

## EMERGENCE OF DIGITALLY EMPOWERED LESS-CASH ECONOMY AND ITS IMPACT ON GROWTH OF E-COMMERCE IN INDIA

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**Received: 06 Nov 2018**

**Accepted: 19 Nov 2018**

**Published: 27 Nov 2018**

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### **ABSTRACT**

*The Digital India Programme of the Government of India aims to transform India into a digitally empowered knowledge economy. 'Faceless, Paperless, Cashless' is the professed role of Digital India Programme. Various modes of payments are available as a part of converting India into 'Less-Cash Society' e.g. Banking Cards, USSD, AEPS, UPI, Mobile Wallets, Banks Prepaid Cards, Point of Sale (PoS), Internet Banking, Mobile Banking and Micro ATMs etc. Therefore, the Government aims to transform India into Digitally Empowered, Knowledge-based Less Cash economy. Digital Empowerment and easy access to Internet Facility to the common person has opened a great opportunity for E-Business to evolve, grow and flourish. Government's recent initiatives to move towards Less Cash Economy are an added advantage for the E-Business to grow. Theoretically, there seems to be a direct correlation between Growth of E-Commerce and Digitally empowered less cash economy. Movement from 'physical cash-based economy' to 'digital cashless economy' also indicates the major shift of business activities from conventional unorganized informal sector to technically well equipped, organized formal sector. As of July 2016, there were around 462 million internet users in India, which may surpass 635 million in 2021. Therefore, there is a huge opportunity ahead for E-Business and E-Commerce firms to explore the vast customer base. The aim of the research paper is to study the impact of Emerging Digitally Empowered, Less-Cash Economy on Growth of E-Business in India. Theoretical analysis and Secondary Data from various online sources have been used for the research.*

**KEYWORDS:** *Digital India, Less-Cash Society, Digital Empowered, E-Business, Knowledge Economy, E-Commerce, Informal Sector, Formal Sector*

### **INTRODUCTION**

E-Business is the application of information and computer technologies (ICT) to carry out business activities. E-Business focuses on the use of ICT to enable external activities and the relationship of the business with customers. E-Commerce is the use of online support (ICT) for the relationship building between a company and its clients. Digital Empowerment and easy access to Internet Facility to the common person has opened a great opportunity for E-Commerce to evolve, grow and flourish. Government's recent initiatives to move towards Less Cash Economy are an added advantage for the E-Commerce to grow. Theoretically, there seems to be a direct correlation between Growth of E-Commerce and Digitally empowered less cash economy. Movement from 'physical cash-based economy' to 'digital cashless economy' also indicates the major shift of business activities from conventional unorganized informal sector to technically well equipped, organized formal sector.

## OBJECTIVES OF THE STUDY

- To study the different growth aspects of e-Commerce in the Indian context.
- To study the change in preferred payment patterns in e-Commerce Sector in coming years.
- To study the impact of Emerging Digitally Empowered Less Cash Economy on Growth of e-Commerce in India.

## RESEARCH METHODOLOGY

The present study is an analysis of the various aspects of e-Commerce in India, Government of India's initiatives to develop India into a Less-Cash Economy and Impact of Less-Cash Economy on the growth of e-Business in India in coming years. To fulfill the above-said objectives secondary data and information have been taken from publications of the Government of India, Reserve Bank of India, Statista, Economic Journals, Research Papers, Magazines, and Internet etc. Theoretical analysis and Secondary Data from various sources have been used for research.

### Less-Cash Economy: India

The year 2016 has been the year of remarkable changes in the Indian economy. Demonetization and the Drastic Price Cut in internet data charges due to the price war between Reliance JIO and other companies have been the two most significant changes in the Indian economy in the year 2016. One of the major goals as described by the Government in favor of demonetization is transforming the Indian economy into a Less-Cash Economy. The other major initiative of Government of India is Digital India Programme that aims to transform India into a digitally empowered knowledge economy. 'Faceless, Paperless, Cashless' is the professed role of Digital India Programme. Various modes of payments are available as a part of converting India into 'Less-Cash Society' e.g. Banking Cards, USSD, AEPS, UPI, Mobile Wallets, Banks Prepaid Cards, Point of Sale (PoS), Internet Banking, Mobile Banking and Micro ATMs etc. Therefore, the Government aims to transform India into Digitally Empowered, Knowledge-based Less Cash economy. Demonetization and Digital India Programme may be described as the 'Stick and Butter policy' of Government of India to transform India into Less-Cash Economy. "National Payments Corporation of India (NPCI), an umbrella organization for operating retail payments and settlement systems in India, is an initiative of Reserve Bank of India (RBI) and Indian Banks' Association (IBA) under the provisions of the Payment and Settlement Systems Act, 2007, for creating a robust Payment & Settlement Infrastructure in India.... NPCI, during its journey in the last seven years, has made a significant impact on the retail payment systems in the country. RuPay the card of choice for the ambitious Pradhan Mantri Jan Dhan Yojana is now a known name. With Immediate Payment Service (IMPS), India has become the leading country in the world in real time payments in the retail sector. Needless to mention, National Financial Switch (NFS) and Cheque Truncation System (CTS) continue to be the flagship products of NPCI. Unified Payments Interface (UPI) has been termed as the revolutionary product in the payment system and Bharat Bill Payment System (BBPS) has been launched in pilot mode. The other products include RuPay Credit Card, National Common Mobility Card (NCMC) and National Electronic Toll Collection (NETC). With these products, the aim is to transform India into a 'less-cash' society by touching every Indian with one or other payment services. With each passing year are moving towards our vision to be the best payments network globally." (NPCI)

The Reserve Bank of India's **Payment and Settlement Systems in India: Vision-2018** states "Building best of class payment and settlement systems for a 'less-cash' India through responsive regulation, robust infrastructure, effective supervision, and customer centricity"

#### **The Broad Contours of Vision-2018 Revolve Around the Five Cs:**

- **Coverage** – by enabling wider access to a variety of electronic payment services
- **Convenience** – by enhancing user experience through ease of use and of products and processes
- **Confidence** – by promoting the integrity of systems, security of operations and customer protection
- **Convergence** – by ensuring interoperability across service providers
- **Cost effective** – by making services cost-effective for users as well as service providers. ("Payment and Settlement system of India Vision- 2018, RBI Reports", 2017)

Thus, it is quite evident that in the coming years there will be a remarkable shift in Payment Behaviour of Consumers. The efforts of Government and its machinery at the various level supported by the easy access if internet facility will bring a paradigm shift in transforming India in a Less-Cash Economy.

#### **Access to Easy Internet Facility**

The digital population in India as of January 2017 was 462.1 million internet users, of which 442.7 million were mobile internet users. It is expected that by 2021, there will be about 635.8 million internet users the majority of them using the smartphone to access the internet. (Statista 2017). However, these data do not represent the price war in data services initiated by the arrival of Reliance JIO. With the sharp decline in internet data charges, the number of internet users will far more than predicted. The data charges have sharply declined from about Rs. 250/G.B to mere less than Rs. 10/G.B. since the arrival of Reliance JIO. Other Internet data provider companies have been forced to cut down their Data charges drastically and provide various lucrative offers to remain competitive and save their client base. Therefore, the easy access to internet facility has provided basic ground for E-Commerce companies to grow and flourish.

#### **Change in Psychological Behavior regarding Online Payments**

In the past few years, there has been a lot of change in the behaviour of people in relation to digital payment. In the earlier years, Digital payments were considered unsafe and prone to hacking and manipulation than cash payments; therefore, people preferred cash payments in relation to digital payments. However, due to various programs and initiatives at various levels by Government, that promote digital payments, the fear of people is gradually getting away. People are gradually become oriented toward digital payments. Discounts that are offered by various e-Commerce companies on Digital payments through credit cards, Debit Cards, e-Wallets etc are also encouraging digital payments. Thus, there has been a significant change in the psychological behavior of people regarding digital payments over the years. In 2015 cash on delivery (CoD) accounted for 57percent of all digital shopping transactions which is expected to decrease to 45percent in the year 2020. Therefore, 55% share will be of digital payment in 2020. (STATISTA 2017)

**Table 1: Preferred Digital Payment Methods in 2015 and 2020**

Methods of Payment	2015	2020
Cash on Delivery	57%	45%
Debit Card	15%	17%
Credit Card	11%	13%
Online Banking	9%	10%
M-Wallet	8%	15%

( Statista 2017) SOURCE- Survey by A.T.Kearney; GfK; Google

It is quite evident from above data that in the coming years there is going to be a paradigm shift in consumer psychological behavior. Increase in digitally literacy, easy access to internet, lucrative offers on digital payments by e-Commerce companies, various initiatives by Government, RBI, NPCI etc., adaptive consumer protection laws and competent cybersecurity measures will help overcome the psychological fear of suffering any loss while doing digital payments transaction, and promote the people to prefer digital payment transaction over cash transaction in coming years.

### E-Commerce and Online Shopping in India

E-Commerce (business) provides multiple benefits to the consumers in form of lower cost, wider choice and saving time and resources. It is showing tremendous business growth in India. E-Commerce is a paradigm shift it is an innovation that is radically changing the traditional way of doing business. India is one of the fast-growing emerging market showing optimistic projections for the E-Commerce industry. Currently, active e-Commerce penetration in India stands only 28 percent with significant space for improvement. The studies show that about 329.1 million people in India are projected to buy goods and services online by 2020, which means about 71 percent internet users will have purchased products online buy then. Retail e-commerce sales in India are projected to grow tremendously from 16 billion U.S. dollars in 2016 to about 45 billion U.S. dollars in 2021. India is one of the leading digital markets for mobile E-Commerce penetration. India retail e-commerce CAGR is projected to be 23.percent from 2016 to 2021. Annual retail e-commerce sales growth in India in 2016 is 24.5 percent, which is very impressive. (Statista 2017). ("E-commerce in India", 2017)

**Table 2: Digital Buyer Penetration in India**

Year	2014	2015	2016	2017	2018	2019	2020
Digital buyer Penetration	30.3%	37.3%	43.8%	52.3%	58%	64.4%	70.7%

Source: EMarketer (Statista 2017)

The digital buyer penetration is projected to grow from 30.3 percent in the year 2014 to 70.7 percent in the year 2020.

**Table 3: Annual Retail e-Commerce sales growth in India**

Year	2016	2017	2018	2019	2020	2021
Annual Retail e-Commerce Sales Growth	24.5%	24.4%	24.7%	25.1%	22.1%	18.6%

Source: Statista DMO (Statista 2017)

Annual Retail e-Commerce sales growth in India is forecast to grow more than 20-25 percent year to year, which is a very healthy growth rate.

**Table 4: Number of Digital Buyers in India from 2014 to 2020**

Year	2014	2015	2016	2017	2018	2019	2020
Digital buyers (in millions)	54.1	93.4	130.4	180.1	224.1	273.6	329.1

Source: EMarketer (Statista 2017)

Digital buyers were just 54.1 million in the year 2014 expected to become 329.1 in the year 2020, which is almost six times in six years.

**Table 5: Retail E-Commerce Sales in India from 2015 to 2021**

Year	2015	2016	2017	2018	2019	2020	2021
Sales (in billion U.S. dollars)	12.91	16.08	20.01	24.94	31.19	38.09	45.17

Source- Statista DMO (Statista 2017)

Retail e-Commerce sales in India was just 12.91 billion U.S. Dollars in the year 2015 is expected to grow four times until 2021, which is quite remarkable.

**Table 6: E-Commerce Share of Total Retail Sales from 2014-2019**

Year	2014	2015	2016	2017	2018	2019
Share of total retail sales	0.8%	1.7%	2.8%	3.6%	4.4%	4.8%

Source: eMarketer; InsideRetail HongKong Survey by eMarketer (Statista 2017)

Table -Six clearly indicate that E-Commerce is gradually making its space in comparison to the total retail market but the growth rate is tremendous.

## CONCLUSIONS

The government of India's drive to the cashless digital transaction is adding the fuel to the fire. Although all the major e-commerce giants provide cash on delivery options, their preferred mode of transaction is digital payment through Debit Card, Credit Card, Online Banking and M-Wallets. Therefore, all the major e-commerce companies keep offering lucrative additional cash back or instant discount offers on payments through digital methods. These companies have the advantage of scale so that they can bargain with the banks and provide additional benefits to the clients on digital payments, apart from the regular discounts they offer on different items. As far as conventional sellers are concerned, they may have to incur additional 1-2% banking charges on digital payments. Table -1 clearly suggests that the share of cash on delivery method of payment will decrease and share of digital payment will increase in the coming years. In this whole process, there seems to be a direct correlation between Growth of E-Business and Cashless Digital payment. Movement from 'physical cash-based economy' to 'digital cashless economy' will initiate the major shift of business activities from conventional unorganized informal sector to technically well equipped, organized formal sector. Therefore, there is a huge opportunity ahead for E-Business and E-Commerce firms to explore the vast customer base. Demonetization driven cashless drive and Reliance JIO driven price war in the internet market is a boon to e-Commerce in India. As the psychological barrier in the mind of breaking regarding digital payments and access to smartphones is, increasing e-Commerce has the edge over the conventional market. Huge investments and aggressive marketing strategies by e-Business firms have possessed a great challenge for conventional markets. E-Commerce firms are aggressively using various social media platforms like YouTube, Facebook, Twitter etc. to promote their business whereas the conventional market has its own limitations to take on e-Commerce giants. The study of the growth pattern of e-Commerce firms across

the world suggests that this mode of business activity is growing very rapidly all over the world. The share of e-Business is growing world over. Indian traditional retail business is still cash oriented their most preferred payment method is cash. These conventional business units are not in a position to offer lucrative benefits to their clients on online payments. Whereas e-Commerce companies have, every possible payment option available to them and due to their bargaining power and cost advantage they are in a position to offer additional benefits to the clients on online payments. This is why e-Business is growing very rapidly and their share in total retail sales will increase rapidly in coming years.

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