



The Present Scenario of Online Business in India

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Abstract

India's online-business ecosystem has matured rapidly over the last decade, driven by mass smartphone adoption, low-cost internet, digital payments, logistics expansion, and supportive policy nudges. New business models — D2C, social commerce, quick-commerce, and Omni-channel retail — have re-shaped supply chains and consumer behaviour. Growth is now broadening from metros to tier-2 and tier-3 cities and rural markets, but challenges remain: unit economics of last-mile delivery, regulatory complexity, digital literacy, infrastructure gaps, and sustainability concerns. This paper synthesizes recent literature, industry reports and policy documents (2018–2025) to present the current state of online business in India, identify drivers and constraints, and propose policy and managerial recommendations for sustainable and inclusive growth.

Keywords

E-commerce, online business, D2C, quick-commerce, UPI, India, digital payments, tier-2/tier-3, logistics, regulation

1. Introduction

Online business (e-commerce and related digital commerce models) is one of India's fastest evolving sectors. What began primarily as an urban, catalogue-driven marketplace has diversified into an ecosystem spanning retail marketplaces, direct-to-consumer (D2C) brands, food/grocery quick-commerce, social commerce, B2B digital procurement, fintech-enabled services, and platform-mediated logistics? The structural enablers — widespread mobile internet, unified payments (UPI), and improved logistics — combined with pandemic-era behavioural shifts, have propelled sustained adoption across socio-economic strata. This paper maps the current landscape (late 2024–2025), reviews empirical evidence and industry analyses, and draws implications for policymakers, entrepreneurs and researchers. Key questions addressed: What are the scale and shape of India's online business in 2024–25? Which models and segments lead growth? What constraints threaten sustainable scaling? And what policy/managerial responses are required?(Primary industry and policy sources used throughout include IBEF, Bain, NPCI (UPI), KPMG, USDA (market report), Reuters and government drafts on e-commerce regulation.) [India Brand Equity Foundation+2Bain+2](#)

2. Literature & Industry Background

2.1 Market size and growth trajectory

Estimates vary by definition (e-retail GMV vs. total e-commerce GMV), but converging evidence points to a large, growing market: industry trackers placed India's e-commerce market in the low-hundreds of billions of US dollars by 2024, with continued expansion expected through 2030. Bain and company report that India's e-retail market scaled to about US\$60 billion in 2024 with over 270 million online shoppers, while national industry presentations and IBEF project long-term growth to US\$300+ billion by 2030 under a 15%–25% CAGR scenario. These projections reflect both continued adoption in existing product categories (electronics, fashion) and rapid expansion in grocery, local services and quick commerce. [Bain+1](#)

2.2 Structural enablers: devices, data & payments

India's smartphone penetration and affordable mobile data were fundamental drivers. Critically, payment rails—most prominently UPI—have reduced friction in online transactions and enabled person-to-merchant (P2M) payments at scale, which supports both small merchants and platform commerce. NPCI transaction data show explosive growth in UPI volumes and values through 2024–25, underpinning the digital payments backbone for e-commerce and omni-channel retail. [NPCI](#)

2.3 Emerging business models

Recent industry research and company developments highlight several convergent models:

- **D2C brands** leveraging social marketing and owned web stores to escape marketplace fees. KPMG and market reports show D2C rising as a prominent route for specialty and lifestyle brands. [KPMG Assets+1](#)
- **Quick-commerce (Q-commerce)** providing ultra-fast grocery/essentials via dark stores; market estimates put Q-commerce GMV in the multi-billion USD range with strong projected CAGR but with profitability concerns. [USDA Apps+1](#)
- **Social commerce & live-commerce**, where social platforms and influencers act as storefronts, lowering customer acquisition costs in user segments that value community validation.
- **Omni-channel and kirana-enabled models**, where neighborhood retail stores integrate platform fulfillment and last-mile services.

3. Methodology This paper uses a mixed method literature synthesis: (1) systematic retrieval of recent industry reports, government portals and news articles (2018–2025) using targeted search terms (market size, UPI, quick commerce, D2C, regulations); (2) thematic synthesis of findings on market scale, drivers, segmental growth, operational constraints and regulatory changes; (3) triangulation using high-quality industry analyses (Bain, IBEF), government statistics (NPCI), and reputable news sources (Reuters). Selection emphasized primary data sources (NPCI, government releases) and major consultancy/industry reports for load-bearing claims. Where possible, empirical or observational studies cited in those reports are referenced. Limitations: reliance on secondary data and industry estimates (which differ by definition), and evolving metrics—thus findings represent the late-2024 to mid-2025 snapshot. [India Brand Equity Foundation+2Bain+2](#)

4. Findings

4.1 Scale and segmentation

- **E-retail vs total e-commerce:** E-retail (consumer goods) accounted for a major portion of online GMV; different trackers estimate e-retail market at US\$60–125 billion in 2024 depending on inclusion of services and travel. IBEF and Bain present complementary figures showing rapid shopper growth and sizeable GMV. [India Brand Equity Foundation+1](#)
- **Category growth:** Grocery and essentials have seen outsized growth since 2020, driven further by quick-commerce players; groceries constituted a significant share of transaction volumes on payments rails. Quick-commerce GMV estimates ranged roughly US\$6–7 billion in 2024 with forecasts of high annual growth rates to 2030. [USDA Apps+1](#)
- **Geographic diffusion:** Growth is shifting away from metros. Tier-2/3 cities and rural India are capturing a larger share of new online shoppers as affordability and logistics improve. Industry case studies and market commentary report that a majority of incremental demand originates from smaller cities. [SARC Associates+1](#)

4.2 Drivers driving current dynamics

- **Payments (UPI):** Seamless P2M and person-to-person flows have lowered transaction friction and supported smaller merchants and micro-SaaS commerce (instant checkouts, buy-now-pay-later integrations). NPCI statistics show UPI volumes and values rising steeply, enabling low-cost digital acceptance across merchant tiers. [NPCI](#)
- **Logistics and dark stores:** Investment into regional fulfillment centers and dark store networks powers quick-commerce and improved delivery SLAs; leading retailers and startups are expanding dark store footprints to reach new urban micro-markets. Reuters and industry reports confirm dark-store expansion plans among major grocers. [Reuters+1](#)
- **Digital-first customer acquisition:** Social commerce, influencers and localized content are reducing CAC (customer acquisition cost) for D2C brands and enabling niche products to scale nationally. KPMG and D2C sources highlight the evolving D2C engine. [KPMG Assets+1](#)

4.3 Operational & structural challenges

- **Unit economics & last-mile costs:** High delivery and returns costs, especially in low-density geographies, compress margins. Quick-commerce's promise of minutes-level delivery exacerbates cost pressure. Multiple industry reports flag margin stress and the challenge of sustainable profitability at scale. [Reuters+1](#)

- **Infrastructure and digital literacy gaps:** Rural logistics, warehousing, and consumer digital skills vary widely—hindering uniform adoption and increasing heterogeneity in service quality. [India Brand Equity Foundation](#)
- **Regulatory uncertainty and compliance burden:** Draft amendments to e-commerce rules and evolving consumer protection norms (country-of-origin filters, marketplace obligations) create compliance complexity, particularly for cross-border and marketplace models. PRS and policy trackers note active regulatory attention and draft updates. [PRS Legislative Research](#)
- **Competition & consolidation pressure:** Market entrants face intense competition from deep-pocket marketplaces (Amazon, Flipkart) and platform-backed rivals (Swiggy, Zomato). This leads to discounting and consolidation in specific verticals. [India Brand Equity Foundation](#)

5. Discussion

5.1 Interpreting growth sustainability

The Indian online market's near-term growth is robust but uneven: urban segments and grocery/quick commerce show rapid penetration, while deeper rural adoption depends on logistics and trust. Bain's analysis highlights slowing growth rates (10–12% in 2024 for certain retail segments) as macroheadwinds and consumption shifts temper explosive expansion witnessed earlier. This suggests a maturing market where customer experience, unit economics and regional adaptation determine winners. [Bain](#)

5.2 Business model implications

- **D2C success depends on brand economics and post-purchase experience.** Strong brand storytelling and owned channels can increase margins, but logistics and returns remain a shared burden. KPMG and D2C analyses emphasize the need for capital discipline and customer retention strategies. [KPMG Assets+1](#)
- **Quick-commerce faces tradeoffs between convenience and profitability.** Dark stores and hyperlocal inventory reduce delivery times but increase fixed and operating costs; scaling profitably will require density, category expansion and alternative revenue streams (ads, private labels). Reuters and USDA market briefings highlight both growth potential and profitability skepticism. [Reuters+1](#)

5.3 Policy and regulatory balance

Regulation seeks to protect consumers and promote domestic industry, but heavy-handed or rapidly changing rules could raise compliance costs and deter cross-border innovation. The government's draft e-commerce rule amendments (consumer protection focus, country-of-origin disclosures) reflect legitimate public interest concerns, but firms require predictability and clear implementation timelines. Policymakers should aim for proportional regulations that preserve competition and market entry for SMEs. [PRS Legislative Research](#)

6. Recommendations

6.1 For policymakers

1. **Clarify and phase regulatory changes** with transition windows and stakeholder consultations to reduce compliance shock for SMEs and platforms. (Balance consumer protection with growth.) [PRS Legislative Research](#)
2. **Support last-mile infrastructure for non-metro regions** via targeted logistics grants, public-private regional warehousing incentives and digital literacy programs to broaden access. [India Brand Equity Foundation](#)
3. **Encourage interoperable, low-cost payment acceptance** and merchant onboarding programs (leveraging UPI) to bring micro-merchants online. NPCI's continued expansion of UPI is central; policy should ensure inclusion without excessive compliance friction. [NPCI](#)

6.2 For businesses / entrepreneurs

1. **Optimize unit economics:** focus on density, repeat-purchase cohorts, and bundled offerings to offset delivery costs (subscriptions, local partnerships, pick-up points). [Reuters](#)
2. **Regionalize go-to-market strategies:** local language UX, regional warehousing, and kirana partnerships improve trust and reduce last-mile failures. [India Brand Equity Foundation](#)
3. **Measure and communicate sustainability** (eco packaging, consolidated deliveries) to align with rising consumer and regulatory expectations.

6.3 For researchers

1. **Rigorous impact evaluation of quick-commerce and D2C models** on long-run consumer welfare, pricing, and labor markets (delivery workers) is needed.

2. **Standardized metrics for e-commerce participation and service quality** (returns rates, delivery lead times and customer satisfaction by region) would improve comparability across studies and inform policy.

7. Conclusion

India's online business landscape in 2024–25 is large, dynamic and diversifying. Foundational enablers—mobile internet and UPI—have democratized access to digital commerce, while logistical investments and new business models (D2C, social commerce, quick-commerce) have broadened the value chain. However, sustainable scaling requires resolving unit-economics constraints, addressing regional infrastructure and digital literacy gaps, and creating predictable, balanced regulation. If policymakers, platforms and entrepreneurs act in coordinated ways, online business can deliver inclusive economic opportunities across India's urban and non-urban geographies.

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