

E-COMMERCE: GROWTH AND IMPORTANCE IN INDIA

G. SUMATHI
Research Scholar
Department of Economics
Andhra University
Visakhapatnam

Dr. A. PRABHAKAR, Reader
Head, Department of Commerce
Mrs. A.V.N. College
Visakhapatnam

ABSTRACT

There are extent trends for the implementation of Electronic commerce or an extra marketing channel for selling products globally via the access of the internet. This is expected to influence the structure of the future cities and the conservation of natural resources. Electronic commerce draws on technologies, such as mobile commerce, electronic funds transfer, supply chain management, internet marketing, online transaction processing, electronic data interchange (EDI) inventory management systems and automated data collection systems. The wide spread expansion of internet has set a prospect for the development of a new way of conducting business called E-commerce. E-commerce is the paper less exchange of business information and refers to internet shopping, online stock and bond transactions, the downloading and selling “soft merchandise and business-to-business transactions.

E-commerce has been developed by high integration of transportation, infrastructures, information and communication technology. The rapid growth of the e-commerce is the basis of different positive as well as negative impacts on environment. This paper is the outcome of a review of various research studies carried out on e-commerce and basing on which it examines the importance, growth of e-commerce and also the factors influencing e-commerce in India were discussed.

Key words: E-commerce, Internet, Growth, opportunities.

Introduction:

Due to vast and fast development of e-commerce, companies and business are playing so much attention to production of low cost products.

E-commerce is one of the most existing spaces for today's global online community and India's young startup economy is along for the ride. In the less than three months of 2011, Indian venture capitalists have already invested over \$ 50 million in seven e-commerce companies, a 400 percent increase over the same period just a year, which reflects the potential of e-commerce industry in India for the upcoming years.

Modern electronic typically uses the world wide web for atleast once part of the transactions life cycle although it may also use other technologies such as e-mail. Typical e-commerce transactions include the purchase of online books and music purchases, and to a less extent, customized / personalized online liquor store inventory services.

E-commerce businesses may also employ some or all of the followings:

- Online financial exchanges for currency exchanges or trading purposes.
- Engaging in pretail for launching new products and services
- Marketing to prospective and established customers by e-mail or fax (for example, with newsletters)
- Business-to-business (B2B) electronic data interchange
- Gathering and using demographic data through web contacts and social media
- Business-to-business buying and selling;
- Providing or participating in online marketplaces, which process third-party business-to-consumer or consumer-to-consumer sales
- Online shopping for retail sales direct to consumers via Web sites and mobile apps, and conversational commerce via live chat, chatbots, and voice assistants^[3]

Objectives

- To know the importance and growth of e-commerce in India.
- To bring out the status of opportunities and challenges of e-commerce in India.
- To find out the factors which are influencing e-commerce in India.

Methodology

The study includes growth of e-commerce and several challenges which are faced by the Indian Commerce Industry after the flow of huge venture capital in 2007 – 2008. The data is extracted from the websites and journals.

AVENUCES FOR E-COMMERCE:

The major reasons for E-Commerce to boom in India are;

1. E-Commerce is one of the most exciting spaces for today's global online community, and India's young startup economy is along for the ride. In the less than three months of 2011, Indian Venture Capitalists have already invested over \$50 million in seven e-commerce companies, a 400 percent increase over the same period just last year, which reflects the potential of ecommerce industry in India for the upcoming years.

2. E-commerce in India has a long road ahead, and e-commerce infrastructure and best practices are in their infancy.

Within these great challenges lie great opportunities, and the maturation of India's e-commerce ecosystem is no different. A recent report by Internet and Mobile Association of India reveals that India's e-commerce market is growing at an average rate of 70 percent annually, and has grown over 500 percent in the past three years alone.

CHALLENGES FOR E COMMERCE:

Internet based e-commerce has besides, great advantages, posed many threats because of its being what is popularly called faceless and borderless. Some examples of ethical issues that have emerged as a result of electronic commerce. According to a study released by Internet And Mobile Association of India (IAMAI) and Intelink Advisors, about 150 million people in India or around 75 million households are ready for ecommerce in India today.

Cash on Delivery

Cash on Delivery (COD) has been touted as the innovation to counter the low credit card penetration and payment security issues on the internet. COD is a substantial proportion of the sales today contributing to anywhere between 11% (for Perperfry) to 60% in most of the cases. The COD is unsustainable as it pushes up the cost of transaction by Rs 30-60 per transaction.

High Cash Burn Rate

At a recent conference, a venture capitalist mentioned that a niche vertical eCommerce venture needs \$50 million of funding over time while a horizontal player would need \$300-400 million funds. Leaders in the e-commerce space (ones that have raised money, have large teams and are aggressively pursuing growth) are spending \$1-2 million (Rs 5-10 crore) a month, including on marketing, overheads and salaries. At this rate of burn, smaller firms with scant capital are unable to cope.

High Inventory/ Poor Supply Chains

Most of the ecommerce venture are complaining of the excess inventory and absence of liquidation market in India. The poor supply chain compounds inventory problems due to unpredictability of the supply. The cost of carrying the inventory is very high and successful ventures would need to tackle the supply chain issues if they really want to run a scale business. The other problem is in unpredictability of delivery to the customers leading to higher returns.

There exists a mounting problems of excess inventory and poor supply chain which combinedly lead to the absence of liquidity market in India. The poor supply chain results in high carrying of inventory because of unpredictability of supply, this problem is to be address properly to run a large scale business by the E-commerce ventures. On the otherland suitable measures are to be scale for unpredictability of delivery to the customers.

Ethical issues:

Jackie Gilbert Bette Ann Stead (2001),reported the following ethical issues related to e-commerce.

1) Privacy

Privacy has been and continues to be a significant issue of concern for both current and prospective electronic commerce customers. With regard to web interactions and e-commerce the following dimensions are most salient:

1. Privacy consists of not being interfered with, having the power to exclude; individual privacy is a moral right.
2. Privacy is "a desirable condition with respect to possession of information by other persons about him/herself on the observation/perceiving of him/herself by other persons"

Security Problemns

In addition to privacy concerns, other ethical issues are involved with electronic commerce. The Internet offers unprecedented ease of access to a vast array of goods and services. The rapidly expanding arena of "click and mortar" and the largely unregulated cyberspace medium have however prompted concerns about both privacy and data security.

In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities.^[5] Demand for international consumer products (including long-tail

items) is growing much faster than in-country supply from authorised distributors and e-commerce offerings.

As of 2017, the largest e-commerce companies in India are Flipkart, Amazon, ShopClues, Paytm, Snapdeal and e-bay.^[6]

India's e-commerce market was worth about \$3.9 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 79% of India's e-commerce market is travel related.^[7] According to Google India, there were 35 million online shoppers in India in 2014 Q1 and was expected to cross 100 million mark by end of year 2016.^[8] CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales.

According to a study conducted by the Internet and Mobile Association of India, the e-commerce sector is estimated to reach Rs. 211,005 crore by December 2016. The study also stated that online travel accounts for 61% of the e-commerce market.^[9]

According to Google India Research, by 2021 India is expected to generate \$100 billion online retail revenue out of which \$35 billion will be through fashion e-commerce. Online apparel sales are set to grow four times in coming years.^[10]

India's retail market is estimated at \$470 billion in 2011 and is expected to grow to \$675 Bn by 2016 and \$850 billion by 2020, – estimated CAGR of 10%.^[11] According to Forrester, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012–16.^[12]

As per "India Goes Digital",^[13] a report by Avendus Capital, the Indian e-commerce market is estimated at Rs 28,500 Crore (\$6.3 billion) for the year 2011. Online travel constitutes a sizable portion (87%) of this market today. Online travel market in India had a growth rate of 22% over the next 4 years and reach Rs 54,800 crore (\$12.2 billion) in size by 2015. Indian e-tailing industry is estimated at Rs 3,600 crore (US\$800 million) in 2011 and estimated to grow to Rs 53,000 crore (\$11.8 billion) in 2015.

Overall e-commerce market had reached Rs 1,07,800 crores (US\$24 billion) by the year 2015 with both online travel and e-tailing contributing equally. Another big segment in e-commerce is mobile/DTH recharge with nearly 1 million transactions daily by operator websites.^[14]

On line Health care:

A new sector in e-commerce is online medicine, selling complementary and alternative medicine or prescription medicine online. There are no dedicated online pharmacy laws in India and it is permissible to sell prescription medicine online with a legitimate license.^[citation needed]

Online sales of luxury products like jewellery also increased over the years. Most of the retail brands have also started entering into the market and they expect at least 20% sales through online in next 2–3 years.^[15]

On line education system:

On line courses like swayan, mooc to, on line counselling, on line tests, on line tutorials, on line computing results etc.,

Factors influencing E-Commerce

There are many external environmental factors that can affect e- business. It is common for managers to assess each of these factors closely. The aim is always to take better decisions for the firm's progress. Some common factors are political, economic, social and technological (known as PEST analysis).

1. Political Issues

It mainly frames the government legislation, initiatives and funding to support the use and development of e-commerce and information technology. It act was enacted in the year 2001, which is an imperative for to build stipulation for IT transactions and controlling the cyber crimes and for regularization of cyber lass. Several aspects of government policy can affect e-commerce business. All firms must follow the law. Managers must find how upcoming legislations can affect their activities. The government's role in developing countries is an important one as it facilitates the essential requirements for the development of E-Commerce such as providing robust secure on-line payment options, ensuring a solid ICT infrastructure, providing educational programs and building up awareness using different means such as media and education institutions.

2. Economic Aspect

It includes the general wealth and commercial health of the nation and the elements that contribute to it. Economic efficiency results in the reduction of communications costs, low-cost technological infrastructure, speedier and more economic electronic transactions with suppliers, lower global information sharing and advertising costs, and cheaper customer service alternatives. Economic integration is either external or internal. External integration refers to the electronic networking of corporations, suppliers, customers/clients, and independent contractors into one community communicating in a virtual environment (with the Internet as medium). Internal integration, on the other hand, is the networking of the various departments within a corporation, and of business operations and processes. This allows critical business information to be stored in a digital form that can be retrieved instantly and transmitted electronically. Internal integration is best exemplified by corporate intranets. Among the companies with efficient corporate intranets are Procter and Gamble, IBM, Nestle and Intel.

3. Social Parameters

Incorporating the level and advancement in IT education and training which will enable both potential buyers and the workforce to understand and use the technology. Rising standards of living and a burgeoning, upwardly mobile middle class with high disposable incomes, Busy lifestyles, urban traffic congestion and lack of time for offline shopping have given boost to e-commerce. Evolution of websites such as Flipkart, Snapdeal, ebay etc. has become a market place where seller register with them and pays commission on every sale.

4. Technological factors

The development of ICT is a main factor in the growth of e-commerce. It has made communication more efficient, faster, easier, and more economical as the need to set up separate networks for telephone services, television broadcast, cable television, and Internet access is eliminated. Due to technological advances economic transactions have become much easier and faster and this has given boost to the development of e-commerce.

Conclusions

With the advancement of computer technology, the World Wide Web has become the connection medium for the networked world. Computers from locations that are geographically dispersed can talk with each other through the Internet. As with any new technology, there are positives and negatives associated with its use and Adoption. Finally,

an e-marketplace can serve as an information agent that provides buyers and sellers with information on products and other participants in the market.

E-commerce creates new opportunities for business; it also creates new opportunities for education and academics. It appears that there is tremendous potential for providing e-business education.

References

3. *"How to prepare your products and brand for conversational commerce"*. 6 March 2018.
5. "In COD we trust". translatemedia.com. 2015-02-06. Retrieved 2015-03-24.
6. "Amazon India reportedly closing in on Flipkart". *The Economic Times*. Retrieved 22 March 2018.
7. Evolution of e-commerce in India, PwC, 2014.
8. "Online shoppers in India to cross 100 million by 2016: Study". *The Times of India*. Retrieved 4 May 2016.
9. "Online travel accounts for 51% of Indian ecommerce: IAMAI-IMRB study". *MediaNama*. 8 June 2016. Retrieved 18 June 2016.
10. PTI. "India's fashion e-retail market to touch \$35 bn by 2020: Google". *Mint*. Retrieved 2016-03-13.
11. "Ecommerce in India Infographics - Host & Soft". *Host & Soft*. Retrieved 2017-04-07.
12. "Asia Pacific Online Retail Forecast, 2011 To 2016," Forrester Research Inc. Zia Daniell Wigder, with Steven Noble, Vikram Sehgal and Lily Varon.
13. "404" (PDF). Retrieved 4 May 2016.
14. "Freecharge Aims to Achieve 7 Million Transactions Per Day". *Telecom Talk*. 2016-02-17.
15. "CaratLane in talks with US-based online stores for acquisition". *Economic Times*. Retrieved 2016-04-05.