

ELECTRONIC COMMERCE IN INDIA: TREND AND SOCIO-ECONOMIC IMPACT

Ms. Priti Maheshwari*
Dr. Pradeep S. Soni**

ABSTRACT

Over the last two decades, rising internet and mobile phone penetration has changed the way to communicate and the way to do business. Across the globe e-commerce industry is the game changer and a novel concept. In India E-commerce sector is fastest growing sector and it is expected to grow at 41% Compound Annual Growth Rate that will cross USD 103 billion by 2020. Increasing use of internet and smart phones are the main reasons for fostering the growth of e-commerce sector. Furthermore, favoured demographics and a growing internet user base helped aid this growth. Easy access of services, convenient payment process, and fastest delivery of product, high discount, customer friendly policies and easy returns are driving customers to do online shopping. It is analyzed that India is adding three internet user every second and it expects the increase in online shoppers from 50 million in 2015 to 320 million by 2020. It shows that Indian young mind and blood are rapidly advancing towards the adopting the new technologies. In 2015-16 e-commerce spend are 2% of total retail spending and has become a key driver to create new markets. It is expected to contribute 4% of GDP by 2020. Recent Government initiatives such as Make in India, Digitalization, Start-up India, Skill India and cash less India are encouraging it to grow faster. It is very much useful for small scale industries and rural communities. Furthermore, new technologies such as virtual walls and virtual mirrors will also helpful for tremendous growth of this industry. However, the fast growth of ecommerce industry and internet penetration accompanied with many challenges which need to be taken care time to time. This paper will investigate the trend and future prospectus of e-commerce industry with its socio-economic impacts in India and also reveals that how Government support system will be helpful for the growth of e-commerce industry.

KEYWORDS: E-Commerce, Socio-economic Impact, Government Initiatives, Digitalization.

Introduction

An Economy can become an industrialized and modern economy when it extensively applies new technology to increase productivity, efficiency and international competitiveness. It is evident that over the decades the technology of buying and selling of goods has changed a lot. Today consumers would like to opt easy and convenient way of buying products. Use of internet have made this convenient way of life possible, known as E-commerce. E-commerce is nothing but the buying and selling of products and services by using internet via web, smart phones and other gadgets. The term e-commerce meant the process of execution of commercial transactions electronically with the help of the new technologies such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) which gave an

* Assistant Professor, Department of Economics, Indian Academy Degree College-Autonomous, Bengaluru, Karnataka, India.

** Assistant Professor, Department of ABST, St. Xavier's College, Nevta, Jaipur, Rajasthan, India.

opportunity for users to exchange business information and do electronic transactions. The ability to use these technologies appeared in the late 1970s and allowed business companies and organizations to send commercial documentation electronically. Though e-commerce became possible in 1991, when the Internet was opened to commercial use. In 2000 a great number of business companies in the United States and Western Europe represented their services in the World Wide Web. At this time the meaning of the word e-commerce was changed and e-commerce started defined as the process of purchasing of available goods and services over the internet using secure connections and electronic payment services. It has been seen that commerce has evolved over the centuries. Way back barter system used to be the process of trading goods and services then market place, street vendors and in the era of globalization e-commerce has emerged as a boundary less trade medium.

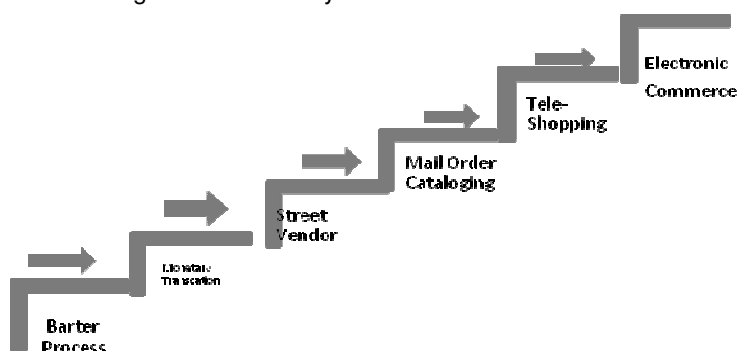


Fig1: Evolution of Commerce

E-commerce can be categorized into four modes as Consumer-to-Consumer (C2C), Business-to-Consumer (B2C), Business-to-Business (B2B), Consumer to Business (C2B) and some common applications of electronic commerce are Document automation in supply chain and logistics, Domestic and international payment, Group buying, Print on demand, Automated online assistant, Online shopping and order tracking, Online banking, Teleconferencing, Electronic tickets, Social networking, Instant messaging, Digital Wallet.

Research Objectives

- To analysis trends of E-commerce industry in India.
- To find out Socio-Economic impact of E-commerce industry in India.

Research Limitations

This study is conducted only by collecting secondary data and mainly focuses only E-commerce industry in India.

Research Methodology

The research is explorative research, is based on secondary data which are collected from various sources such as research papers, publications from Ministry of Commerce, Government of India, PWC Report, ASSOCHAM report etc. which is available on the internet. This has been used to study the conceptual framework, definition, present trends and future prospectus, socio-economic impacts of e-commerce in India.

Review of Literature

Chaithralaxmi. T, Shruthi. N studied about E-commerce and its opportunities and challenges in India. According to them with the technological advancement consumers preferences, tastes and trends are also changing and of course the rapid growth of e-commerce is serving the purpose. However, with the fast growth it is also facing few challenges such as insufficient infrastructure, cyber law, privacy and security concern, payment process, shipping issues etc. They concluded that if the correct methods and practices are followed, retail business will prosper in an e-commerce setting with much success and profitability.

Ms. Payel Chaudhuri and Dr. Abhishek Kumar investigated in their research paper about the impact of digitization on economic growth and its potential for creating employment opportunities. As per their study across the world 6 million jobs were created by the effect of digitalization and in large economies internet share in GDP is about to 3.4%. Not only economy of India is transforming but also

society is feeling effects of digitalization. SMEs will have good opportunities in upcoming years. Their research shows that E-commerce is an important channel of job creation which is estimated to create 15-20 lakhs job by 2018 in India. According to them Effective planning and regulated digitalization would help Indian economy to grow faster and compete with the developed economies in upcoming years.

As per the **report published by PWC**, E-commerce in India is accelerating growth year by year. E-commerce sector has seen recorded growth in 2014 and it was driven by rapid technology adoption, increasing use of devices such as smart phones and tablets, and access to the internet through broadband, 3G etc., which led to an increased online consumer base. As per their analysis the number of mobile subscribers in India jumped from 261 million in 2007-2008 to 910 million in 2013-2014. Moreover, the number of rural internet users is growing by 58% annually. Report concludes that the new technologies such as virtual walls and virtual mirrors will further help to improve the customer experience, thereby encouraging greater consumption. Overall, the E-commerce sector is maturing and a number of serious players are entering in the market.

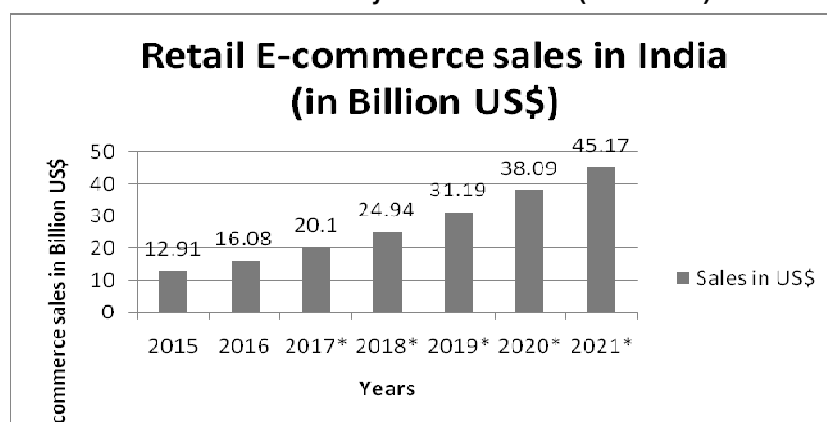
Bhargab Kalita in his research paper investigated that E-commerce is India's fastest growing market with annual compound growth rate (CAGR) 52% to touch USD36.7 billion by 2020. As per his study internet user and mobile internet users are increasing continuously in India. This will lead the growth of Ecommerce sector in India in upcoming years. Government's initiatives such as Make in India and E-governance will definitely boost this sector by introducing the internet to remote corners of India.

Trend and future prospectus of E-commerce in India

The year 1991 brought a new chapter in the history of the online world where e-commerce became a hot choice amongst the traders and consumers. Study done by the Internet and Mobile Association of India (IAMAI) found that at a CAGR growth rate of about 30 percent between December 2011 and December 2015, Indian digital commerce stands at Rs 1,25,732 crore. Looking into the rapidly growth, in 2002 Indian Government opted this online strategy to make it convenient for its public to book the train tickets via IRCTC and recently, Indian Government has come up with many projects and mobile applications based on internet such as Make in India, Digital India, Start up, E- Governance, E-Return Filing, Skill India IRCTC Mobile App, Cashless India, Bhim App etc.

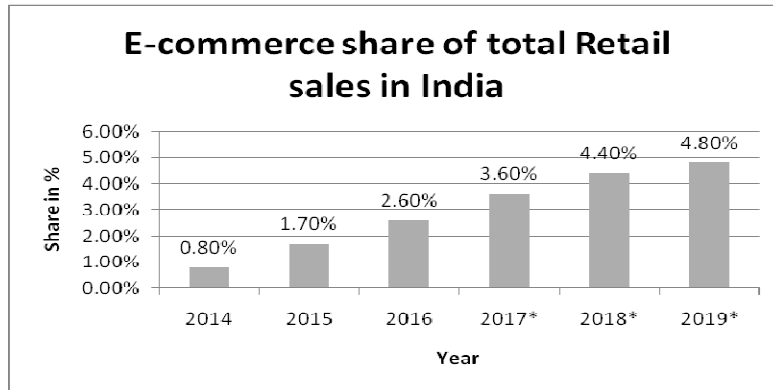
In the upcoming years, e-commerce is expected to boom in the Asian region. In line with the regional growth, India, a fast-growing emerging Asian market, shows optimistic projections for the e-commerce industry. Close to 329.1 million people are projected to buy goods and services online in India by 2020. This means that about 70.7% of internet users in India will have purchased products online by then. Mobile is also a profitable and promising shopping platform for the retail industry in India. In fact, about 23 percent of Indian internet users indicated that they used a mobile phone for making a purchase in 2016. This places India as one of the leading digital markets for mobile e-commerce penetration. About 27 percent of digital buyers in the country stated making an online purchase via their smart phones on a monthly basis, and 24 percent stated purchasing online goods and services weekly. About 71 percent of consumers in India also said mobile wallet is their preferred method of digital payment. it indicates the bright and profitable future of e-commerce industry in India.

Chart 1: Retail Ecommerce sales Analysis and forecast (2015-2020)



Source: www.statista.com, * Estimation

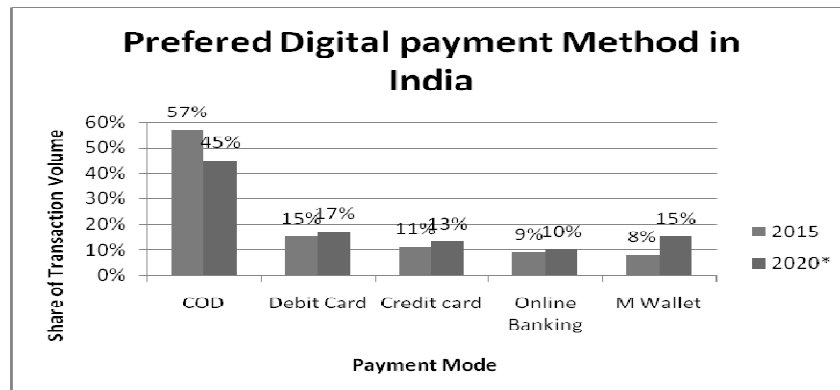
Chart 2: Share of E-commerce sales in Retail sales (2014-2019)



Source: www.statista.com, * Estimation

Above both charts analyze that Retail e-commerce sale in India is continuously increasing and it is estimated to reached to 45.17 billion US\$ by 2021. Currently share of it in total retail sale is low but it is expected to be 4.8% by 2019. It shows that in upcoming years in India e-commerce will be having a good growth prospectus that will lead this industry to contribute more to GDP.

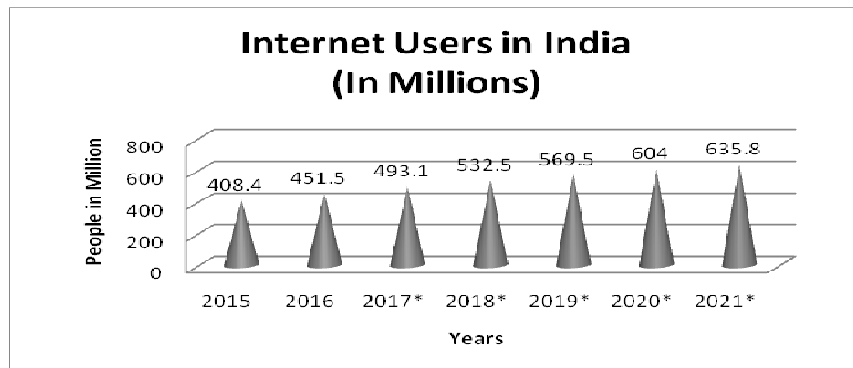
Chart 3: Preferred Payment Methods Analysis



Source: www.statista.com, * Estimation

Still more people are likely to opt cash on delivery mode of payment for their shopping rather than online payment mode. Among other reasons, a security issue is one major reason for that. In Future, with the continuous infrastructural development support by government and banks it is expected to increase the trust on online payment methods.

Chart 4: Internet Users in India (2015-2021)



Source: www.statista.com, * Estimation

According to a recent report, there were 3.49 billion internet users around the world, in other words approx. 41% of the world population is interconnected through the internet. Among all China was ranked first with over 731 million internet users and India is second largest country with 462.12 million internet users. It is projected about 636 million by 2021.

Socio-economic Impacts

Electronic commerce has great potential to change the scenario of economy and society. Developed economies and developing economies are witnessed of e-commerce impact on Society and Economy. It affects the way of communication, Business, Finance, Trade, Life Style and Cultural Values.

Economic Impacts

Continuous growth of e-commerce industry is expected to have deep impact on structure and functioning of Indian Economy at various levels:

- **E-commerce and increasing GDP:** It helps in generating the economic wealth for a country. It is expected that by 2020 e-commerce will contribute around 4% to GDP of India.
- **Transformation in Business Activity:** with the advancement of technology the way of communication between buyers and sellers has changed and it is helpful to minimize the cost of transportation, advertising and marketing.
- **Employment Generation:** This is true that due to digitalization less job opportunities are available for unskilled labour but on the other side it is also true that e-commerce industry is net job creator in economy for skilled and highly skilled labour. Overall due to digitalization the mode of operation has changed.
- **New platform for Micro, Small and Medium enterprises:** E-commerce provides new market access, business opportunity, enhance competitiveness to MSMEs. It solves the problem of funding, technology, infrastructure & ineffective marketing.
- **Global opportunities to Rural and Local Industries:** E commerce provides platform to Local industries to compete and develop at globally.
- **Encouraging Entrepreneurship:** Internet provides the opportunity to exchange new business ideas and to reach the target customers at minimum cost.
- **Reduction in Transaction cost:** E-commerce reduces transaction cost by removing many of geographic and time barriers that buyers and sellers previously faced.
- **Price competition:** Local industries and small industries have to face price competition globally.
- **Easy access to products:** with the upgraded technology of internet now consumers can easily reach to products sitting at home, can compare with available alternatives. It reduces the chances of degraded quality and fraudulent.
- **Easy access to Financial Services:** Internet Banking and M-banking reduces the transaction cost of banking industry thereby increasing access to financial services through rapidly growing Internet banking and M- banking market.

Social Impact

- **Digital Divide:** Nowadays society has become digital society. Still everybody is not able to access online services. Hence, digitalization and e-commerce industry is creating gap between those who can access and those who cannot access.
- **Information and knowledge:** internet enabled public to get information and expert advice.
- **Helpful in work life balance:** With the technological advancement companies are providing flexibility of time and place to work that is helpful in balancing the professional and personal life.
- **Change in life style:** with the access of internet public can communicate across the world, they can shop at any time and at anywhere. With the help of social media public can express their views, ideas and can get the knowledge without going outside. Most of the countries have been observing the transition of society.
- **Access of Educational institution:** E-learning and M-learning enhances the access of the educational institutions in remote areas.

- **Social Loneliness:** Continuously increasing internet penetration among youth and increasing virtual interaction within community can be risky for society. It may increase de-socialization among individuals.
- **Convenient transport system:** E-commerce also impacts the transport system have to be delivered directly to the home.
- **Loss of Individuality and Privacy:** Through the mobile and web e-commerce companies can record individual information and that is very risky for customers privacy.

Government Support for Ecommerce Industry in India

It is being seen that Indian government is supporting the growth of E-commerce and Digitalization in India. Government is playing its role towards it. Digital India, Make in India, Skill India and E-governance etc. are some good steps taken by the government for this purpose. Definitely, it will enhance the economy of our country. Few steps are required to be taken as:

- Need to support rapid infrastructural development
- Ensure availability of equal opportunities and benefits for the rural community.
- Regulated and controlled cyber laws.
- By providing skill and education to rural community
- Support development opportunities to MSMEs and Entrepreneurs.

Conclusion

Emerging and growing e-commerce market is a key outcome of technological advancement in India. Forecast about increasing internet penetration, increasing mobile users, are adding up a growth prospectus to e-commerce industry in India. It is good platform for retail industries to expand their business globally and reach to consumers worldwide without boundary and time barrier. Now public recognize the difference what is for them and what is not for them. They can freely post their opinions and can interact easily. However, e-commerce industry in India currently may be behind among all other developed and emerging economies but it is expected to grow rapidly in upcoming years. Positive transition of Economy and Society can be seen with the growth of e-commerce. Although it has few challenges and risks for the society and economy which can be converted into opportunities with the government support, regulated law and supportive infrastructural development.

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