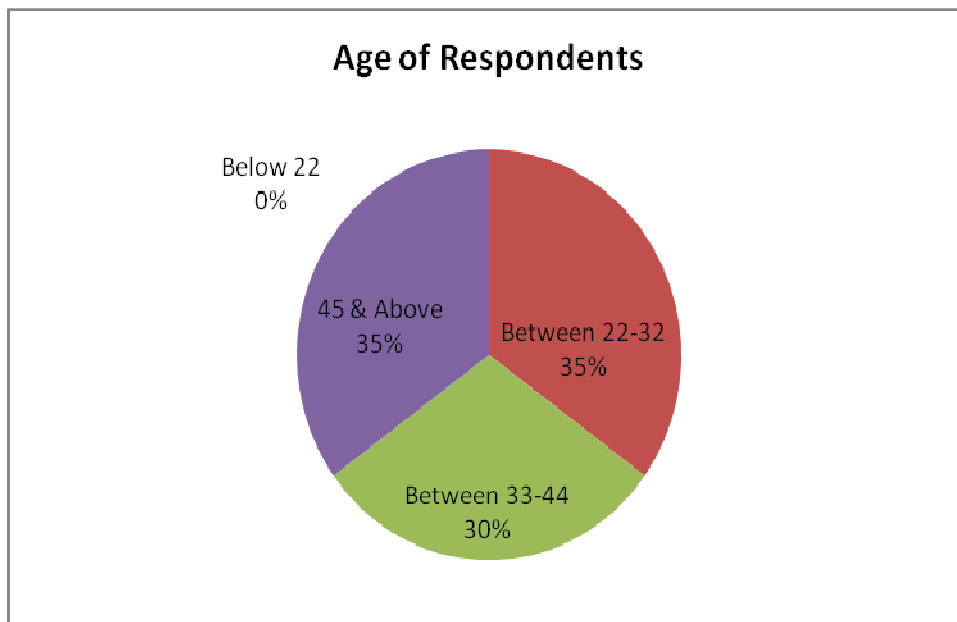


Figure 1.Age of Respondents

In the survey, 35% respondents belonged to the age group of 45 years and above, 35% were between 22-32 years of age, and the rest of the respondents were between 33-44 years of age.

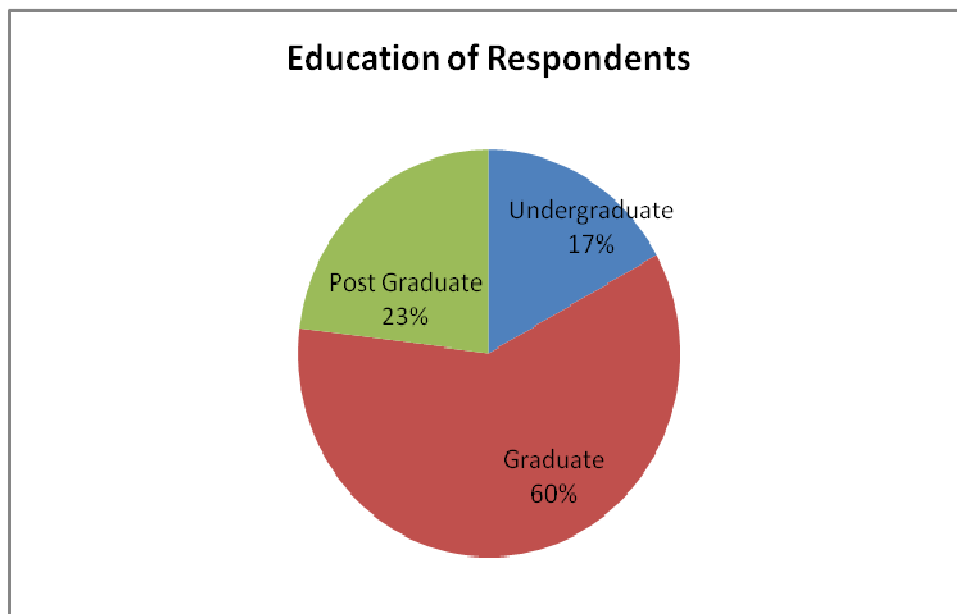


Figure 2.Education of Respondents

Among all the respondents 23% were post graduate, 17% were undergraduate and rest were graduate. Thus everybody was literate enough to use digital medium to make transactions.

The following figures represent answers to questions asked to the respondents

1. Are you a regular or started online shopping after demonetization?

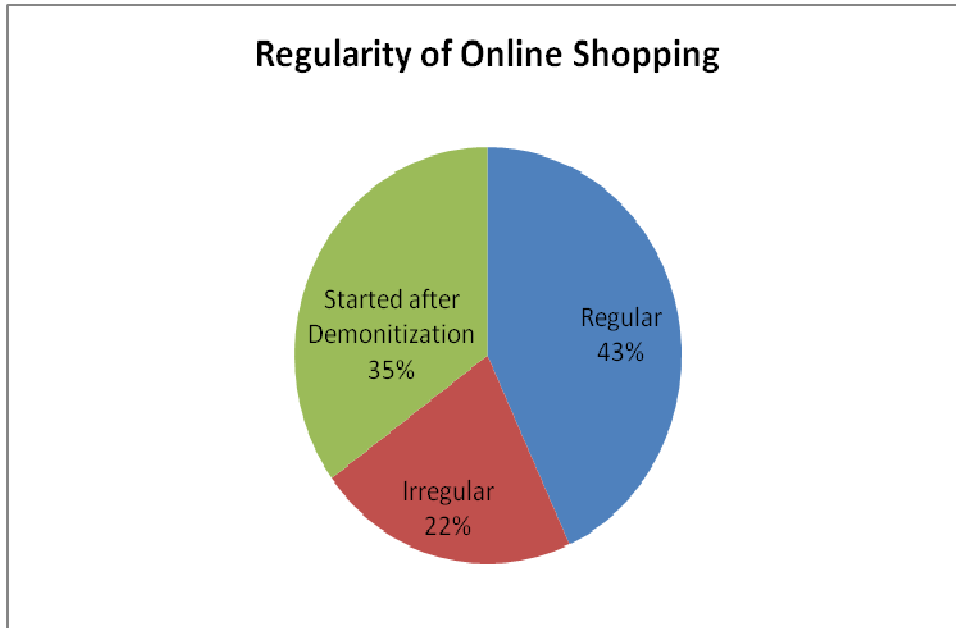


Figure 3. Regularity of Online Shopping

Majority of the respondents undertaking online shopping were already shopping online before demonetization (43%) and 22% were irregular shoppers. 35% of respondents accepted that they

started online shopping after demonetization due to cash crunch.

2. What items do you buy online?

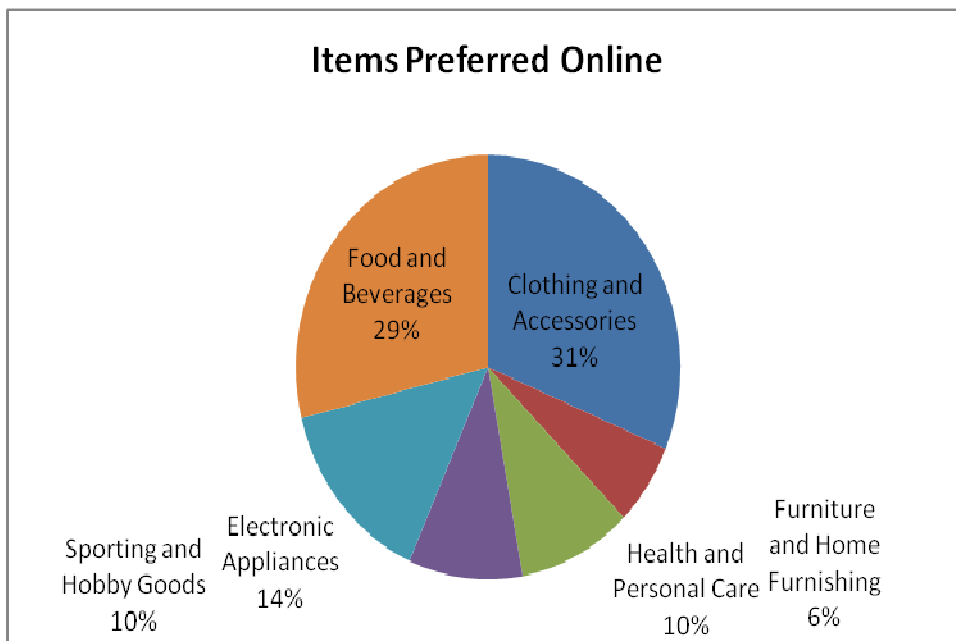


Figure 4. Items preferred by the Respondents for Online Shopping

The above study reveals that the most preferred segment of retailing was fashion and groceries and respondents avoided shopping furniture and home furnishing products due to lack of touch-feel factor.

3. Will you continue shopping online even after having good liquidity in hand?

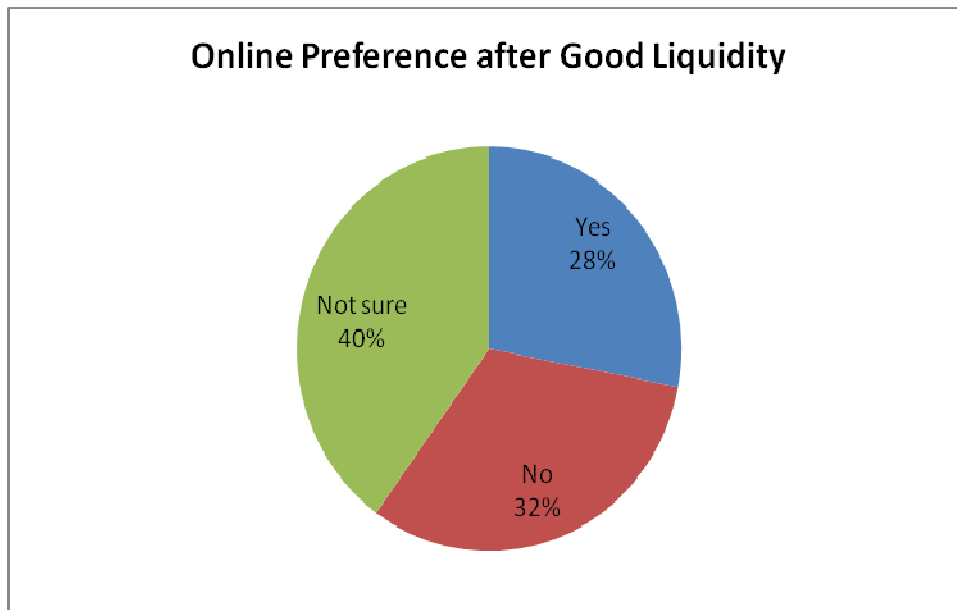


Figure 5. Preference of Respondents regarding Online Shopping after Good Liquidity

40% respondents were not very sure whether they wanted to proceed with online shopping even after having sufficient liquidity but 28% consented to use digital medium even after good

liquidity. There were 32% people who denied shopping online once they have sufficient cash.

4. Why do you shop online?



Figure 6. Reasons for Online Shopping by the Respondents

Majority (23%) of the respondents shopped online in order to retrieve benefit of price and 21% wanted to avoid liquidity crunch. 16%, 18%, and 22% of respondents preferred online

shopping because of comparison, variety, and convenience respectively.

5. Do you think cash payment should be avoided?

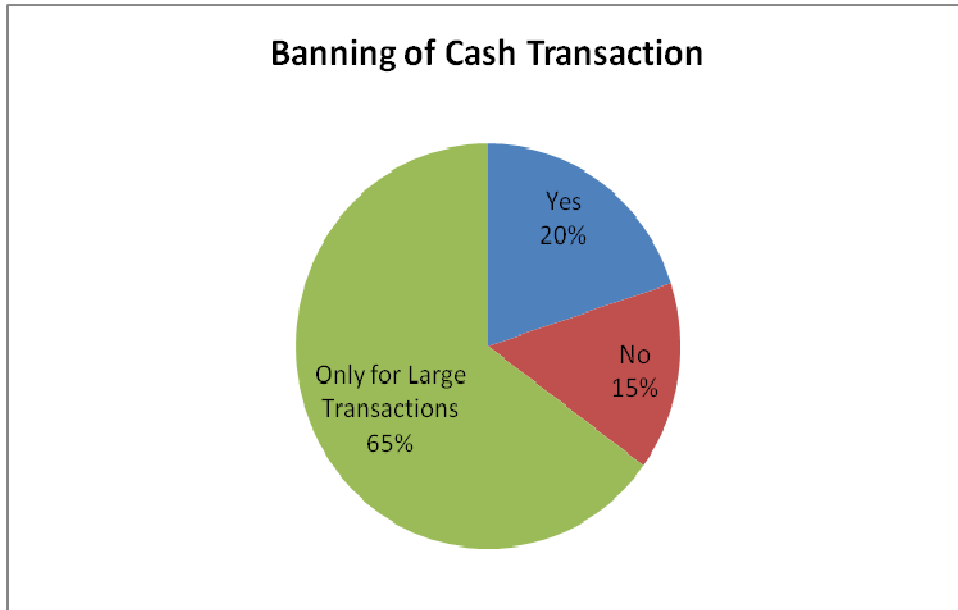


Figure 7. Opinions of Respondents regarding Banning of Cash Transactions

65% respondents opined that cash transactions should be banned in case of large amounts whereas 20% respondents wanted it to be banned altogether. On the other hand, 15% respondents opposed the banning.

6. What is your concern while making online payments?

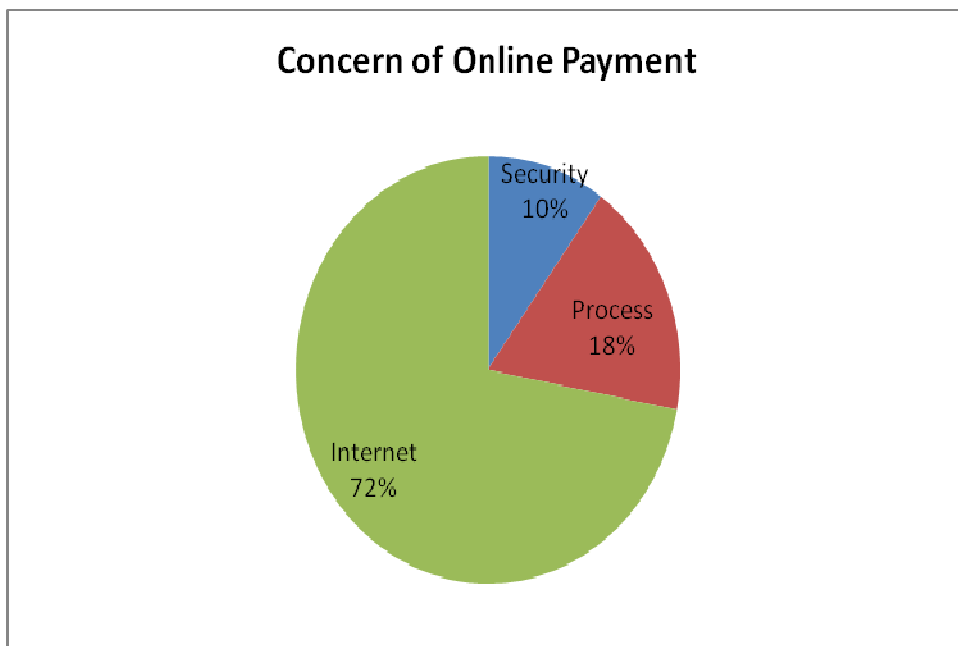


Figure 8. Concerns of Respondents while making Online Payments

72% respondents said that non availability of internet and 18% said non familiarity with the process were their concerns. Rest 10% felt security to be an issue.

7. What impact do promotional activities have while you go for online shopping

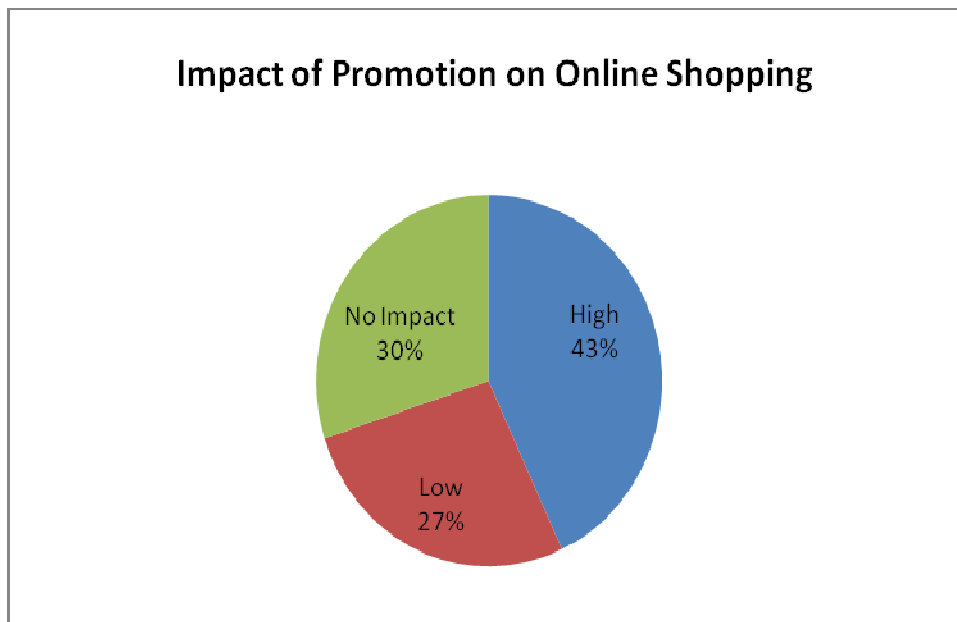


Figure 9. Impact of Promotional Activities on Online Shopping done by Respondents

30% respondents felt that promotion plays no role in online shopping while 43% felt huge impact of promotions. 27% felt that promotions had a low impact.

8. What are the various external factors that encourage you to shop online?



Figure 10. External Factors that Encourage Respondents to Shop Online

The most common external factor that encourages online shopping among the respondents is discounts and offers while 20% respondents believe friends, society, and restrain from handling hassle motivates them to shop online. 12% opine that transparent economy motivates them to shop online.

The immediate impact of demonetization was not very virtuous both for organized and unorganized retailing. Small traders and vendors have been impacted most as they were not equipped enough to make digital payments. 40% of small traders were lacking card swipe machines and thus were not able to support digital payments.

The scenario was worse in rural areas as consumers there were neither so literate that they can make online or digital payments, nor retailers were willing to buy the machines and support digital payments.

The scenario was better with organized sector but was not very reassuring. Even the organized sector faced drop in store footfalls. Flipkart and many other online shopping portals reported 25-30% drop in the sales. Segments like jewelry and luxury had higher impact as major cash transactions take place in this segment. However, segments like fashion and grocery remain somewhere sequestered from this influence. But these impacts are thought to be very temporary.

In the long run, retailers will certainly benefit from this move, but success depends on nature of consumption (discretionary and non-discretionary), ticket size, and ease of adoption of alternate modes of payments.

CONCLUSION

As per above findings, it is clear that demonetization definitely had turned Indians towards new ways of transactions and shopping. India is preparing herself for new ways of transaction which could have been easily witnessed when 200% hike was reported in downloading a mobile payment app and 400% hike was reported in transactions through mobile. This proves that the country is getting ready towards new economy i.e. cashless economy, and so should the retailers. Success of

retailing depends on how efficaciously one understands the consumer behavior of online shopping. Ease of payment, security, and internet alternatives should be evolved in order to encourage online payments. There is no doubt that online retailing has a very bright future if it understands the needs of consumers.

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