

A study on impact of E-Commerce on Indian economy

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Abstract

This paper exposes the economic as well as social impacts of e-commerce in India. It is the India's fastest evolving market with annual multifaceted growth rate (CAGR) 52% to touch USD 36.7 billion by 2020. The increasing perception of smartphones and internets are expressively contributing to the growth of e-commerce. Convenient payment process, speedy delivery of product, high discount, customer friendly policies and easy returns are driving more customers towards online shopping. Due to the digital revolution, the e-commerce sector in India increases from \$3.8 billion in 2009 to \$17 billion in 2014. It is projected to cross \$100 billion within the next five years which will contribute more than 4% to India's GDP. E-commerce provides a useful resource for the growth of MSME's and all aspects of the rural community. The 'Digital India' project which aims to offer a one-stop shop for Government services will absolutely boost this sector by introducing the internet to remote corners of India.

Keywords: E-commerce, MSME's, Digital India

Introduction

Over the last ten years, the way of buying and selling of goods and services has been altered by the Internet. E-commerce is converting the shopping experience of Indian customers. The introduction of electronic data interchange spreads into producers, retail traders, stock market operations and travel reservations etc., which ensued in a higher growth of the economy. The term 'E-commerce' means doing online business with the help of computer, fax, e-mail and telephone. It has been come out from the term 'E-mail'. In 1972, the term 'E-commerce' used by IBM for the first time. In 1973 with the development of computers, the first successful transaction was carried out between the European Union and the USA. In 1995, the introduction of internet in India marked the launch of e-Commerce in the country. Internet and Mobile Association of India states that Indian online retail market is anticipated to grow at the rate of 52 % and will reach USD 36.7 billion in 2020.

A. Mode of E-commerce

E-commerce can be categorised into three modes or segments based on the participants involved in the transaction.

- 1) **Consumer-to-Consumer (C2C):** It finds innovative ways to allow the consumer to interact with each other and by doing so they can sell goods or services to each other.
- 2) **Business-to-Consumer (B2C):** B2C transaction is conducted over the internet between a business and a consumer. E.g. an online publisher may sell his book to a customer and receive payment without meeting him/her.
- 3) **Business-to-Business (B2B):** It refers to a situation in which one business make a transaction with other.

B. Overview of the e-commerce retail supply chain

E-commerce retail supply chain contains of numerous stages such as procurement, bar-coding, quality checking, storage of goods, packaging, dispatch and return to vendor [2]. First four stages are known as first-mile delivery. Figure 1 shows the overview of a supply chain of e-commerce.



Fig 1: Overview of the E-Commerce Retail Supply Chain

II. Objectives of the study

1. To study the impact of e-commerce on Indian economy.
2. To study the growth and contribution of e-commerce.

III. Research Methodology

This research is based on secondary data which are collected from several sources i.e. research papers, publications from Ministry Of Commerce, Govt. of India etc which is available on the internet.

IV. Analysis of Data

A. Internet users in India

India had more than 100 million internet users in the year 2010 and this value reached 121 million users by the end of 2011, which make it the third-largest country in internet population. It is found that the number of internet users in India is triple i.e. 243 million in 2015, growing at a CAGR of 25.5 %. Fig 2 shows the internet users in India.

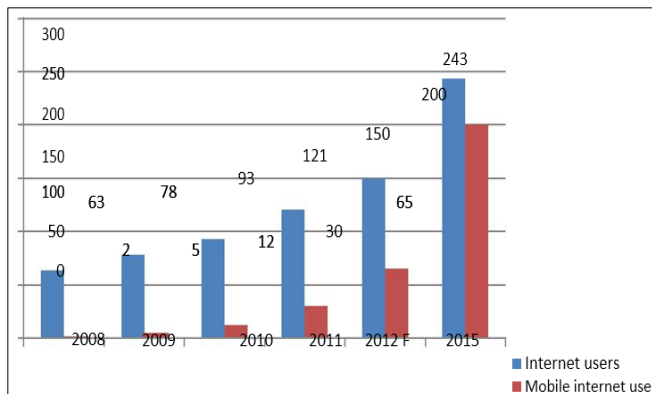


Fig 2: Internet users in India

B. Recent trends in E-commerce

- Industry studies by IAMAI show that online travel dominates the e-commerce industry in India with 70% of the market share.
- Online retailer major categories include smartphones, laptops, cameras, books, computers, clothes, home and kitchen appliances, toys, and gifts.
- Promotion of products, recruitment through social media, the pattern of advertisement by corporate sector etc are made online.
- Changes the lifestyle of Indian consumers by seeking convenience, comfort and variety.

- Various innovative models are being tested and launched in the market.
- There are customer’s delightment due to first delivery, easy payment and easy return policy.

C. Online retail in India

It is seen that the digital commerce market in India has increased from \$4.4 billion in 2010 to \$13.6 billion in 2014 with a steady manner. It is expected to reach \$16 billion by the end of 2015 due to the growing internet population and increased online shoppers. [6] Fig 3 shows the market size of online retail in India.

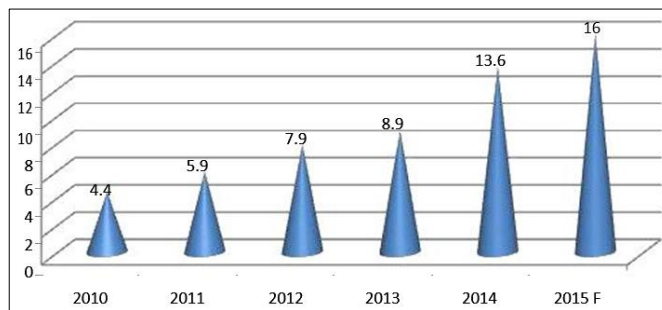


Fig 3: Online Retail in India - Market Size (\$ billions)

Segment wise market size of e-commerce is shown in table I.

Table 1: Segment Wise Growth of E-Commerce (Figures in INR crores) [1]

Year	Total Market Size	E-Tailing	Online Travel Industry	Digital Downloads	Financial Services	Other Online Services
2007	8146	978	6250	238	N.A	680
2008	14030	1120	10500	290	1200	920
2009	19688	1550	14953	435	1540	1210
2010	31598	2050	25258	680	2000	1610

D. Vertical specific E-Commerce in India

Vertical specific e-tailer focuses on a niche product or service as their services are different from other mainstream e-commerce players. The value addition by taking this venture helps them to raise funds. The critical aspect of this industry specific risk offers a user-friendly experience driven by

convenience, more information and cost effectiveness. e.g. Ola Cabs, a cab service provider, differentiates its services by providing a great user-friendly experience to people looking for car rentals and cab service. Table 2 shows the vertical specific e-commerce in India.

Table 2: Vertical specific e-commerce players in India [6]

Travel	Real Estate	Fashion	Furniture	Health	Education
MakemyTrip	MagicBricks	Jabong	FabFurninsh	Healthkart	EduKart
Goibibo	CommonFloor	Myntra	Pepperfry	LensKart	Meritnation
Yatra	99acres	YepMe	Urban Ladder	Portea	Edureka
IRCTC	Housing	Zovi	Zansaar	Medical	Toppr
Cleartrip		FashionandYou			embibe

V. E-commerce: challenges and risks

The threat landscape is always evolving and increasingly challenging. The phenomenal growth of the e-commerce sector is accompanied by various challenges mentioned below
 Lack of appropriate control and transparency add to cyber security risk
 Taxation Challenges
 No specific e-Commerce laws in India.
 Low entry barriers leading to reduced competitive advantages
 Rapidly changing business models

Mainly restricted to urban areas as Internet usage in rural areas is limited
 Shortage of manpower

VI. Role of Government

Indian Government must have to play a significant role in the promotion and growth of these technologies throughout Indian industries

- Government must have to support rapid deployment of necessary infrastructure.

- By providing various educational and skills development resources.
- Plan for the development of MSME's on a national and global scale
- Ensuring equity in the availability of opportunities and benefits for the overall development of the rural community.

Government has to adopt some specific e-commerce laws. Digital India, Make India, skill India etc are some good steps taken by the government for this purpose. It will definitely enhance the economy of our country.

VII. Economic and social impacts

- With the growing competition in the e-commerce market, players who are able to adapt and innovate quality products will gain profit and enhance the economy of the country.
- Both electronic learning and mobile learning enhances the access of the good educational institutions in remote areas.
- The rise of online sales in the developing markets will encourage retailers to go online for global expansion.
- E-marketplaces are working well in India due to high fragmentation on the supply side.
- Mobile banking reduces the transaction cost of banks which increases access to financial services through rapidly growing mobile market.

Rural areas which are too costly or unprofitable for business development might be a focus of investment and market expansion, and also for building corporate offices.

VIII. Conclusion

After taking a complete view of the industry trends, it is seen e-commerce is emerging as an important tool to certify exploding growth of Indian economy. It has the scope to lead India into an Economic superpower. With a rapidly growing internet penetration e-commerce offers an attractive option for the retailers to expand. To achieve this, there should be more investments in supporting infrastructure and innovative and game changing business models in India.

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