

Impact of Demonetization on the Consumer Buying Behaviour Pattern with Special Reference to Mumbai

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Abstract

After the call taken by the central government about the withdrawal of the currency notes of Rs. 500 and Rs. 1000 denominations from the market there was a drastic change in the demand and supply pattern. The purpose of introducing demonetization was to curb the black money from the market and stop corruption. It was opined by the Ex- RBI Governor Raghuram Rajan, that the concept of demonetization was implemented with a good intention but lacked planning. Majorly the Industry, Businesses, consumers have suffered as they were left with no money to run the business activities as well to meet the basic requirements and on the other side Hence, this study tries to focus on the proportion of urban consumers opting for digitalized system of transactions as well as the Impact of Demonetization on the consumer buying behaviour pattern.

KEYWORDS:- Consumer, Demonetization, Corruption, Digitalized. Cash less Economy

Introduction:-

Prime Minister Mr. Narendra Modi has given the Slogan of ‘Digitalized India’ and ‘Cashless Economy’ with this slogan, Reserve Bank of India has withdrawn the old Rs 500 and Rs 1000 notes as a official mode of payment. According to Investopedia, demonetization is the act of stripping a currency unit of its status as legal tender. There were many objectives which were set for implementing this demonetization policy but one of the major objectives was to make cashless economy and make it complete digital. The Indian urban consumers are found exploring the internet market with the use of ICT and Smart electronic gadgets at higher rate. Due to globalization the consumer are now able to access the numerous products for their consumption, whether regional, local or global. It has also been opined by some researchers that, the consumer prefer to relax at home and do shopping rather than physically visiting the stores and get themselves exhausted. Due to dual earning capacity of the individuals, the consumers are becoming quality consciousness and also look out for the value they pay. It is reviewed that nearly 60-70% of the consumers make orders on COD (Cash on Delivery), it showed almost 20% fall in purchase made by cash.

As a consumer is it really difficult for all as consumers’ to go for digital purchasing. The consumers are still found hesitant focusing this digital purchasing system as they are not well versed with the use of technology. The behavioural change has been observed among the consumers from using cash as a medium of exchange to using other cash substitutes both for obtaining goods and services from the Organized Stores or as well On-line. But the greater difficulty on the part of consumer is learning the usage of actual

technology for meeting their day to day requirements. One particular group of consumers is found using the ICT, but what about the others those who are struggling in this cashless economy.

In this ICT world, language is again another hindrance for the consumer to access the ICT. Since most of the banks and the mobile instruments for transaction are currently adapted to a single to two languages banks. Today with this digitalized Purchasing system the consumers are now moving in the direction of accepting other instruments other than cash. There are many substitutes for cash in the modern economy ranging from cheques, debit cards, plastic money, mobile wallets and Net banking. When compared to cash, these instruments differ in a number of key characteristics. It is also required to notice that people perceive the pain of payment depending upon the inflow of cash. Certain on-line Companies like Amazon, Flip kart, Groffers, Big-basket and many more have provide the consumers with heavy promotional offers which has lead for the consumer to re-think upon their purchase decisions.

Current Scenario of B2B Market

India's Business to Business (B2B) e-commerce market is also expected to boom as experts hope to reach US\$ 700 billion by 2020. Online retail is to be at par with the physical stores in the next five years. It is conjectured that India will 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 the 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, it is hoped that India's e-commerce market will touch 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 judged 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.

LITERATURE REVIEW:-

The study done by Curtis (2000) highlights that people tend to browse and surf the internet more for getting information and not for shopping.

Karayanni (2003), highlighted that the on-line shoppers tend to benefit from online shopping in three ways i.e. shopping on a 24-hour basis, time productivity and the less crowd and queues in stores.

Dr. Kavita Rao, Dr. Sacchidananda Mukherjee et.al (2016) Consumer behaviour change will have a long lasting impact on the economy, lifestyle, maintain their standard of living, in the economy. Consumer debt in turn could push the financial system towards a crisis if not suitably managed. Further, if available debt in the economy is channeled towards consumer debt, while at the same time lowering saving in the economy, it could adversely affect the investment within the domestic economy.

Gunjita Kumar (2017) has opined that consumers are more serious about purchasing on-line, where earlier they seem to be very casual. Consumer review and feedback seems to be an important element building confidence in the mind of general public for purchasing on-line.

Poornima Jyoti Singh, Aditi Mittal (2017) are of the opinion that the Indian consumers should support the slogan 'digitalized India' the given by our PM by making the nation cashless. Further Mr. Morgan Stanley who believes that Indian's economy will be back on track in April, 2017 as the PM has been able to sell the dream well but reality is yet to rise the ray of hope for the Indian markets.

Mrs. Porinita Banerjee and Mr. Vasimraja Sayyed (2017) from their research have concluded that demonetization is now a boon to the e-commerce industry. As the consumer are found comfortable sitting at home and enjoying on-line shopping rather than making the cash payments by making use of digital services and giving rise to the Digital Payment System.

Objectives of the study: -

To analyze the impact of demonetization on the Consumer Buying Behaviour

1. **Major Shock:-** Due to demonetization, it is not only the Indian economy which was badly affected but it was also the consumer who had faced the major crunch of money which act as a liquidity shock for the consumers as a result it disturbed the economic activities.
2. **Welfare loss:-** The most active segment of the population i.e daily wage earners and others who frequently use cash for meeting their basic needs were not able to render cash. As a result these daily wage earners have lost the employment as the companies were meeting the cash austerity.
3. **Daily consumption got affected:-** When the liquidity shock came as a major striker, it was the consumption of people which got adversely affected
4. **The Rise and fall of CoD (Cash-on-Delivery):-** Almost 90% of the Indian consumers depend on cash for its transaction. Due to demonetization and call for digital India the consumer who had earlier place an order online for buying the product have cancelled the order as a result the retail giants had to suffer a major loss, as 80% of the transaction are paid through Cash on Delivery.
5. **Cash Free Economy:-** Due to the bold move taken by the Indian government about making India 'Cash Free Economy' have driven people to move towards digital payment methods such as mobile wallets, Internet banking, and debit/credit cards(Plastic money). As a result the people prefer now to stay back at home and enjoy digital shopping. With this change in the economy, mobile wallet has gained the prominence e.g. Paytm, Freecharge, Mobikwik etc.
6. **Shift of Consumer Buying Behaviour:-** Due to demonetization the local shopkeepers refused accept the old currency notes and the new notes were not in circulation rather there was a shortage of the flow of new currency as a result the consumer have shifted towards digital shopping to buy their basic necessities where the plastic money can be used. Heavy Discounts, Quick deliveries, Quality

products, have changed the buying behaviour of consumers from local to digital and also being loyal. Eg. Amazon, Bigbasket, Grofers, Snapdeal etc.

Conclusion:- In spite of this initial hiccups and major hindrances in the economy system, eventually this change will be well managed by the society and will prove positive in the long run. Further this move of digital India have shifted the consumer innate values to go digital. By adopting these changes the Indian economy is going to be sound and hassle free transactions. Digital India has instigated the shopkeepers and the consumers to opt for cashless means such as paytm, Plastic money, On-line Buying and others. Thus this move of the government will make the system more accountable and efficient.

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