

## IMPACT OF DEMONETISATION ON DIGITAL MARKETING- STRATEGIC MANAGEMENT APPROACH OF PAYTM SERVICES

*Make India a cashless society*

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### MEANING AND INTRODUCTION TO DEMONETIZATION OF CURRENCY:-

Demonetization is the act of stripping a currency unit of its status as legal tender. Demonetization is necessary whenever there is a change of national currency. The old unit of currency must be retired and replaced with a new currency unit. In economics demonetization is one of the tools to curb counterfeit and black money. Demonetization is an excellent tool to curb counterfeit money. The excellent example is in 1996 Australia released the world's first long lasting and counterfeit-resistant polymer (plastic) banknotes. It replaced all paper-based notes, which the government systemically made non-tender for legal purposes. To curb black money no country implemented it successfully till now.

The Indian rupee (INR) is the official currency of the Republic of India. The Reserve Bank manages currency in India and derives its role in currency management on the basis of the Reserve Bank of India Act, 1934. On 8th November 2016 at 8:15 pm IST PM of India announced the invalidity of the currency notes of 500 and 1000 Rs from the midnight. The execution of demonetization of currency in India is on same line as USSR did in January 1991 known as Pavlov reform after the name of the then Finance minister Valentin Pavlov. The same characteristics of exchange of notes in limited time period and in limited amount. The most resourceful people were able to park their money at the cost of the poor and illiterate people. The after effect was that within 2-3 months. Consumer goods prices rose by 300%. It was a total failure resulting in the loss of confidence in government action. In December 1991 USSR was disintegrated.

One of the biggest economy in world USA by its Coinage Act of 1965 prohibits demonetization of currency of all US coins and currency regardless of age.

History is taught to learn from the mistakes of the past. All the countries in the past who have taken demonetization as step to fight counterfeit and black money has failed miserably.

### HISTORY OF DEMONETIZATION IN INDIA

First time demonetization was done in Pre Independence era in year 1946. Post Independence the HDN currency of 1000, 5000 and 10000 Rs was demonetized in 1978 to curb counterfeit and black money. On 14 January, R Janaki Raman, a senior official from chief accountant's office in RBI, was informed about the government's decision to demonetize high-denomination notes and told to draft the ordinance. After the ordinance was drafted, it was sent to President N Sanjiva Reddy for assent. It was through the All India Radio's (AIR) 9 am news bulletin that people were informed about the policy decision. The difference between today and past is that the current decision is dictatorial without the assent of President of India. This jeopardizes the constitutional nature of our democracy where the head of the country is side lined in the name of secrecy. IG Patel, the then RBI governor, was not in favor of the step. He felt that many in the government perceived the step as a measure targeted at the "corrupt predecessor government or government leaders". In his book, Glimpses of Indian Economic Policy: an

Insider's View, Patel writes that when the then finance minister HM Patel told him about the step, he asserted that steps like these rarely have striking results. He added that most people in possession of black money rarely keep their ill-gotten earnings in the form of currency for long. Thinking that black money is stashed away under mattresses or suitcases is naive, he said. "Black money stashed as high-value currency is much less than black money as untaxed income, part of which might be splurged in conspicuous consumption or used for investment in real estate, commodities, stocks, benami lending or plain graft to secure political or administrative goodwill,"

The same is the view of our previous RBI Governor Raghuram Rajan that "steps like these rarely have striking results"

**OBJECTIVE OF THE STUDY:-**

To study how demonetization has been used as a positive weapon in the digital marketing era.

**RESEARCH METHODOLOGY:-**

The study is descriptive in nature and describes the concept of demonetization. For the purpose of study researcher has collected secondary data from websites and online journals. The present study is confined only to PAYTM business.

**COMPANY PROFILE**

**PAYTM** is an Indian e-commerce website headquartered in Noida, India. It was launched in 2010 and adds to the industry of FinTech in India. It is owned by One97 Communications. The firm started by offering mobile recharging, adding bill payment and e-commerce, with products similar to businesses such as Flipkart, Amazon.com, Snapdeal. In 2015, it further added booking bus travel. PAYTM also launched movie ticket booking by partnering with Cinépolis in the year 2016.

**BACKGROUND**

PAYTM was founded and incubated by One97 Communications in 2010 as a prepaid mobile recharge website. PAYTM is an acronym for "Pay through Mobile". Apart from being accessed from the browser, its app is available on the Android, Windows and [iOS](#) operating systems.

In 2014, the company launched PAYTM Wallet, which became India's largest mobile payment service platform with over 150 million wallets & 75 million android based app downloads as of November 2016. The surge in usage of the service was largely due to the demonetization of the 500 and 1000 rupee currency notes.

**FUNDING**

In March 2015, Indian industrialist Ratan Tata made personal investment in the firm. The same month, the company received a \$575 million investment from Alibaba Group of China, after Ant Financial Services Group, an Alibaba Group affiliate, took 25% stake in One97 as part of a strategic agreement. Paytm borrowed 300cr from ICICI Bank in March 2016 as working capital.

**SERVICES**

The application enables users to book air tickets and taxis, mobile recharge, and payment of DTH, broadband and electricity bills among others. Users can also pay for fuel at Indian Oil Petrol pumps and buy movie tickets at PVR Cinemas through the wallet.

**PAYMENTS BANK**

In 2015 Paytm received a license from Reserve Bank of India for starting India's first payments bank. The bank intends to use Paytm's existing user base for offering new services, including debit cards, savings accounts, online banking and transfers, to enable a cashless economy. The payments bank would be a

separate entity in which the founder Vijay Shekhar Sharma will hold 51%, One97 Communications will hold 39% and 10% will be held by a subsidiary of One97 and Sharma.

Paytm is also approved as an operating unit for Bharat Bill Payment System, as a result of which users can pay their bills anytime and anywhere and this been the core strength of PAYTM business.

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## **SWOT ANALYSIS OF PAYTM**

### **STRENGTH:-**

The biggest strength of Pay tm since its inception is tie ups with various national banks and with RBI for Debit and credit cards. Ever since it started online mobile recharges Pay tm pamphlets and acceptance boards and notices can be witnessed even on road side tea stall and pan shops.

Pay tm works with all mobile operators in all states in India for prepaid mobile DTH & data card recharges and prepaid mobile land line & data card bill payment. Its partners with the multiple national banks for credit card, debit card and net banking payments. Pay tm also works with various billers for utility bill payments.

Keeping in mind the mobile world pay tm mobile app is compatible with all possible platforms including android, BBM, IOS & windows.

### **WEAKNESS**

PAYTM has grown into something that offers a lot of functionalities in areas other than its chief purpose i.e., RECHARGES. This makes the app bulky and takes up lot of space. Processing takes time and finally fails to recharge. No replies on mails from customers. Huge traffic during festive seasons when new offers are introduced. Since PAYTM is a mobile commerce, obviously it requires smart phone users. So smart phone penetrations, mobile internet access penetration are required.

### **OPPORTUNITIES:-**

The biggest opportunity that is witnessed in the present day for PAYTM or any other online business is the act of Demonetization announced by PM Mr. Narendar Modi and replacement of paper currency with plastic currency leading India to 100% digital marketing. And encashing upon this since the announcement of demonetization reports are PAYTM has made a business of 1.28 crore in a single day and have added 40,000 further users to its customers list. PAYTM has achived it year 2040 goal in 2016.

### **THREATS:**

The major threat that comes to the PAYTM business is from other online portals i.e. Snap deal, Amazon, Flipkart and many more such online portals which provide thousands of products under different categories with varied suppliers.

The money transfer from bank accounts to PAYTM account has failed multiple times and the refunds of the same are taking ages. Many frustrated PAYTM users took the same to Twitter and even raised the question as who should we hold accountable for the losses.

### **POST DEMONETISATION PAYTM BUSINESS:-**

- Paytm, has registered over five million new users since Nov. 08, as on Nov. 21
- Paytm now has a total user base of 150 million.
- Paytm has seen 35 million transactions for mobile and DTH recharges on its platform post the government's move
- Paytm has hit a record 5-million transactions a day, processing Rs 24,000 crore worth of payments, less than a week into the Indian government's decision to demonitise

- Paytm saw a 200% increase in mobile downloads and a 250% increase in the overall transactions.
- Within 12 days, Paytm has witnessed over 7 million transactions worth Rs 120 crore a day
- Gross Merchandise Value (GMV), which is an industry term for estimating the total worth of goods sold through a digital platform, for Paytm was \$3 billion last year.
- Paytm is registering over 7 million transactions worth Rs 120 crore in a day as millions of consumers and merchants across the country try mobile payments on the Paytm payment platform for the first time.
- Paytm has over 150 million mobile wallet users currently.
- Mobile payment transaction value in India is also likely to register over 150 per cent CAGR and cross Rs 2,000 trillion by FY 2021-22 from just over Rs 8 trillion as of FY 2015-16, the study titled Indian M-wallet market said.

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