



e-COMMERCE & e-WALLET ARE CRITICALLY EVALUATED WITH RESPECT TO DEMONETIZATION IN BANGALORE

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ABSTRACT

Demonetization of currency means discontinuity of the said currency from circulation and replacing it with a new currency. Most of the people hailed the Modi's strong decision, while poor were shocked by the move. The overnight decision changed the life of many as black money holders were worried about the pile of cash they were sitting on. Many poor daily wage workers were left with no job and income as owners were unable to pay their daily wage. It is no doubt a bold step taken by the government which will definitely help India to become corruption-free. Data collected from the public of Bangalore with questions on Demonetization and its associated effects caused to people, business and mode of transaction in day to day life. Demonetization though it has created some positive and some negative impacts on different sectors but in long run it definitely will have positive impact in controlling black and fake money. Government is promoting the cashless transaction and in this direction, government has taken initiative with some incentives such as insurance, e-payment discount offer etc., Government must put its best efforts to train the people at ground level even up to small villages and for such purpose contributions of government officials, teachers, sarpanchs and panchs can be availed.

Keywords: e-Commerce, e-Wallet, Money, Demonetization, Economy.

I. INTRODUCTION

The government had announced demonetization of Rs 1000 and Rs 500 note on November 8, 2016. A demonetization is a tool useful for eradication of black money. After demonetization of Rs 1000 and Rs 500, the government introduced new Rs 500 but not Rs 1000. Instead of Rs 1000, the new Rs 2000 introduced not only these RBI printed new Rs. 200 notes. Many now argue that the process of demonetization had little impact on black money, given that 99 per cent of the notes were surrendered back to the bank. The cash ban had forced the RBI to print new notes and in new denominations. We now have new notes in circulation with denomination of Rs 2,000 for the very first time. There are also new Rs 500 notes in circulation, which are very thin and have great security features. So, now there is whole lot of new currency that is in circulation. There are also plans to



include new currency in other smaller denominations, especially Rs 100. In any case, nobody seems to be unduly worried now that the entire demonetization episode and the time frame to exchange the old notes now stands completed.

II. CONCEPT OF e-COMMERCE & e-WALLET

Electronic commerce (ecommerce) is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. Electronic commerce operates in all four of the major market segments: business to business, business to consumer, consumer to consumer and consumer to business. It can be thought of as a more advanced form of mail-order purchasing through a catalog. Almost any product or service can be offered via ecommerce, from books and music to financial services and plane tickets. Ecommerce has allowed firms to establish a market presence, or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their products or services. One example of a firm that has successfully used ecommerce is Target. This mass retailer not only has physical stores, but also has an online store where the customer can buy everything from clothes to coffee makers to action figures. Amazon, by contrast, is a primarily an ecommerce-based business that built up its operations around online purchases and shipments to consumers. Individual sellers can also engage in ecommerce, establishing shops on their own websites or through marketplaces such as eBay or Etsy. Such marketplaces, which gather multitudes of sellers, serve as platforms for these exchanges. The purchases are typically fulfilled by the private sellers, though some online marketplaces take on such responsibilities as well. Ecommerce transactions are typically being done through a computer, a tablet, or a smartphone. E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The terms e-commerce and e-business are often used interchangeably. The term e-tail is also sometimes used in reference to transactional processes for online shopping. E-commerce is conducted using a variety of applications, such as email, online catalogs and shopping carts, EDI, File Transfer Protocol, and web services. This includes business-to-business activities and outreach such as using email for unsolicited ads (usually viewed as spam) to consumers and other business prospects, as well as to send out e-newsletters to subscribers. More companies now try to entice consumers directly online, using tools such as digital coupons, social media marketing and targeted advertisements. The benefits of e-commerce include its around-the-clock availability, the speed of access, the wide availability of goods and services for the consumer, easy accessibility, and international reach. It's perceived downsides include sometimes-limited customer service, consumers not being able to see or touch a product prior to purchase, and the necessitated wait time for product shipping. The rise of e-commerce forces IT personnel to move beyond infrastructure design and maintenance and consider numerous customer-facing aspects such as consumer data privacy and security. When developing IT systems and applications to accommodate e-commerce activities, data governance related regulatory compliance mandates, personally identifiable information privacy rules and information protection protocols must be considered. E-wallet is a type of electronic card which is used for transactions made online through a computer or a smartphone. Its utility is

same as a credit or debit card. An E-wallet needs to be linked with the individual's bank account to make payments. E-wallet is a type of pre-paid account in which a user can store his/her money for any future online transaction. An E-wallet is protected with a password. With the help of an E-wallet, one can make payments for groceries, online purchases, and flight tickets, among others. E-wallet has mainly two components, software and information. The software component stores personal information and provides security and encryption of the data. The information component is a database of details provided by the user which includes their name, shipping address, payment method, amount to be paid, credit or debit card details, etc. For setting up an E-wallet account, the user needs to install the software on his/her device, and enter the relevant information required. After shopping online, the E-wallet automatically fills in the user's information on the payment form. To activate the E-wallet, the user needs to enter his password. Once the online payment is made, the consumer is not required to fill the order form on any other website as the information gets stored in the database and is updated automatically.

III. EVENT OF DEMONITIZATION

The government of India recently took a bold step to demonetize Rs 500 and Rs 1000 currency, which means that the legal tender of currency units is declared invalid from the specified date. Demonetization of currency means discontinuity of the said currency from circulation and replacing it with a new currency. Most of the people hailed the Modi's strong decision, while poor were shocked by the move. The overnight decision changed the life of many as black money holders were worried about the pile of cash they were sitting on. Many poor daily wage workers were left with no job and income as owners were unable to pay their daily wage. It is no doubt a bold step taken by the government which will definitely help India to become corruption-free. Here are some advantages and disadvantages of de-monetization:

- This move will help the government to track unaccounted black money or cash on which income tax has not been paid. Individuals who are sitting on a pile of cash usually do not deposit the amount in the bank or invest anywhere as they would be required to show income or submit PAN for any valid financial transactions. They would hide it somewhere and use it as and when necessary. Banning high-value currency will impact people who will have no option, but, to declare income and pay tax on the same or destroy the cash somehow. Now, it is not possible to hide the money as the notes have been declared invalid.
- Reduction in illegal activity Banning high-value currency will halt illegal activity as the cash provided for such activities has no value now. Black money is usually used to fund the illegal activity, terrorism, and money laundering. Fake currency circulation will come to a halt in a single shot. Corrupt officers, money launderers are under threat as Income tax department is taking all the measures to track such people.
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- Tax payment Most of the businessmen who have been hiding some income are ready to pay advance tax as current year's income. Tax payers who have been hiding some income can come forward to declare income and pay tax on the same. Individuals are required to submit PAN for any deposit above Rs 50,000 in cash, which will help tax department to track individuals with high denominations. Also, deposit up to Rs 2.5 lakh will not come under Income tax scrutiny. Jan Dhan Yojana Now individuals are depositing enough cash in their Jan Dhan accounts which they were reluctant to do so a few days back. The amount deposited can be used for the betterment of the country.
- Disadvantages of Currency Demonetization: It may cause inconvenience for initial few days for those who have to start running to the banks to exchange notes, deposit amount or withdraw the same. The situation can turn chaotic if there is a delay in the circulation of new currency. Individuals who have an upcoming wedding are the ones who have to make alternative arrangements to make payments. However, the government has given higher withdrawal limit in such cases.
- Cost of currency destruction: After the news, we have seen that many individuals have burnt their cash and discarded the same, which is a loss to the economy. The government has to bear the cost of printing of new currency and its circulation. It makes sense when benefits of demonetization are higher. The cost of currency printing is a burden on the tax payers and is one of the many disadvantages of de-monetization.

IV. RESEARCH DESIGN & METHODOLOGY

a. STATEMENT OF THE PROBLEM

- After the historic event of demonetization, the citizens of India was struck for few days to better understand what the government really means by "Demonetization" and what will be the pros and cons because of it. Because of the vent of demonetization the transactions becomes obvious to be made by electronic transfers as the only option left at the public daily use. Thus this paper identified the problem as the perspective of the public on accessing e-Commerce and e-Wallet due to Demonetization in Bangalore, overnight change manifested by the Government of India, on 8 November 2016.

b. OBJECTIVE OF THE STUDY

- To verify whether the public in Bangalore city has understood the concept of Demonetization.
- To explore their understanding and confidence to use e-commerce and e-wallet due to the event of Demonetization.
- To learn the pros and cons faced by the public in Bangalore, due to Demonetization.

c. SCOPE OF THE STUDY

- The scope of the study will throw light on the problems and challenges faced by the common public due to demonetization and the use of e-wallet and e-commerce. By overnight the public is not aware on the use and transfer of money electronically. Hence, the business scenario shall learn the pros and cons of the public by this study on the advent of demonetization and its sustained influence on to public in their daily life. Further, this study will equip the management students to better understand the notion of the public with regard to the changes occur in the modern commerce scenario.

d. DATA COLLECTION

- This study considers the primary data collected from the public of Bangalore. This study considered Convenience sampling to ask open ended questions on Demonetization and its associated effects caused to people, business and mode of application. Further, this study has accepted to analyze unique ideas, answers, notions, perspectives stated by the public for this study.

e. DATA ANALYSIS & INTERPRETATIONS

The respondents were asked open ended questions with regard to DEMONETIZATION and from their answers to a number of questions and subsequent conversation with regard to it is summarized and given below:

- *Lack of Money in ATMs was the Deep Concern.*
- *Currency Change was not available from anybody including Banks from both Government & Private.*
- *Usage of E Wallets was insisted but was not aware to many.*
- *Banks unable to feed their Customers in any way with regard to this Demonetization and the transfer was in only PAY IN direction.*
- *Old and poor people losing lives and it is for sure that the government was cruel to them.*
- *Many old and rural people have lost their lives with the sudden message that the money that saved for years has lost value by overnight.*
- *People with large amount of black money are using unscrupulous means to convert it into legitimate currency.*
- *A taxpayer has to stand in queues to withdraw his hard-earned money.*
- *Online companies are having the last laugh as most of the white income class is resorting to online.*
- *Small/medium sized businesses relying on cash transactions are seeing a total demand collapse.*
- *Gem and Jewelry business have faced hard hit, the Real estate prices has fallen and the transactions volume has dropped.*
- *The worst hit was those who are not on plastic money and have to take care of urgent medical expenditure.*
- *Traders, taxi operators and the tourism sector have been hit hard. Horticulturists from Himachal were suffering as their produce was not been sold in fruit and vegetable markets.*
- *The people having marriages in their families have been allowed cash withdrawal of Rs 2.5 lakh. Even for that amount a lot of riders have been added. Many are not getting 2.5 lakhs due to shortage of currency.*
- *Pensioners are going through a harrowing time and long ques have taken many lives already. Even senior citizens whose pension is directly linked to bank accounts are facing hassles.*
- *Private hospitals and chemists are neither accepting old notes nor extending credit. The Rs 4,000 limit that has been imposed on withdrawals from banks mean it is a hand-to-mouth existence for many who are already in trouble.*
- *Manual laborers and daily wage workers are unemployed as their employer lacks money to pay them in cash(online is not sufficient).*



- *The people in rural areas and the farmers are also facing a great deal of hardship. Many of them do not have bank accounts or own a debit/credit card. The concept of internet banking is far removed for them. These people may be induced to rise in revolt. Already the case of looting of a fair price shop by the public in Madhya Pradesh has been reported.*
- *Deep Deflation. The amount of money in circulation will drop dramatically while supply of goods will remain stable - hence prices of goods will drop. Gold prices, stock prices, commodity prices will drop.*
- *The public is inconvenienced because they don't have the cash with which to buy daily necessities.*
- *Foreign tourists who have withdrawn money after landing in India are among the worst hit. Instead of enjoying the sights and sounds of India, they are scampering around in an alien land, trying to secure legal currency. Incredible India indeed. The negative feedback to the tourist industry which will affect its reputation.*
- *With less potential buyers in the market and fewer people having white money, the demand for the land goes down and drives down its price. (As people get black money in the future, they will be afraid of holding on to cash and would want to convert that right away into other assets, such as land and gold. This increased demand for land holding, as a form of store of value, might drive property prices higher in the future.)*
- *The trader class is affected given that most wholesale shopkeepers choose to keep liquid cash to buy material every day. Very few of them deposit money in a bank. Many of them have incurred losses because of the liquidity drying up in the market.*
- *More than a quarter of a billion people in India do not have access to the formal banking sector, which means that a cashless society would be truly perilous.*
- *Cash is the primary mode of transaction in agriculture sector which contributes 15% to India's total output. Almost all the trade in vegetables and fruits was in cash and now the farmers are facing problems. The prices of their produce have fallen and they are likely to face losses.*
- *Formal financing in many parts, especially Punjab, Uttar Pradesh, Odisha, Maharashtra, Gujarat and Kerala is significantly from cooperative banks, which are barred from exchange-deposit of demonetized currency.*
- *Notably, it was the time of kharif harvest and start of rabi sowing, partly explaining why this period is dubbed the 'busy season' from a standpoint of credit demand, the other being bunching of festivals and weddings.*
- *Agriculture is impacted through the input-output channels as well as price and output feedback effects. Sale, transport, marketing and distribution of ready produce to wholesale centres or mandis, is dominantly cash-dependent. Disruptions, breaks in the supply chains feedback to farmers as sales fall, increased wastage of perishables, lower revenues that show up as trade dues instead of cash in hand and when credited into bank accounts with limited access affect the sector.*

V. FINDINGS

The key findings from the above mentioned data collection from the respondents on basis of e-Commerce and e-Wallet usage with respect to Demonetization.

- Cash cannot be a significant component of Black Assets and the true component is still untouched.
- Indian Statistical Institute, Kolkata, in 2015, has stated that the only ₹ 400 crore worth of fake notes were in circulation in the economy. This is merely 0.025% of the total budget outlay of ₹ 19.7 lakh crore as announced this fiscal. In comparison, just the printing cost of notes being taken out of circulation is approximately ₹ 12,000 crore. Now, the public policy to flush ₹ 12,000 crore down the drain to purportedly remove about ₹ 400 crore of fake currency, need to be questioned and justified.
- Even the insignificant black assets in cash that remain with people (even after prior information) are likely being whitewashed through various loopholes. Backdated buying of gold and exchanging through the new black market for exchange of notes are prominent ways in which those with black cash are getting it laundered or changed to smaller notes.
- The annual black economy is conservatively over 20% of our GDP. This means that the annual generation of black money is over ₹ 30 lakh crore which is greater than the entire amount of ₹ 17.77 lakh crore of cash in circulation (86% of this cash is in the form of withdrawn ₹ 500 and ₹ 1000 notes). So, even if half the value of the withdrawn notes was black wealth and none of it was whitewashed, the black money destroyed would still be much less than the amount of black wealth generated yearly. It's clear from this that demonetization cannot do any long-lasting damage to the black economy since the roots of it remain untouched.
- Another pitfall of rushing through the decision is that it left government with no choice other than to reintroduce higher denominations as today India doesn't have the infrastructure for a primarily cashless economy. Doesn't it make more sense to first focus on transitioning to a cashless economy and then completely withdrawing these larger denominations? By introducing ₹ 2000 notes, the government has made it easier for those who want to hoard black money in cash as they will need only roughly half the space they needed earlier for their ₹ 1000 notes. Thus, in this sense this move will give a boost to black economy.
- Economic activity had hard beating, as the people are desperate for cash, so much of the workforce that should be productively working is wasting long hours in unending queues at the banks and ATMs. The abrupt call-back of 86% of cash, has brought the informal economy to a standstill—this sector is the worst affected, with the most marginalized suffering the most. The wide speculation on property and gold pricing will also undermine economic stability and reduce investors' confidence in India.

VI. SUGGESTIONS

- Cashless transaction has to be made facilitated by making the internet reachable and affordable to all, in all parts of India.
- The illegal agent who has emerged to exchange of notes with a huge commission has to be diagnosed and action has to be taken seriously.



- Government is promoting the cashless transaction and in this direction, government has taken initiative with some incentives such as insurance, e-payment discount offer etc.,
- Government must put its best efforts to train the people at ground level even up to small villages and for such purpose contributions of government officials, teachers, sarpanchs and panchs can be availed.
- Educate everyone about the use of e-wallet and Debit & Credit Cards. Proper classes about the use of e-wallet and cards should be taken at each & every office, organization, companies etc. whether private or government. Camps can be held at village levels & city levels at each & every corners. Social workers, panchayat members, municipal corporation members & staff should come forward in explaining the use of digital media for buying commodities in the market.
- Give every businessman, who has current account with banks, swipe machine at the earliest possible. Tragedy is many bank branches still do not provide facility of giving swipe machines to its clients. Immediate steps to be taken by the concerned authorities to equip banks with these machines so that it can be distributed to the traders. Also proper training should be given to traders about its use.

VII. CONCLUSION

Demonetization is not new to India or to the outside world. Various governments across the world have decided to ban currency note in circulation, rendering huge amount of cash useless overnights due to plethora of reasons. These reasons include fighting counterfeiting, stopping terror activities, battling black money etc. Demonetization is a historical step and should be supported by all. One should look at the bigger picture which fetches results in the long run. This is what the people have been asking for a long time which has finally happened. Demonetization will likely result in people adopting virtual wallets such as PAYTM, OLA Money, Net Banking, Mobile Banking, and transaction through other apps will increase; this behavioral change could be a game changer for India. *“When we expect an honest government with no corruption and malpractices, we also have to be honest. Honesty is not one way road”*- Prime Minister Narendra Modi. Demonetization though it has created some positive and some negative impacts on different sectors but in long run it definitely will have positive impact in controlling black and fake money.

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