

Impact of Demonetisation on India with Reference to Logistics & E-Commerce

Surbhi Gambhir

Research Scholar, G D Goenka University, Sohna Road, Gurgaon, India.

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Abstract- Demonetisation is an act of taking back the status of legal tender from any currency, in India this decision was taken on 8 November 2016 making the economy swing on a roller coaster ride. Main aim for such a strong step is the elimination of black money and funding for terrorism which completely disrupted the social, political, and economic spheres of the world's second largest emerging market. Economy was hit badly. Business on cash basis ruined up and customers suffered. Producers faced a loss whereas e-commerce consider it a short term pain. E-wallets gained up where as small traders loose it all. Economy is now facing the heat of the move but will soon be enjoying its benefits. The main aim of this paper is to highlight the impact of demonetisation on the economy in general and on e-commerce and logistics in particular. The paper considers the affect of this move on the economy and how it has created opportunities for some businesses while making other concerns to loose.

Index Terms- E-Commere, Logistics, Start-ups

I. INTRODUCTION

From a nation of cash preference payments to a cashless economy is a very big jump. The DEMONETISATION policy by the government was a sudden and a prodigious move, which laid its impact on the entire country. The main aim of this surgical strike was to eliminate and capture black money. This move has its positives and negatives as faced by the entire nation. Some businesses got an upswing whereas others clasp a back seat facing temporary losses, rich class experienced tension of their black money and poor strived for their basic needs. This cash crunch affected the operations of all streams to their highest mount. Where the traditional market faced huge losses, for e-commerce it was a mixed reaction; as with no cash in hand and with a withdrawal limit at banks people preferred online shopping making digital payments.

The following literature is reviewed for the paper based on secondary data through internet, newspapers and reports.

II. DEMONETISATION



Source: indianonlineseller.com

It is term a which means an act of scrapping the old currency notes or taking back their status of legal tender money. In India this decision was taken on November 8, 2016 where by paper currency of ₹ 500 and ₹ 1000 were no longer to be considered as legal tender money. India had been done before also in 1946, when all 1,000 and 10,000 rupee notes were recalled. In 1978, 1,000, 5,000, and 10,000 rupee notes were demonetized. As per the notification, sparing some places of public utilities like petrol pump, railways, airports and government hospitals use of this currency was discontinued. Citizens were allowed to take ₹ 2000 per identity from bank, the limit was later raised to ₹ 2500, withdrawal or ₹ 10000 per cheque per account at once and ₹20000 in a week was allowed Since that day till now the Indian Economy is on a roller coaster ride facing challenges every day in a new way. This move received a mix response, where the government decision received praises as well as criticism from the society. The immediate effect of this appalling move was seen on the very day of its announcement when people rushed up to deposit their money in banks and then later stood in long queues for money exchange and withdrawal in order to minimise the aftermaths of this cash crunch.

The positives and negatives of Demonetisation are listed as such.

III. PROS

- This move will help in eliminating black money from the economy.

- It was an effort to stop funding for terrorism.
- To reduce corruption, use of drugs and smuggling.
- The move could boost government revenue.
- It can help to move economic activities from informal sector to formal sector. According to the Ambit capital Report, the share of informal sector can reduce from 40 percent to 20 percent.
- E-Commerce and digital payments will take a head.
- It will benefit the economy in the long run.
- Income tax rates may come down.
- Rate of interests on loan will fall encouraging money supply.
- Rate of real estates and gold prices will fall.
- Currency will become stronger
- Industries will become more productive.

IV. CONS

- The move has caused great inconvenience to the common people.
- Consumption and trade are the first to suffer.
- Consumption expenditure and thus GDP will be affected as people have no cash in hand.
- Bonds prices can increase in the near future.

The further impacts of Demonetisation on the economy are shown in the next sections. This paper will be addressing the collision of the same on e-commerce, new start-ups and logistics.

V. OBJECTIVE OF THE STUDY

- The main objective of this study is to understand demonetisation and its impact on the economy in reference to e-commerce and logistics in particular.
- To study various challenges faced by e-commerce and logistics.

VI. RESEARCH METHODOLOGY

This paper is fully done by secondary data, collected from sources like Research agencies, websites and news papers.

VII. IMPACT ON E-COMMERCE



Source: economictimes.indiatimes.com

The term is used to convey trading and business operations conducted via internet. Today's e-commerce is a fully developed field introducing new and creative ways for satisfying customers. Customers' ease, trust and satisfaction for e-commerce has also increased over the years. This fact is evident from the study conducted by "India Goes Digital", The Indian E-commerce market of the value 28500 crores in 2011 of which online travel constitutes about 87%. As per Internet and Mobile Association of India, e-commerce sector will be earning ₹ 211,005 crores till December 2016 of which 61% is due to travel.

The impact on demonetisation can be seen clearly on the market, the sudden changed purchasing behaviour of the consumer is the ultimate proof as in the hour of emergency with no cash spare with them, the last resort for the consumers was e-commerce only.

Undoubtedly the e-commerce companies also felt the heat of this move but the pain was short termed. As when the majority population turned up to be cashless, they turned up. For e-commerce, where demand for luxurious and technical goods saw an abnormal fall, there demand for that of grocery and essential commodities welcomed a surge of sales. With shortage of goods in the traditional market people preference for e-commerce gained up but the fact can not be denied that the rural area people are still not that efficient in making digital payments and prefer the traditional market over e-commerce so from that part the sales from e-commerce got affected a lot.

The main source of earning for any e-commerce site whether Amazon, Flipkart or Snapdeal is cash on delivery and when the crowd went cashless so suffered the e-commerce companies. Cash on delivery orders were badly hit as per the research done by Forrester Research, "The cash on delivery option will witness a significant fall and thus it will force customers to make online payments atleast in the first 1-2 months". According to PayU India CEO, Amrith Rau, "This move will also have an effect on Gross Merchandise Volume as not every COD order will move to digital payments". E-commerce companies have to increase the discounting rates to drive sales.

At last demonetisation proved to be a good move for e-commerce as according to Snapdeal's co-founder and CEO Kunal Bahl, "CoD returns are a big pain point from economics' and logistics' perspective...this will significantly get mitigated going forward as more and more payments move to digital,"

VIII. IMPACT ON LOGISTICS

IX.

Impact Of Demonetisation On Auto Companies FY17 Earnings Per Share Estimates			
	Previous	Current	% Revision
Bajaj Auto	144.25	141.9	-1.63
Eicher Motors	643	625	-2.80
Hero MotoCorp	183	180	-1.64
Mahindra & Mahindra	72.5	72.5	0
Maruti Suzuki	229	231	0.87
Tata Motors	46.9	38.3	-18.34
	1318.65	1288.7	-2.27

Source: bloombergquint.com

Logistics serves as the backbone of an economy. It facilitates the movement of good from one place to another. Logistics is as important to business as is government to a nation. As the entire nation tasted the taste of this cash crunch so as its producers. When the producers fall short of cash with lower prices of their commodities and less profits making them fail to produce any further commodity creating a shortage of goods in the market. Their comes the role of logistics of transferring commodities from the place of extra to the place of shortage specially for essential commodities.

As described earlier, the more number of people turning towards e-commerce want things to be delivered to them at the earliest which was made possible with the help of logistics therefore to some extent the importance of logistics has increased with demonetisation but the logistic companies have suffered also as when the cash on delivery is totally eroded, logistics companies faced a dip in their profit volumes.

According to Blue Dart Express, the Indian logistics and courier company owned by DHL Group has suffered a loss, Charles Brewer, CEO said, "There is a short term pain(in terms of profitability). The volumes are lower. E-tailers are not sending some of these cash on delivery shipments,"

We are not able to take any new consignments or orders considering we have no cash to give to our drivers. Some of our drivers are stuck following the announcement as there are no new denomination notes available for immediate usage," said Gurvinder Singh, vice-president, Bombay Goods Transport Association.

The working president of All India Transporters Welfare Association said, " there re about 85 lakh trucks engaged in the transportation of goods in the country and the operations of almost all of them are fast coming to a halt" as the transporters have run out of cash and are no longer able to provide it to their drivers.

IMPACT ON E-COMMERCE START-UPS



Source: indianexpress.com

Technology has driven our lives to a modernised world. All the changes are coming fast due to creativity and new ideas. This innovation is brought by the start-ups. Start-ups are nothing but a new innovation done to make our lives better than before and to satisfy the ultimate customers. New companies that were set up to deal in real estate suffered losses because of decrease in price of properties. Start-ups with the business of consumer electronics and luxury also had to taste the salt of losses where as newly developed those who were dealing in durables, gold and jewellery, e-wallets were the ultimate beneficiary as on the very day of announcement and even after that those having black money invested in gold leading to sudden hike in gold prices and online jewellery sites do accept digital payments making them survive in this cashless era but later on common man withdraw his savings from gold only those for marriage and important purposes paid for it as the crowd having bare money to spend on neccesties, gold became a far cry.

X. TRANSPORT START-UPS

Neither the online transport nor the public transport bled with demonitisation, as this move has affected the entire economy but many sectors were there who got scratched a little and online transport and public utility vehicles are one of them.



Source: mid-day.com

It goes without saying that with the ban of ₹ 500 and ₹1000 notes e-wallets are the highest beneficiary. It is the happiest sector after the government's move to ban currency. Ever since this decision was announced Paytm's user base rose to 160 million. Paytm founder-CEO Vijay shekhar sharma said, "I don't need to sleep, this is a dream that I am living while trying to solve the pain of the people". "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. From a vegetable vendor to paying for a school fee Paytm is everywhere and with this decision of the government e-wallets like Paytm, Mobikwik, Freecharge gained a lot. According to an analyst from AppAnnie, about 46.62 percent Indians open for wallet recharge and payment. To attract more consumers these wallets have launched their apps in local languages which really results in adding more number of consumers than never before.

For e-wallets demonitisation proved to be a big hit, they are adding more number of consumers and are making good profits.

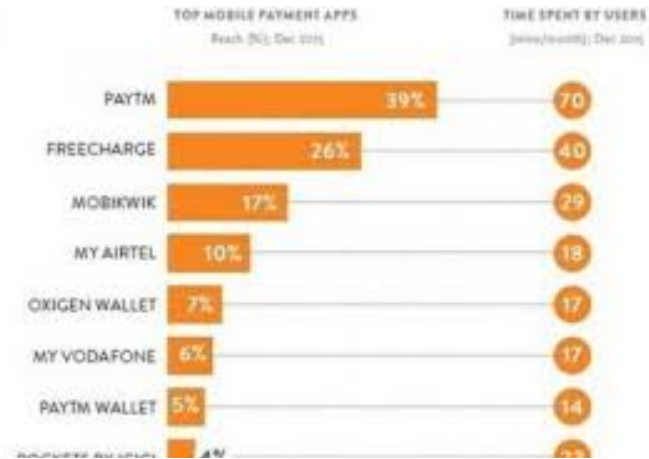
XII. ONLINE FOOD DELIVERY BUSINESS

Food start-ups like foodPanda, Wow Momo, Café Coffee Day etc allow their customers to pay via e-wallets or through debit card, credit card or any other mode of digital payment. With demonitisation this business has not been affected much as unless like traditional market they can not only deal in cash. Their revenue had probably remained the same.

Other sector of the society which suffered is the AAM JANTA sector, this was the most affected. People were standing in long queues struggling to get their currency changed.

Online transport facility like that of OLA and UBER was not that affected by demonitisation as they accept online payments and many users in India pay from their smart phones through e-wallets and other measures.

XI. E-WALLETS



source: insidein.com

Traditional market faced a huge loss because of this cash crunch every transaction in the traditional market came to a standstill. Every business from a kirana shop to airlines, there is not a single business except e-wallets which had enjoyed any relief. Some praised this action whereas for some it was a disastrous decision which let the whole economy bite its nails.

XIII. IMPACT ON ECONOMY AS A WHOLE

As discussed above business being the core component of an economy got badly hit. The worst sufferers are those dealing on cash basis. The country gave a mixed response for common people it is difficult to adjust in a short span of time but they will enjoy the benefits as for a common man investment in gold and real estates are the popular options the rates of which will come down. Society will become more equitable. Inflation will come down. Drop down in prices of properties and gems and jewellery will lead to decrease in profits from the producer. "The unbanked and informal economy is hard hit," explained Monishankar Prasad, the New Delhi-based author and editor for Alochana, an Australian current events publication. "The poor do not have the access to structural and cultural resources to adapt to shock doctrine economics. The poor were taken totally off guard and the banking infrastructure in the hinterland is rather limited. The tech class has poor exposure to critical social theory in order to understand the impact on the ground. There is an empathy deficit."

XIV. CONCLUSION

This paper aimed at finding the various ill and positive effects of demonitisation on economy and business. The sufferers of this move are common man, small and medium sized businesses, terrorists, Country's GDP, banks, e-commerce,

logistics and so on the list is long. The beneficiary of this move can only be concluded as E-Wallets, although the study is still on but the following paper has made an effort to highlight some of the after effects of demonetisation on e-commerce and logistics. Everything has its positive and negatives so as demonetisation. Some praised the move whereas some criticised it. Demonetisation at one side laid one business to rise and on the other hand has made the economy and its people go through the pain. Demonetisation is a good move and will lead to betterment of the economy in the long run, no doubt but many businesses have to shut down their work or production. A short term pain can be handled for a long term benefit. When it comes to common man people with large amount of black money got restless with this move and used unscrupulous means to hide and convert it, whereas a taxpayer has to stand in long queues to withdraw his own hard earned money. Small and medium sized business dealing on cash basis were totally thrashed seeing a collapse in demand. Banks had hard time while dealing with customers. The economy gross domestic product is expected to decline but will gain up again in the long run. It can be concluded that where demonetisation proved to be a blessing for e-wallets, solution for other e-commerce business will also come soon as majority economy was hit badly so way out from this problem need to be taken care of.

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AUTHORS

First Author – Surbhi Gambhir, Research Scholar, G D Goenka University, Sohna Road, Gurgaon, India.,
surbhigambhir16@gmail.com, 9871156336