

E-COMMERCE – A CATALYST TO THE DEVELOPMENT OF INDIAN ECONOMY

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ABSTRACT-This paper focuses into the likely impact of e-commerce industry on the development Indian economy. Post globalization and expansion of internet accessibility through various gadgets, Indian economy has shown a steady growth. This growth was mainly because of the contribution of Ecommerce. Business deals and trades through the internet have become more common and flexible which now caters to the need of the customer as per his/her needs. Ecommerce has become a catalyst to the development of Indian economy in all the aspects. The traditional approach of business and trade are now being replaced with online shopping and trade. New innovative ideas and conversion of such ideas into service providers has enabled the Indian economy to place its development much faster than expected. There is a considerable increase in the customers preferring the services of urban clap, infibeam, book my show, yatra, amazon, Flipkart, Paytm, etc.in recent times.

KEYWORDS: E-commerce, Indian economy, Internet penetration, Technology, Development

I INTRODUCTION

Over the past decades Indian economy has shown considerable growth and this has enables the economy to have a strong base in the field of technological advances. The Indian ecommerce industry is growing in a commendable way that by 2034 India is expected to outshine United States of America and become the second largest ecommerce industry after China. The Indian e-commerce industry is expected to reach US\$ 64 billion by 2020 and US\$ 200 billion by 2026 from US\$ 38.5 billion as of 2017. This kind of expected increase in the ecommerce industry is due to the high internet penetration in India. A transformation is seen in the business dealings with the introduction of Ecommerce in India. As per the reports of telecommunication ministry the digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 445.96 million in 2017. Since 2014, the Government of India has announced various initiatives namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support the e-commerce growth in the country.

II OBJECTIVES

The objectives of the study are as follows:

1. To study the growth of Indian Ecommerce industry.
2. To identify the contribution of Ecommerce in the recent developments in Indian Economy.
3. To learn the future opportunities in Ecommerce industry.

III REVIEW OF LITERATURE

Kumar, A, 2015 in his research specifies that Indian economy at present may be at a lagging stage compared to other economies but in the near future has a great potential because of high level of internet penetration and population factor.

Mirmiran & Shams, 2014 in their study states that the developing nations has wider scope of possibilities of benefitting ecommerce than that of developed economies as the developing economies have more room for reducing inefficiency and increase in production.

Dr.S. Hariharpathiran,2012explains that the security and privacy concerns in ecommerce remains as a concern for customers.

Rashad & et.al, 2011in their finds explains that a consistent internet growth in a positive way can bring in boom in the ecommerce industry. They also specifies that convenience and comfort are the most important factors that needs to be worked upon as security and privacy concerns are looked into by software companies and banks by providing improves internet security.

Terminologies used:

- **E-Commerce:** 'E-commerce' means buying and selling of goods and services including digital products over digital & electronic network.
- **E- Commerce Entity:** A company incorporated under the Companies Act 1956 or 2013 or a foreign company¹ conducting the e-commerce business.

¹section 2(42) of the Companies Act, 2013 or an office, branch or agency in India as provided in Section 2 (v) (iii) of FEMA 1999,

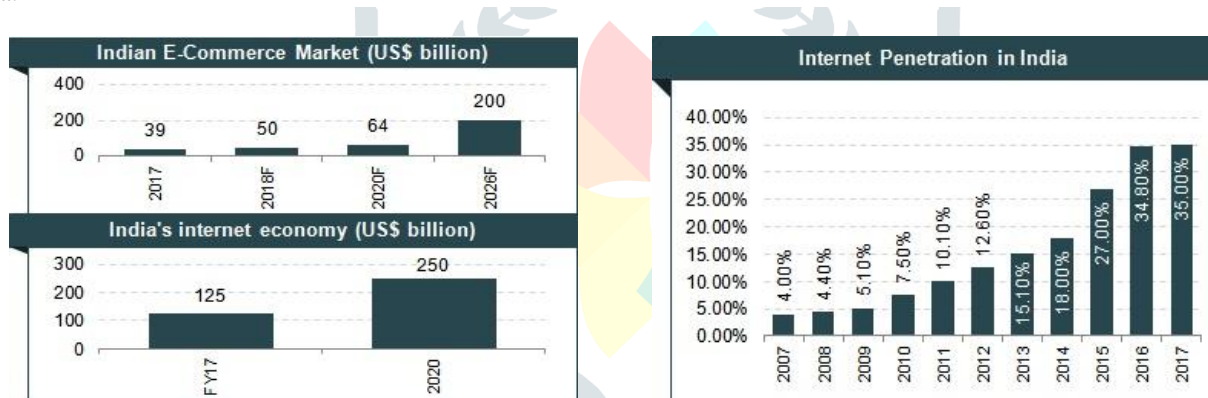
IV DISCUSSION

A. Indian Ecommerce industry

Since its inception in 1990 Ecommerce industry has come up considerably and is still growing better. Even though since 1990 ecommerce has faced liberalization in the policies Foreign Direct Investments in B2C is permitted under certain situations only. The ascent of social media communities and mass use of cell phones is going about as an impetus to quicken this drive further, forming the web based Ecommerce system for the Indian market. As the technology develops rapidly retailers using ecommerce as their platform for business adopts new technologies to cater to the participants helping them to have an effective and smooth online shopping experience. Consumers are self-sufficient with more information about the products and its features as the required information is now available in their fingertips.

If we look back into to the inception of Ecommerce industry the year 1991 opened a new chapter in the Indian history of online market where the ecommerce industry had become a choice amongst the use of internet commercially. Later in the year 1999 Rediff started a new revolution in the ecommerce industry by adding online shopping portal. This movement was then carried out by the government of India by experimenting online practices through Indian Railway Catering and Tourism Corporation (IRCTC) in 2002 which enabled its customers to book online train tickets. Later in 2003 airlines also started the online ticket booking system. In the year 2007 Ecommerce entity Flipkart brought in the deep discount model on a large scale and took the lead in ecommerce industry and later various competitors like amazon, Snapdeal, myntra, etc. joined the cart. Use of Ecommerce has also helped the ecommerce industry to understand the behavioral pattern and needs of the customers as they leave their preferences and interest. These can create data for the companies to work upon the prospect market.

Latest reports of CAGR² state that India's internet economy is expected to double from US\$125 billion as of April 2017 to US\$ 250 billion by 2020, majorly backed by ecommerce. Internet penetration in India grew from just 4 per cent in 2007 to 35.03 per cent in 2017, registering a CAGR of 24.23 per cent between 2007 and 2017. As of December 2017, internet penetration in India's urban areas stood at 64.84 per cent and 20.26 per cent in the rural areas. Urban India with an estimated population of 444 million as per 2011 census, already has 295 million using the internet as of December 2017. Rural India, with an estimated population of 906 million as per 2011 census, has 186 million internet users as of December 2017. There is therefore a great opportunity for increasing penetration in the rural areas. Analysis of 'Daily Users' reveal that both in Urban and Rural India, the younger generations are the most prolific users of internet. Rising internet penetration is expected to drive ecommerce growth in India.



CAGR - Compound Annual Growth Rate, F-forecast

Source: Media sources, Aranca Research

B. Recent Developments

The recent past has witnessed a booming ecommerce industry. The major factors that contribute to such a growth and development are increased internet users in the country, growth in the standard of living, time framed living styles and lack of time for offline shopping, availability of various ranges of products and categorized sections for easy purchase, etc. Developments in ecommerce industry are much more intense where it directly contributes to the GDP of the nation. Ecommerce industry is going through tremendous development.

For instance, the acquisition of Flipkart by Wal-Mart is expected to expand its store with wider coverage and range to initiate private presence in the segments of fashion. Flipkart also aims in introducing e-grocery stores in five cities in India, by the end of 2018. Similarly, cashless wallet company Paytm has launched its banks called Paytm Payment Bank becoming India's First bank charging zero charges on online banking transactions. Indian E-commerce has witnessed almost 21 private equity and venture capital deals worth US\$ 2.1 billion in 2017 and six deals worth US\$ 226 million in January-April 2018. Latest news being Alibaba Group of China are in Talks with the Reliance Retail Ltd to form a joint retail venture for \$5 billion to compete with the challenge of amazon and Flipkart in India, the world's fastest growing economy. This indicates that the Indian ecommerce industry is going to see more intense competition.

Government of India has been providing great support in expanding the ecommerce industry with the help of various initiatives such as Digital India, Make in India, Skill India, and Startup India and so on. These initiatives by the government have effectively supported ecommerce systems in the country. Digital wallets, Prepaid Payment Instruments, Unified Payments

²CAGR - Compound Annual Growth Rate F-forecast

Interface (UPI) are already available in the market and this has opened up a new trend in ecommerce industry in India. The Government of India has launched an e-commerce portal called TRIFED for the tribal artists which will enable them to connect to the international markets and increased the foreign direct investment limit in Ecommerce industry (B2B Model specially).

C. Challenges and Opportunities ahead

1. Challenges of Ecommerce Industry

There are various challenges in Ecommerce from different aspects. Few of the challenges are discussed below.

Risk and Uncertainty: There are various risks involved in an ecommerce trade such as delivery risk, privacy risk, psychological risks, time risk etc. and these risks certainly affects the smooth functioning of ecommerce industry. Customers worries about the quality of the product, timely delivery of the product, efficiency and utility of the product. Hence these can cause the common people to divert their attention to offline retail shopping or activities.

Perfect competition market: There are many online service providers who are dealing with similar product ranges. And this has slowed down the growth of individual company's development and growth. The market share is being divided between the competitors. Due to competition, the pricing policy followed by these ecommerce entities has dropped down their profitability.

Waiting period and expectation: A customer has to wait for the product purchased online to be delivered after the shipping. This has grown up as a challenge for ecommerce. If the use of online shopping isn't planned well, the delivery of the product may not be immediate and people will restrict themselves to offline retail industry for immediate needs. Similarly, as the ecommerce portals restrict physical inspection of the products before purchase, the customers may not receive the product as per their expectation.

Infrastructure and logistics: Strategic and Transport framework is another significant issue preventing the development of online retail. Delivery of the product on time is a hurdle in front of the courier companies and Ecommerce entities. As per the KPMG and IAMAI report, just around 10,000 out of the in excess of 150,000 post codes in the nation are secured by courier companies. Poor transportation coverage and infrastructure facilities in India have become a major challenge which has slowed down the ecommerce industry in India.

Mode of payment: Ecommerce industry in India has adopted various modes of payments. These include Cash on delivery, credit/debit card payments, e-wallet payments, net banking facilities, etc. However, in India almost 70% of the orders placed are through the mode of cash on delivery. This shows the uncertainty, risk and lack of trust in online payment modes. The primary challenge for e-commerce business entity retailers in India is gathering installment. Under 2% of Indian purchasers prefers card payments and 90% of all retail exchange are directed Cash-on-Delivery.

2. Future opportunities in Ecommerce industry

Best price deals: A tool to analyze and provide the best deals and prices available in a similar category can help the customers toopt the best deals available in the market. This will ensure competitiveness among the ecommerce entities. Sites like trivago, pricedhekho.com, etc. are already into this channel which supports the customers to analyze the rates and available options with various service providers.

Social media Market: Social media had become a hub of information and market place for the sellers who are in a position to analyze, monitor and track the needs, behavior and consumer choices with the help of feedback processes. Social media network such as instagram, twitter, LinkedIn, Facebook, etc. has now become a place of updates, notifications of trends in the market and also a platform of prospect customers, that is a market of trade

Smart Phone enabled Market:As the price of a smart phone has considerably fallen down and sufficient internet data is available, new generation has been more into mobile market where they use and depend upon ecommerce activities using a smart phone. In the near future mobile commerce is going to be an important segment in ecommerce industry. The latest trend in e-commerce it to focus on mobile based shopping. As per the recent reports, Snapdealnow gets half of its traffic from mobile, up from 5% around a year back and Flipkart gets 40% traffic from mobile up from 15%.

Better logistics and infrastructural development:In the days to come new innovations in the field of logistics can brighten up the horizon of ecommerce entities. Amazon has begun its operations called Amazon Prime which gives priority delivery and more customer friendly deals. The increase in the scope of geographical coverage of the courier agencies also can build up a strong potential market with increasing number of internet users and market penetration through the same.

V CONCLUSION

The E-commerce industry been specifically affecting the micro, small & medium enterprises in India by giving support in financing, innovation and has an ideal formative impact on different enterprises also. With the growing digitization of payment systems, it is expected in a matter few years India will constitute 50% of its total payments through such digitalized pathways and this will provide a new scope for the ecommerce industry which in return will create trade, employment, development of nation and provide better products and services to customers in the long-term. Innovation empowered advancements like computerized installments, examination driven client commitment and computerized promotions will probably support the development in the e-commerce section.

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