

## **Title : Role of M-commerce in Demonetization**

**Domain Area :** General Mangement

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**Abstract:** This research article is an attempt to focus on growing use of M- commerce in India and also its presence globally. With the growing use of smartphones and the internet data plans being available at affordable rates the use of M-commerce is increasing. Also the advent of the new demonetization policy has resulted in a dramatic change in this sector where M-commerce users are increased considerably and M-commerce has surpassed E-commerce. The paper is written by referring to various sources of secondary data published and available on the internet.

**Key Words:** M commerce, E commerce , cashless economy, demonetization, mobile applications.

**Introduction:** After e-commerce the new word coming up is m-commerce it is expected to change the landscape of business. m commerce is expected to surpass e commerce as the preferred method of digital transaction's as it is more faster and secure. "Smartphone usage has grown at an explosive pace in recent past. It has grown even faster with demonetization and entry of new service providers such as Reliance Jio. The growth in M-commerce has been fuelled by the availability of affordable smart phones and mobile data plans. (Confederation of Indian Industry, December 2016)

**Definitions:**

- M-commerce is the buying and selling of goods and services through mobile phones.
- Commercial transactions conducted electronically by mobile phone.
- The phrase mobile commerce was originally coined in 1997 by Kevin Duffey at the launch of the Global Mobile Commerce Forum, to mean "the delivery of electronic commerce capabilities directly into the consumer's hand, anywhere, via wireless technology."
- Many choose to think of Mobile Commerce as meaning "a retail outlet in your customer's pocket."

**Evolution:**

1. In 1997: Mobile commerce services were first delivered ,when the first two mobile-phone enabled Coca Cola vending machines were installed in the Helsinki area in Finland. The machines accepted payment via SMS text messages. first mobile phone-based banking service was launched in 1997 by Merita Bank of Finland, also using SMS. Finnair mobile check-in was also a major milestone, first introduced in 2001.
2. The trademark for m-Commerce was filed on 7 April 2008.
3. In 1998, the first sales of digital content as downloads to mobile phones were made possible
4. Two major national commercial platforms for mobile commerce were launched in 1999

5. Mobile-commerce-related services spread rapidly in early 2000. Norway launched mobile parking payments. Austria offered train ticketing via mobile device. Japan offered mobile purchases of airline tickets.
6. In April 2002, building on the work of the Global Mobile Commerce Forum (GMCF), the European Telecommunications Standards Institute (ETSI) appointed Joachim Hoffmann of Motorola to develop official standards for mobile commerce
7. As of 2008, UCL Computer Science and Peter J. Bentley demonstrated the potential for medical applications on mobile devices.
8. In order to exploit the potential mobile commerce market, mobile phone manufacturers such as Nokia, Ericsson, Motorola, and Qualcomm are working with carriers such as AT&T Wireless and Sprint to develop WAP-enabled smartphones. Smartphones offer fax, e-mail, and phone capabilities.
9. The Google Wallet Mobile App launched in September 2011 and the m-Commerce joint venture formed in June 2011 between Vodafone, O2, Orange and T-Mobile are recent developments Reflecting the importance of m-Commerce,
10. In April 2012 the Competition Commissioner of the European Commission ordered an in-depth investigation of the m-Commerce joint venture between Vodafone, O2, Orange and T-Mobile. A recent survey states that 2012, 41% of Smartphone customers have purchased retail products with their mobile devices.

### **Current Scenario In The Past Four Years: 2012-2016**

e payment has become more active due to demonetization. Over the past four years mobile wallet transactions have jumped from Rs 10 billion( 60 million transactions) in 2012-2013 to more than Rs 4490 billion (600 million transaction) in the year 2015-16.

There has been huge investments made by private equity and venture capitals firms in the last three years from 2014-2016 various segments like retail, travel, transport logistics food , on demand services and others have made a deal worth over USD 13000 million.

**(2016) Post Demonetization:** companies like paytm MobiKwiK , freecharge, M swipe, Ezetap Citrus payment Bookmyshow, have shown a statistical increase in its customer base.

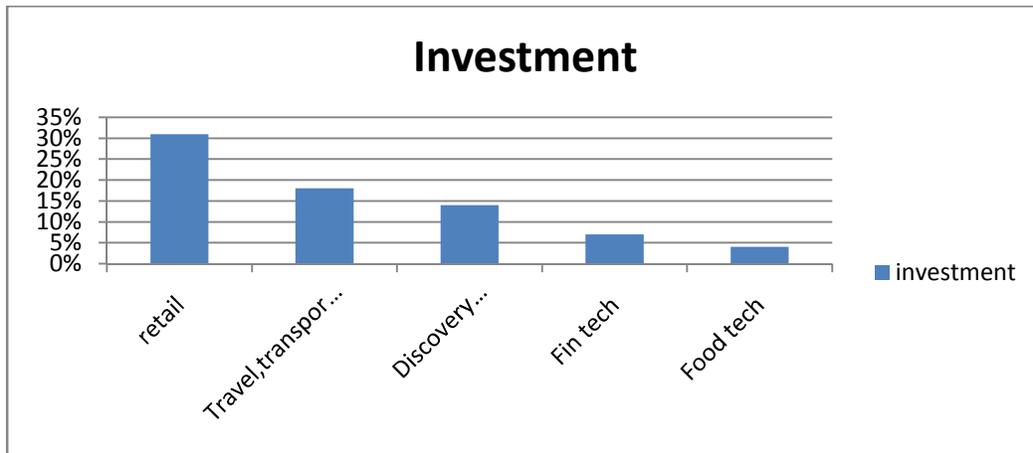
The table below shows the investment in M-commerce by various sectors:

Table 1 sector wise investments in m commerce

<b>Sector</b>	<b>Investment</b>
Retail	31%
Travel, transport and logistics	18%
Discovery platform	14%
Fin tech	7%
Food tech	4%

Source: (Confederation of Indian Industry, December 2016)

Graph 1 sector wise investments in M-commerce



Source: (Confederation of Indian Industry, December 2016)

**Characteristics of M-commerce** (Naware, April 2016)

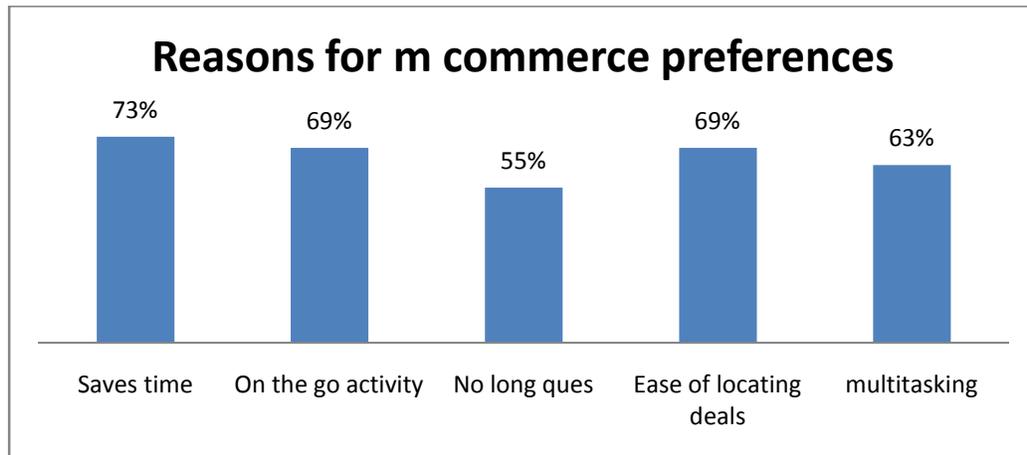
1. Mobility
2. Reach
3. Accessibility
4. Convenience
5. Personalization
6. Willingness
7. Varied users
8. Targeted market

Table no 2: Key reasons why consumers prefer M-commerce

Saves time	73%
On the go activity	69%
No long ques	55%
Ease of locating deals	69%
multitasking	63%

Source: (Confederation of Indian Industry, December 2016)

Graph no 2: Key reasons why consumers prefer M-commerce



Source: (Confederation of Indian Industry, December 2016)

**Products and services available:**

1. Mobile money transfer
2. Mobile ticketing
3. Mobile vouchers, coupons and loyalty cards
4. Content purchase and delivery
5. Location-based services
6. Information services
7. Mobile banking
8. Mobile brokerage
9. Auctions
10. Mobile browsing
11. Mobile purchase
12. In-application mobile phone payments
13. Mobile marketing and advertising

## **Effect of Demonetisation on M-commerce:**

Paytm has benefited significantly in terms of volumes because of its massive advertising campaign, according to a report by digital analytics firm Kalagato. Average refill values for wallets are up across the board, Kalagato said.

Paytm added over 10 million new users in November and expanded its offline merchant network to over one million merchants, Paytm claims its user base has grown to over 160 million.

Snapdeal-owned Free Charge said online food ordering has seen the biggest increase in business on its platform. The company also said it has seen a 10-fold increase in number of merchants sign-up queries. “Most of the queries coming from grocery stores, pharmacies and food joints to immediately sign up to start accepting digital payments. In the last fortnight, Free Charge has seen an 8X surge in the wallet load transactions.

Food ordering and hyperlocal startups have seen a significant increase in their transaction volumes due to their business models encouraging more cashless transactions, even as large e-tailers and cab aggregators such as Ola and Uber have been hit due to a relatively large exposure to cash transactions, according to a report by RedSeer Consulting.

Hyperlocal grocery and food-tech are clear winners as customers don't have any ready-cash to do the daily offline purchases; but for e-tailing and online cabs, the month of November has been a hiccup in their growth stories – both dependent heavily on cash transactions. However, the positive side of this is the number of customers becoming comfortable with cashless transactions, over the longer run this will enhance the pre-paid model for these companies.

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## **Evolving M-commerce offerings with well known companies:**

- ❖ **Retail:** Businesses engaged in retail, groceries, jewellery, etc. Key companies include Flipkart, Amazon, Snapdeal, Shopclues, Myntra, Jabong, BigBasket, Urban Ladder and Pepperfry
- ❖ **On-demand Services:** Businesses engaged in on demand home services, repairs, etc. Key players include Urbanclap, House Joy, MyGlamm and TaskBob

- ❖ **FoodTech:** Businesses engaged in Food ordering and delivery. Key companies include Zomato, Swiggy, Holachef, Tiny Owl and Food Vista India
- ❖ **Travel, Transport and Logistics:** Businesses such as car rental aggregators, travel ventures, logistics, portal for hotels, etc. Key companies include OLA Cabs, Uber, Delhivery, Oyo rooms, Ibibo, Cleartrip, makemytrip, etc.
- ❖ **Discovery Platform:** Businesses engaged in classifieds, comparison sites, real estate marketplace, etc. Key companies include Quikr, Olx, CarTrade, Just Dial and Voonik Technologies
- ❖ **Finance Tech:** Businesses engaged in digital and mobile payment services, mobile wallets, online finance provider, etc. Key companies include Paytm, Mobikwik, Freecharge.in, PayUMoney, Mswipe, Citrus Payments, etc.
- ❖ **Others:** Businesses engaged in mobile apps, digital entertainment, real estate, health tech etc. Key firms include Bookmyshow, Hike, 1mg Technologies and Housing.com

**Government initiatives for cashless economy:**

1. The Central Government Petroleum PSUs shall give incentive by offering a discount at the rate of 0.75% of the sale price to consumers on purchase of petrol/diesel if payment is made through digital means.
2. To expand digital payment infrastructure in rural areas, the Central Government through NABARD will extend financial support to eligible banks for deployment of 2 POS devices each in 1 Lakh villages with population of less than 10,000.
3. The Central Government through NABARD will also support Rural Regional Banks and Cooperative Banks to issue “Rupay Kisan Cards” to 4.32 crore Kisan Credit Card holders to enable them to make digital transactions at POS machines/Micro ATMs/ATMs.

4. Railway through its sub urban railway network shall provide incentive by way of discount upto 0.5% to customers for monthly or seasonal tickets from January 1, 2017, if payment is made through digital means.
5. For paid services e.g. catering, accommodation, retiring rooms etc. being offered by railways through its affiliated entities/corporations to the passengers, it will provide a discount of 5% for payment of these services through digital means
6. Public sector insurance companies will provide incentive, by way of discount or credit, upto 10% of the premium in general insurance policies and 8% in new life policies of Life Insurance Corporation sold through the customer portals, in case payment is made through digital means.
7. The Central Government Departments and Central Public Sector Undertakings will ensure that transactions fee/MDR charges associated with payment through digital means shall not be passed on to the consumers and all such expenses shall be borne by them.
8. Public sector banks are advised that merchant should not be required to pay more than Rs. 100 per month as monthly rental for POS terminals/Micro ATMs/mobile POS from the merchants to bring small merchant on board the digital payment eco system.
9. No service tax will be charged on digital transaction charges/MDR for transactions upto Rs.2000 per transaction.
10. For the payment of toll at Toll Plazas on National Highways using RFID card/Fast Tags, a discount of 10% will be available to users in the year 2016-17.

#### **Future of M-commerce:**

- ❖ M-commerce accounts for nearly 60 per cent of online sales in the country, on the back of 30 to 50 per cent growth in online transactions in the tier II and III cities.

- ❖ The growth in m-commerce has been fuelled by the availability of affordable smartphones and mobile data plans.
- ❖ India currently has 292 million smartphone users, and more than 45 per cent of all mobile phones shipped in Indian market were smartphones in the first quarter of 2016.
- ❖ Mobile Internet user base in India has increased to 371 million in 2016 and the user base is expected to annually grow by 50 million till 2019.
- ❖ Online shoppers in India are likely to more than double by 2020
- ❖ The current online shoppers are in the range of 80-100 million and expected to increase to 175-220 million by 2020
- ❖ It also observed that 60 per cent of online shoppers prefer mobile devices.
- ❖ It noted that mobile wallets have become a key enabler for m-commerce as most people are hesitant to share their bank account details or credit/debit card details due to the fear of sensitive information getting compromised.
- ❖ While online banking and even mobile banking has been around for a long time, mobile wallets have made it easier to shop. From grocery to cab rides to movie tickets to food deliveries to utility bills, almost anything can be bought and paid via simple mobile apps.
- ❖ Over the past four years, mobile wallet transactions have jumped from Rs 10 billion (60 mn transactions) in 2012-13 to over Rs 490 billion (600 mn transactions) in the year 2015-16.
- ❖ With ever-increasing Internet and mobile penetration and the recent demonetization event, India is all set to witness a massive surge in the adoption of digital payments in the recent future.

**Conclusion:** Demonetization is good for the m-commerce industry in India and most of the retail commerce will shift to mobile in the near future.

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