

Trend of E-Commerce on rural area: Pre demonetization and post demonetization

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Abstract

Demonetization is the act of detaching a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. It also helps to wipe out the black money and black market activities. The rural areas in particular, which do not have formal sources of banking, also deal largely in cash. Demonetization also aims to boost the digital transactions in all area. While formal modes of payments such as debit and credit cards, net-banking and digital wallets should get a boost, this will take a long time to be felt simply because the proliferation of these products is still low among the middle classes and the poor, for whom cash is still the predominant mode of transactions. The government's move is bold in its intent and massive in its measure. The primary data collected through structured questionnaire from rural people. This study shows the effect or result of demonetization among rural people.

Keywords: E commerce, Demonetization, Rural area

1. Introduction

Electronic Commerce is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. India has shown tremendous growth in the E-commerce segment. ECommerce has become an important tool for small and large businesses worldwide, not only to sell to customers, but also to engage them. Although the transition to online purchasing from traditional purchasing is taking a long time in Indian market due to less number of internet users because of the lack of internet facility and awareness among the general public. For traditional businesses, one research stated that information technology and cross border e-commerce is a good opportunity for the rapid development and growth of enterprises.

Ecommerce builds on traditionalcommerce by adding the flexibility and speed - offered by electronic communications. This can facilitate improvement in operations leading to substantial cost savings as well as increased competitiveness and efficiency through the redesign of traditional business methods.

The demonetization of the highest denomination currency notes is part of several measures undertaken by the government to address tax evasion, counterfeit currency and funding of illegal. Facilitating faster payment services The payments eco-system in the country provides multiple options to different segments of users for funds transfer as well as for making payments in exchange of value for goods and services. With increasing adoption of electronic payments, particularly those driving e-commerce and m-commerce, there is a growing demand for faster payment services which, in turn, facilitate ease in doing financial transactions. The demonetisation was done in an effort to stop the counterfeiting of the current banknotes alleged to be used for funding terrorism and for cracking down on black money in the country.

There are potentially two ways in which the pre-demonetisation money supply will stand altered in the new regime: one, there would be agents in the economy who are holding cash which they cannot explain and hence they cannot deposit in the banking system. This part of the currency will be extinguished since it would not be replaced in any manner. Second, the government might choose to replace only a part of the currency which was in circulation as cash. In the other words, the rest would be available only as electronic money. This could be a mechanism used to force a transition to cashless medium of exchange.

2. Literature Review

Jain, P.M (2006) in the article "E-payments and E-commerce" opined that e- payments will be able to check black" An Analysis of Growth Pattern of Cashless Transaction System. Taking fullest advantage of technology, quick payments and remittances will ensure optimal use of available funds for banks, financial institutions, business houses and common citizen of India. He also pointed out the need for e-payments and modes of epayments and communication networks.

Annamalai, S. and Muthu R. Iiakkuvan (2008) in their article "Retail transaction: Future bright for plastic money" projected the growth of debit and credit cards in the retail transactions. They also mentioned the growth factors, which leads to its popularity, important constraints faced by banks and summarized with bright future and scope of plastic money.

Alvares, Clifford (2009) in their reports "The problem regarding fake currency in India." It is said that the country's battle against fake currency is not getting easier and many fakes go undetected. It is also stated that counterfeiters hitherto had restricted printing facilities which made it easier to discover fakes.

Ashish Das, and Rakhi Agarwal, (2010) in their article "Cashless Payment System in India- A Roadmap" Cash as a mode of payment is an expensive proposition for the

Government. The country needs to move away from cash-based towards a cashless (electronic) payment system. This will help reduce currency management cost, track transactions, check tax avoidance / fraud etc., enhance financial inclusion and integrate the parallel economy with main stream.

3. Scope of the Study

On November 8th, 2016, in what can be said to be the audacious move, Prime Minister Sri. Narendra Modi announced the scrapping of 500 and 1000 rupee notes in order to combat the black money and forged currency. As anticipated, the sudden dearth of cash led to the emptiness in the business. The shift focused to more of digital, online transactions thus enhancing the payments other than cash. After demonetization, the online shopping with prepaid channels increased, the purchases made online were mainly food and groceries, online restaurant booking and food ordering etc. Today we can boast of a strong retail payments framework in the country comparable to that of any advanced country, and perhaps even better than some of them in terms of the variety and efficiency. Various types of payment instruments exist to meet the requirements of different users in different circumstances – bank accounts, cheques, debit and credit cards, prepaid payment instruments, etc.

4. Objectives

1. To compare and measure the usage of e-commerce facilities pre demonetization and post demonetization on rural area
2. To identify the influencing factors for the adoption of E commerce facilities on rural area

3. To find out the effect of demonetization on E commerce

5. Research Methodology

This study “Trend of E-Commerce on Rural Area: Pre Demonetization and Post Demonetization” is descriptive in nature and makes use of a descriptive research design. Both primary and secondary data are used for this study. Primary data is collected through survey. Secondary data were collected from website, books, journals etc. Primary data was collected from sample of 200 rural people in India. Convenience sampling method used for this study. According to census 2011, total population of India is 121.0 Crore. The rural and urban distribution is 68.84% and 31.16% respectively.

Chi-square test, multiple regression analysis, Confirmatory Factor Analysis, Structural equation modelling are the min statistical tools to test the hypothesis. Bar chart is used to shows the comparison of usage of e commerce due to pre and post demonetization.

6. Data Analysis and Interpretation

The collected data contains both the qualitative and quantitative data. The data were analyzed via SPSS 20.0 for Windows. Descriptive statistics were used to describe and summarize the properties of the mass of data collected from the respondents.

First objective of this study is to compare and measure the usage of e-commerce facilities before demonetization and after demonetization on rural area. Chi-square test used to test its hypothesis

H₁: There is no significant difference between the usage of e-commerce facilities pre and post demonetization

Table 1: Usage of E-Commerce Facilities Pre and Post Demonetization

Particulars	After Demonetization	Before Demonetization
Using ATM	189	156
Payment of Bill	130	98
Online Shopping	156	110
NEFT	178	120
E Wallet	169	80
Using Banking apps	181	130

$$\frac{\sum(E-O)^2}{E} = 13.4$$

The degree of freedom is 5(6-1) at 5%signifinance level, the table value is 11.070. Computed value is 13.4 which is greater than table value. So we can reject the null hypothesis, concluded that there is a significant difference between the

usage of e commerce facilities due to pre and post demonetisation.

Usage rate of Ecommerce facilities due to Pre Demonetization and Post Demonetization

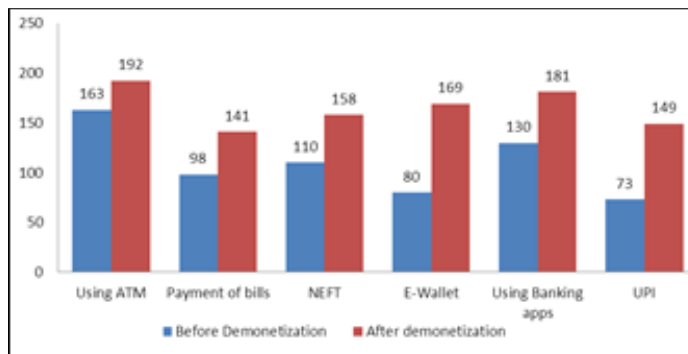


Fig 1

Our next objective is to identify the influencing factors for the adoption of E-commerce services by the rural people. That is use full SEM to test the following hypothesis

- H1:** Time saving is an influential factor to for the adoption of E-commerce services by the rural people.
- H2:** Easy to operate is an influential factor to for the adoption of E-commerce services by the rural people
- H3:** Non availability of enough currency is an influential factor to for the adoption of E-commerce services by the rural people

- H4:** Compulsory situations to use is an influential factor to for the adoption of E-commerce services by the rural people `
- H5:** Avoid black money is an influential factor to for the adoption of E-commerce services by the rural people `
- H6:** Safe mode is an influential factor to for the adoption of E-commerce services by the rural people
- H7:** Liquidity at anytime or anywhere is an influential factor to for the adoption of E-commerce services by the rural people

Table 2: Model fit Indices for CFA Influencing factors for adoption of E-commerce services

	χ^2	DF	P	Normed χ^2	GFI	AGFI	NFI	TLI	CFI	RMR	RMSEA
Influencing factors	12.559	5	.028	2.520	.988	.888	.997	.985	.998	.014	.103

source: survey data

All the attributes loaded significantly on the latent constructs. The value of the fit indices indicates a reasonable fit of the

measurement model with data. In short the measurement model confirms to the factor structure of the constructs.

Table 3: Regression coefficient

Path	Estimate	CR	P	Variance explained
Time saving -> Influencing factors	0.953	26.155	<0.001	90.8
Easy to operate ->Influencing factors	0.859	18.099	<0.001	86.2
Non availability of enough currency -> Influencing factors	0.886	19.692	<0.001	97.3
Compulsory situations to use-> Influencing factors	0.973	30.117	<0.001	94.7
Avoid black money-> Influencing factors	0.987	35.296	<0.001	78.5
Safest mode-> Influencing factors	0.929	23.173	<0.001	73.8
Liquidity at anytime or anywhere -> Influencing factors	0.988	35.861	<0.001	90.8

source: survey data

7. Findings

1. There is a difference between the usage of e commerce facilities due to pre and post demonetisation
2. After demonetization 84.5% people started to use E-wallet facility, collected data shows that the usage f E-wallet before demonetization was only 40%
3. Most of the rural people uses ATM cards
4. Non availability of enough currency, compulsory situations to use, Liquidity at anytime or anywhere, time saving are the main persuasion of rural people to use the e commerce facilities
5. Easy to operate, safest mode, avoid black money are the other influential factors to use e-commerce facilities.

8. Conclusion

The cashless transaction system is reaching its growth day by day, as soon as the market become globalised and the growth of banking sector more and more the people moves from cash to cashless system. The cashless system is not only requirement but also a need of today society. All the online market basically depends on cashless transaction system. The cashless change is not only safer than the cash transaction but is less time consuming and not a trouble of carrying and trouble of deterioration like paper money. It can be seen that the demonetization has resulted in the paving the way of new trend in the transaction, i.e. online shopping and digital payments. However the scope for digital marketing is to be seen in the days to come given the internet adoption level in the country, the ease of banking operations and the mindset of the people adopting the trend. Whether agreed or not, the

move results in growth in the economy with more cash accounted for and resulting in reduced inflation. More money transactions through banks and plastic money keep a check on the source of the money. Indirectly helps the growth of digital marketing and banking transactions online. The local retailers or the traditional stores have to update to the cashless transaction. Demonetization enhanced the usage of e commerce facilities in rural area.

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