



# The Economic Impact of the Ban on TikTok in India

**Dheer Bellara**

Student

Mahindra United World College, Pune, India

## Abstract

The study analysed how the TikTok ban in India impacted the digital marketing industry in general and the app's income, user engagement, and user base. For this, the paper first included a research background and problem statement, as well as the research aim and objectives. The research showed that the prohibition resulted in a large drop in advertising income for TikTok and compelled users to shift to other platforms. The effects of India's ban on TikTok on the country's economy are analysed in this report. Exploratory data analysis was used to determine how the restriction has affected TikTok's business and user activity. The results showed that after the ban, advertising revenue and user numbers dropped significantly. The restriction further wreaked havoc on the digital marketing environment, forcing businesses to rethink their advertising approaches and look elsewhere for opportunities. The research emphasised the need of politicians and companies taking into account the repercussions of social media restrictions.

## 1.0 Introduction

### 1.1 Background

The Indian branch of the remote sales support centre for TikTok, the popular short-video app prohibited nationwide since 2020, has shut down and fired off its last 40 or so employees. Almost 150 million people were active users of TikTok in India alone per month, making it a big part of the digital environment in India and giving millions of people a means of expressing themselves and passing the time (Chakravarti, 2023). However, in June 2020, the Indian government banned TikTok and other Chinese smartphone apps, citing data security and other national security concerns.

There has been a lot of talk about the economic effects of India banning TikTok. As a result of TikTok's meteoric rise to fame, a thriving creative ecosystem developed in India, where users promoted themselves and their companies to a massive audience. The ban has far-reaching consequences for the Indian economy, particularly the digital economy and the livelihoods of content producers and influencers, as well as the millions of users of TikTok (Mishra *et al.* 2022). For example, Aly, the most popular Indian TikToker, earned almost \$35,000 for every sponsored post and has over 43 million followers (Bhatt, 2020).

So, the financial losses endured by content creators, the rise of alternative social media platforms, and the overall impact on India's digital economy are just some of the factors that must be considered when assessing the economic impact of the TikTok ban in India. In light of the above, this study aims to examine how the TikTok ban has affected the Indian economy. This research will provide light on the ban's effects on various parties and the Indian economy by analysing secondary data, such as financial records.

## 1.2 Problem statement

Policymakers, academics, and companies must know how the TikTok ban in India affected their bottom lines. TikTok was a popular platform for marketers to interact with their target audience, particularly younger generations. Therefore, the prohibition has caused a significant shift in the digital marketing environment. Since its unexpected demise, companies have had to rethink their advertising strategy and look for new ways to reach their target audiences (Miao *et al.* 2023). Concerns regarding the economic effect of India's ban on TikTok have been voiced, particularly about the digital marketing sector, content providers, and the digital economy. It is important to learn how the prohibition affected marketing efforts, how much money content producers lost, and how this will affect India's digital economy (Chakravarti, 2023). However, there is a shortage of in-depth studies on how the TikTok ban has affected India's economy. This research intends to fill that gap by examining how the prohibition has affected different groups and offering guidance to governments and companies as they negotiate the ever-changing digital ecosystem.

## 1.3 Aim

This research aims to examine the economic impact of the ban on TikTok in India.

## 1.4 Objectives

The research objectives are the following:

- To analyse the effects of the TikTok ban in India on the app's revenue
- To analyse the effects of the TikTok ban in India on user engagement
- To analyse the effects of the TikTok ban in India on the broader digital marketing ecosystem

## 2.0 Literature Review

### 2.1 Analyse the effects of the TikTok ban in India on the app's revenue:

The financial impact of India's ban on TikTok may be gauged by examining how the app's income has changed since the ban was implemented. The ban severely impacted TikTok's activities in India, and the app's parent company, ByteDance, lost substantial money. TikTok first lost advertising money because of the restriction. Before the prohibition, TikTok was a valuable medium for marketers to access a sizable and enthusiastic user base (Kaye *et al.* 2021). Since the prohibition prevented them from reaching this big demographic, marketers had to shift their focus to other channels. TikTok's bottom line took a hit when it lost advertising money.

The ban's effect negatively impacted TikTok's income on the user base. India was responsible for a significant chunk of TikTok's total user base, with over 150 million downloads (Chakravarti, 2023). However, due to the prohibition, users in India had to go elsewhere for support, which resulted in a significant drop in the app's user base (Mazumdar, 2022). TikTok saw a fall in income due to fewer ads being purchased and less user activity and content being produced. The parent firm of TikTok, ByteDance, also felt the ban's effects. ByteDance's financial results suffered after the ban in India hurt TikTok's ability to generate income (Choudhary *et al.* 2020). The loss

of income from India, one of TikTok's major countries, significantly impacted ByteDance's bottom line and capacity to expand. The company's value and investor confidence were also impacted. The nation was responsible for 30.3%, or 611 million, of all downloads ever. India's ban on the Chinese app TikTok has cost the platform's top 100 influencers an estimated 120 crore per year in revenue (Tewari, 2020).

In sum, the TikTok prohibition in India significantly reduced the app's earning potential. TikTok's financial results took a serious hit after the ban because of the loss of advertising income and the subsequent drop in user base. The restriction also affected ByteDance's overall profitability and growth, which had far-reaching consequences for the parent firm. Politicians and companies must thoroughly understand these revenue implications to analyse the economic effect of the TikTok ban and make educated choices on social media regulation and marketing tactics in India (Mazumdar, 2022).

## **2.2. Analyse the effects of the TikTok ban in India on user engagement:**

Since millions of Indian users were abruptly shut off from the network, user engagement suffered greatly once TikTok was banned. Changes in user behaviour, migration to other platforms, and general user attitude are all observable repercussions of the prohibition on participation. After the ban, users in India were forced to find other means of satiating their content production and consumption demands (Rach, 2021). Many Indians have abandoned Facebook and Twitter in favour of Instagram Reels, MX TakaTak, and Moj on ShareChat. These options provided comparable capabilities for sharing short videos to compete with TikTok. Users migrated to these systems for equivalent stimulation, participation, and communication.

It is worth noting, however, that the transition to other platforms was not without friction, and the user base split (Zeng & Kaye, 2022). Some users could easily transition to other platforms, while others struggled to find alternatives that offered the same depth of features and breadth of material. The result was a scattering of TikTok's user base, which reduced the platform's popularity. The prohibition also made creating and enjoying user-generated material harder (Mazumdar, 2022). There was a thriving network of TikTok creators in India, many of whom had amassed sizable fan bases and made names on the app. Since the prohibition, these artists have had to go elsewhere to share their work and interact with fans.

While some creators could effectively migrate to competing platforms, others struggled to either regain the same level of audience engagement or find a platform at all. The prohibition also affected user attitudes and happiness (Mishra *et al.* 2022). Some users accepted the restriction and switched to other platforms with little protest, while others voiced their regret and irritation at having to abandon the service they had grown to rely on. Many people's regular routines and habits were disrupted without TikTok, and as a result, user happiness and engagement suffered.

## **2.3 Analyse the effects of the TikTok ban in India on the broader digital marketing ecosystem:**

As a result of the interruptions caused by the TikTok ban in India, digital marketers were forced to adjust their approaches. TikTok's absence is being felt across the industry as it has become a popular platform for businesses and marketers to interact with a sizable and active user base. The prohibition immediately had an impact on internet advertising budgets. Companies spend a lot of money on TikTok ads because of the platform's massive user base and entertaining video format (Toscher, 2021). However, due to the restriction, many businesses were forced to redirect their marketing dollars to other channels and mediums.

Moreover, after TikTok's demise, marketers were forced to swiftly rethink their approaches and find new channels to reach their target demographics. As a result of this change, non-traditional platforms saw a dramatic increase in use (Zeng & Kaye, 2022). Marketers and content developers flocked to Instagram Reels due to the feature's resemblance to TikTok's short video format. The increased engagement was also seen on other platforms, such as MX TakaTak and ShareChat's Moj. These sites attempted to fill the void left by TikTok by offering users a place to share and enjoy short videos (Duffy *et al.* 2021). However, there were certain difficulties in making the switch to new platforms.

Therefore, matching the degree of engagement and variety of material TikTok created on competing platforms was impossible. It was up to marketers and content developers to reestablish their identities and fan bases on these novel channels. Further complicating efforts to reach a unified audience via marketing was the dispersion of consumers across many channels (Toscher, 2021). The restriction has pushed businesses to look for other online marketing methods. The brands have shifted their marketing efforts to social media sites like YouTube, Instagram, and Facebook. Marketers also tweaked their influencer marketing tactics to work with content producers across platforms whose work aligned with the goals they set for their brand (Duffy *et al.* 2021).

### 3.0 Methodology

#### 3.1 Philosophy

##### Interpretivism

Interpretivism is a method that analyses the importance of understanding social phenomena with the help of interpretations of individuals involved and subjective experiences (Pandey & Pandey, 2021). In this study, the researcher used an Interpretivism philosophy. The study "The Economic Impact of the Ban on TikTok in India" took an interpretivist tack, looking at the subjective experiences and views of stakeholders impacted by the ban in order to better understand the economic repercussions.

#### 3.2 Design

##### Explanatory

The goal of an exploratory design is to learn as much as possible about a subject or phenomenon with as little restriction as possible (Snyder, 2019). In this study, the researcher used an explanatory approach. Exploratory research methods were used to learn more about the financial effects of India's ban on the video-sharing app TikTok. This strategy meant learning more about the economic effects of India's ban on TikTok and seeing how different people see the situation.

#### 3.3 Approaches

##### Deductive

A deductive strategy is one that starts with a broad theory or hypothesis and then narrows down on particular observations to determine whether or not the theory holds water (Newman & Gough, 2020). In this study, the researcher used a deductive strategy. To test the ban's efficacy on the economy, researchers used a deductive methodology that comprised of formulating a working hypothesis, extracting targeted research questions from the hypothesis, collecting relevant data, and analysing the results.



### 3.4 Data collection

Data collection is the process through which they gather study-related information. The researcher used secondary sources to involve reviewing and deriving conclusions from material that has already been collected and analysed by other researchers or institutions. This method allowed the researcher to look at historical data and analysis that was pertinent to the economic effects of the TikTok ban. The researcher also employed thematic data analysis to sift through and make sense of information from a wide variety of sources.

### 4.0 Discussion

#### 4.1 Analyse the effects of the TikTok ban in India on the app's revenue:

The ban on TikTok in India had a significant effect on the company's earnings and raised the possibility that other countries would follow suit. Millions of subscribers had already been disconnected from the service, and estimates put the company's losses at \$6 billion (Setty, 2020). TikTok's user-based revenue took a significant hit as a result of the prohibition. Over half of TikTok's overall user base of over 150 million downloads may be attributed to users in India (Chakravarti, 2023). A whopping 30.3%, or 611 million, of all downloads ever came from the country (Banerjee, 2020).

Because of the ban, TikTok's most popular creators saw a drop in viewership and revenue. It is estimated that the ban cost the platform's top 100 influencers in India a total of 120 crores in annual revenue (Tewari, 2020). This further demonstrated the detrimental effect the ban had on the app's financial results. In addition, other countries are now more inclined to consider enacting bans similar to India's. The potential for similar bans to be implemented in other markets posed a serious risk to TikTok's business and revenue (Kaye *et al.* 2021). Because of this, it is even more crucial to assess the ban's economic effects before deciding how to regulate or market via social media.

The ban on TikTok in India had far-reaching effects, including a potential impact on the company's revenue streams and the possibility that other countries would follow suit. TikTok's financial performance took a major hit due to its huge user base in India, its estimated \$6 billion in losses, and the millions of users who have already disconnected (Setty, 2020). The ban's effects extended beyond monetary loss to include ripples in the influencer market and the potential globalisation of the ban itself.

#### 4.2. Analyse the effects of the TikTok ban in India on user engagement:

The prohibition of TikTok in India significantly impacted user engagement, causing users to alter their behaviour, move to other platforms, and adopt new perspectives as a whole. Users in India were forced to find other sites for their content creation and consumption demands after the ban (Rach, 2021). Popular competitors to TikTok that let users share short movies include Instagram Reels, MX TakaTak, and Moj on ShareChat. In search of similar levels of engagement, involvement, and conversation, users flocked to these sites.

However, not all users had a problem making the switch to new platforms. While some users had little trouble making the transition to the new platforms, others found it difficult to locate suitable replacements that offered the same functionalities and content selection (Mishra *et al.* 2022). TikTok's decline in popularity can be attributed in part to the platform's splintered user base. Creators in India who had made names for themselves on the video-sharing app TikTok saw their audiences and careers suffer as a result of the ban. These artists were forced to find other methods of communicating with their audiences. Some artists were able to successfully make the switch to

rival platforms, while others struggled to either find a suitable platform or recover the same level of audience engagement.

Users' attitudes and contentment were also negatively impacted by the ban. Users' happiness and engagement dropped as a result of the app's removal from their daily lives. TikTok has 200 million users in India, with 120 million of them being active every month (Banerjee, 2020). In September 2019, India accounted for roughly 44% of TikTok's global install base (Banerjee, 2020). TikTok, ByteDance, and Tencent were all impacted by the decline in users and potential earnings. The ban significantly reduced engagement and lowered the potential for revenue generation due to India's large population of social media users and brand advertisers.

#### **4.3 Analyse the effects of the TikTok ban in India on the broader digital marketing ecosystem:**

The larger digital marketing ecosystem was severely impacted by India's decision to ban TikTok. TikTok's absence caused disruption to marketing strategy and compelled firms to find other ways to reach TikTok's massive and engaged user base. Budgets for online advertising were one area immediately affected. Businesses were spending a lot of money on TikTok advertisements because of the platform's large user base and compelling video format (Toscher, 2021). With the prohibition in place, however, advertisers had to swiftly shift their focus to other platforms. This unexpected change impacted marketing strategy and prompted companies to seek new ways to connect with their core customers.

As a direct result of the restriction, marketers quickly rethought their strategies and looked for other ways to reach their target demographics. Marketers looking for alternatives to TikTok drove up the adoption of non-traditional channels (Zeng & Kaye, 2022). Instagram Reels, MX TakaTak, and ShareChat's Moj all became popular options because of their short video formats. These sites attempted to meet the need for a place to upload, share, and view short videos after TikTok's demise. However, there were difficulties in making the switch to new platforms. It was impossible to match the degree of interaction and content diversity that TikTok provided (Duffy *et al.* 2021). In order to succeed on these new platforms, marketers and content creators had to rebrand themselves and win over new audiences. In addition, consumers' use of a wide variety of digital channels hampered marketing efforts and compelled companies to vary their approaches.

As a result of the prohibition, advertisers have begun focusing their attention on competing social media platforms like YouTube, Instagram, and Facebook (Duffy *et al.* 2021). To achieve their marketing objectives, brands have to modify their influencer marketing strategies to work with content producers across platforms. To succeed in the wake of the TikTok ban, businesses have to be flexible and open to trying other forms of advertising.

#### **5.0 Conclusion**

The paper identified that there were far-reaching effects on TikTok's business, user engagement, and the digital marketing ecosystem as a whole as a result of India's ban on the app. As a consequence of the ban, both TikTok and its parent company, ByteDance, saw a significant drop in revenue from advertising and a decrease in their user base. The loss of service caused millions of Indian users to switch to similar but separate services, such as Instagram Reels, MX TakaTak, and Moj on ShareChat. It highlighted that some customers had difficulty making the switch since they were unable to discover the same breadth and depth of features and material.

The embargo also wreaked havoc on the digital marketing environment, causing companies to rethink their advertising strategies and look elsewhere to reach their customers. For better user engagement, marketers have to

try new approaches and test out different channels. The dispersion of people over numerous platforms has added another layer of complexity to marketing and forced the need for a wider range of approaches. It mentioned that the income of TikTok was jeopardised by the prohibition in India, and this might be a precursor to similar restrictions in other countries.

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