

## E-COMMERCE: FUELLING THE DREAM OF DIGITAL INDIA

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Pravesh Kumar Mann\*  
Ravi Kumar Rana\*\*

### ABSTRACT

*E-commerce or Electronic commerce allows buyer's to overcome geographical barriers and facilitate them to purchase products and services anytime and from anywhere through internet facility. E-commerce trade in India already has taken shape and is expected to generate \$100 billion online retail revenue by 2020. Availability of low cost smart phones, desktop computers, convenient and economic internet access to all lead to the phenomenal growth of E-commerce in India. India has an internet user's base of about 450 million till July 2017; the second-largest user base in the world, only behind China 650 million. But the internet users in India are expected to increase at a CAGR of 15.6 percent, which connects approximately 6 million new members every month will reach to 700 million by 2020. The Government of India under Digital India campaign also promoting people to make online payments through net banking or debit and credit cards to a virtual portal to make Indian economy cash less economy. Present study gives an overview of the current status and future of E-Commerce in India and discusses the opportunities & challenges for E-Commerce in India.*

**KEYWORDS:** *E-commerce, Online Shopping, Wireless Network Mobile, Digital India, CAGR.*

### Introduction

E-commerce or electronic commerce simply refers to trading transactions on the Internet, It is business on the internet commonly associated with online shopping, just like traditional businesses, this kind of business includes all aspects of business transactions such as purchases, sales, and payments. The main difference is that this business model is based on electronic transactions. In e-commerce, companies install stores on the Internet and provide user interfaces that allow the purchase and sale of merchandise. There is no physical contact between vendors and buyers because purchase is made online. E-commerce adopts the use of technology to meet customer's demands and to organize transactions. In this business model, an entrepreneur does not require to own a physical shop to sale product but he only have keep one store to supply the product which ordered online. E-commerce has now become an important tool for small scale and large scale companies worldwide, to sell their products to new market & new customers, but also to retain them as loyal customer to the company. Current statistics state that approx. 40 percent of the internet users worldwide purchased products online via desktop, mobile, tablet or other online devices. This amounts to more than 1 billion online buyers and is projected to grow continuously. Today China is the largest market for e-commerce in the world with approx. \$681 billion in online retail sales in estimated in 2016, followed by the US market and India is the fastest growing e-commerce market. According to a report by the Internet and Mobile Association of India (IAMAI) and IMRB, Due to heavy discounts and increased usage of smart phones, e-commerce in India is growing at a rate of about 34 per cent. People are now asking for groceries, cloths, jewellery, furniture and food on the internet. Among the global players like eBay and Amazon, Indian e-commerce companies like Flipkart, Jabong, Snapdeal, Homeshop 18, Mintra, have created a new success story.

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\* Assistant Professor, SSN College, University of Delhi, Delhi, India.

\*\* Assistant Professor, SSN College, University of Delhi, Delhi, India.



### Purpose of Study

The objectives of present study are:

- To analyse the present trends & opportunities of e-commerce in future market.
- To examine the challenges of e-commerce in Indian market.
- To find out the essential growth factors of e-commerce in India.
- To evaluate the effect of the growth of e-commerce on overall growth of trade in India.
- To examine the benefits of e-commerce to economy, organisation & to customers

### Research Methodology

A number of researches already took place on different aspect of E-commerce in India. This is descriptive research based on the secondary data collected from research articles, various magazines, newspapers and various websites on the various aspects of the growth of E- Commerce in India and its Impact on the Indian economy.

### Review of Literature

- **A. Mitra (2013)**, in his article entitled "E-Commerce in India-A review". He study the present status of E-Commerce in India, analyse the present trends of E-Commerce in India and examine the barriers of E-Commerce in India. The study concludes that, there has been a rise in the number of companies taking up E-Commerce in the recent past. The study also found that, major Indian portal sites have also shifted towards E-Commerce instead of depending on advertising revenue.
- According to investment bank Morgan Stanley, India's e-commerce market will reach \$ 200 billion by 2026 at 30% percent CAGR (Compound Annual Growth Rate), In a report titled 'India's Digital Leap Multi-Trillion Dollar Opinion'. It has been said in the report that the number of new internet users in e-commerce is increasing, which will help in furthering growth in e-commerce market in India.
- **R. M. Shettar (2016)**, "Emerging Trends Of E-Commerce In India: An Empirical Study" In this article an attempt is made to study the overview of the trends of E-commerce in India & various challenges faced by E-business players in India. The study found that E-commerce creates new opportunities for business it also creates new opportunities for business including new business areas such as education and academics.
- **Dr. A. Sharma (2013)**, study the recent trends, influences, preferences of customers towards E-commerce and online shopping and to give the suggestions for the improvement in online shopping websites. According to her, most of the people who are engaged in making the decision of purchasing product online are in the age of 21-30 years.
- **N. Chanana and S. Goele (2012)**, they study the future of E-commerce in India and discusses its future growth. The study found that, the future growth of Indian E-commerce depends upon various essential factors. The study also revealed that, the overall E-commerce will increase exponentially in coming years in the emerging market of India.

### Digital India & E-Commerce

Digitization or Digitalization is simply refers to process of transforming information into a digital format which can be access through Internet. Digitizing data makes it easier to preserve, access, and share useful information. Digital India campaign is being run by the Indian government to make this country a digitally powerful country. This ambitious program was started on 1st July 2015. The goal of

this campaign is to provide electronic government service to Indian citizens by reducing the paperwork. Various schemes have been exposed under this programme such as digital payments, digital locker, e-health, e-education, national scholarship portal, e-signature etc. In the Budget of 2017-18, the government has allocated US\$ 1.55 billion to BharatNet Project, to facilitate high speed broadband connectivity on optical fibre and accessibility of Wi-Fi hot spots and digital services at low tariffs in more than 150,000 gram panchayats, by the end of 2017-18. In addition the Finance Minister of India Mr Arun Jaitley has proposed various measures to quicken India's transition to a cashless economy, including a ban on cash transactions over Rs 300,000, tax incentives for creation of a cashless infrastructure, promoting greater usage of non-cash modes of payments. Digital payments are also closely connected to growth of e-commerce. After currency demonization we have experienced a rapid growth in digital payments and it is also play helping hand in growth of e-commerce in India. The Paytm app & the Government BHIM app these apps make revolution in online fund transfer & payment. To promote digital payment the Government of India has distributed rewards worth around Rs 153.5 crore (US\$ 23.8 million) to 1 million customers for embracing digital payments, under the Lucky Grahak Yojana and Digi-Dhan Vyapar Yojana. These programmes will give a strong boost to the E-Commerce market as bringing the internet and broadband to remote corners of the country will give rise to an increase in trade.

Some feature of Digital India campaign:

- Ensure high speed broadband network.
- Ensuring global access to mobile phones.
- Fast Speed Making the Internet accessible to the people
- Bringing e-governance through the reform of government through digitization.
- E-Revolution through electronic delivery of services.
- Providing online information for all.
- To ensure more IT jobs.

#### **Type of E-Commerce**

- **B2B E-Commerce**

B2B e-commerce is defined as e-commerce between companies, such as between a manufacturer and a wholesaler or between a wholesaler and a retailer. About 80% of e-commerce is of this type, and most experts predict that B2B e-commerce will continue to grow faster than the other segment.

- **B2C E-Commerce**

B2C e-commerce is commerce in which there is a trade between the company and the customer. Just like when you buy goods from an e-commerce company.

- **B2G E-Commerce**

B2G e-commerce is refers to commerce between companies and the public sector. It is based on use of the Internet for Public procurement, licensing procedures, and other government-related work.

- **C2C E-Commerce**

This type of business is a bit different, as a customer buys the product from another customer. Just like many companies today, like olx.com or quickr.com provide platform to buy or sell direct products by contacting another user. There are two people in business.

#### **E-Commerce in India**

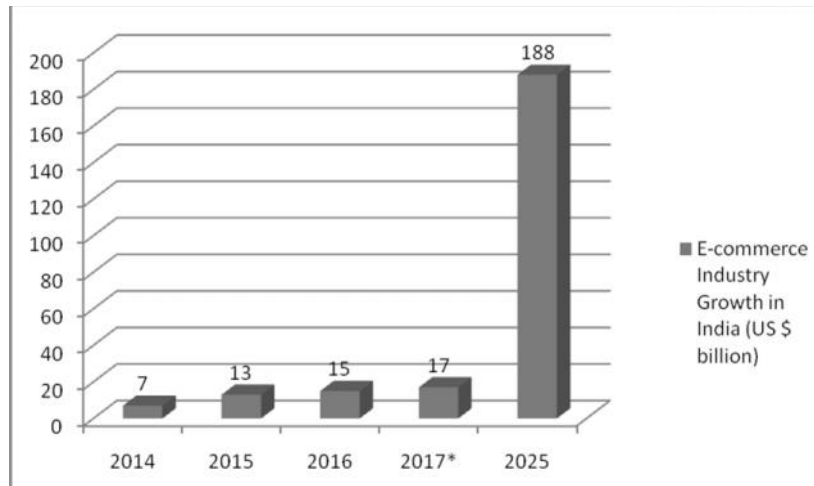
E-commerce is expected to boom in the Asian region. The number of digital buyers in Asia Pacific is expected to pass the one billion mark for the first time in 2018, which will account for 60 percent of all internet users in the region. India is a fast-growing e-commerce Asian market. After the growth in users of internet in India, many globally and domestic firms have entered the e-market to sell product over the internet. These firms are also expanding their product range to cater to a larger amount of people. Owing to better quality and service, Amazon which is relatively new on the Indian scene inspite is treading ahead of Flipkart, established itself as the king of online retail. After the launching the 'Amazon Prime' app, Amazon surely has secured a Prime position in the Indian e-commerce market. Amazon prime is comparatively become more successful as compared to 'Flipkart First' which came earlier in the market. Currently, there are 1.2 million transactions are recording per day in e-commerce retailing. With the increase in awareness about the benefits of online trading, there has been a significant rise in

investment in E-commerce business. Many established retail businesses, e.g. Shoppers Stop or Lifestyle, have also setup their online transaction channels. Earlier food and grocery were never thought of as items for online trading. However, with the change of working habits and busy schedule consumers start opting for adaptability and convenience in their life. Now they have start giving preference to e-retail transaction. Much growth of the industry has been triggered by increasing internet and smart phone penetration. Internet penetration in India grew from just 4 per cent in 2007 to 34.08 per cent in 2016, registering a direct increase of 89 per cent in 2016 over 2007. A young demographic profile, rising internet penetration and relative better economic performance are the key drivers of this sector. Urban India with an estimated population of 444 million already has 269 million (60 per cent) using the Internet while on other Rural India, with an estimated population of 906 million as per 2011 census, has only 163 million (17 per cent) Internet users. That shows a great opportunity for increasing penetration in the rural areas. The Government of India's policies and regulatory frameworks such as 100 per cent foreign direct investment (FDI) in B2B e-commerce and 100 per cent FDI under automatic route under the market place model of B2C e-commerce are expected to further propel growth in the sectors.

**Table 1: E-commerce Industry Growth in India (US \$ billion)**

Year	E-commerce Industry Growth in India (US \$ billion)
2014	7
2015	13
2016	15
2017*	17
2025	188

#### E-commerce Industry Growth in India



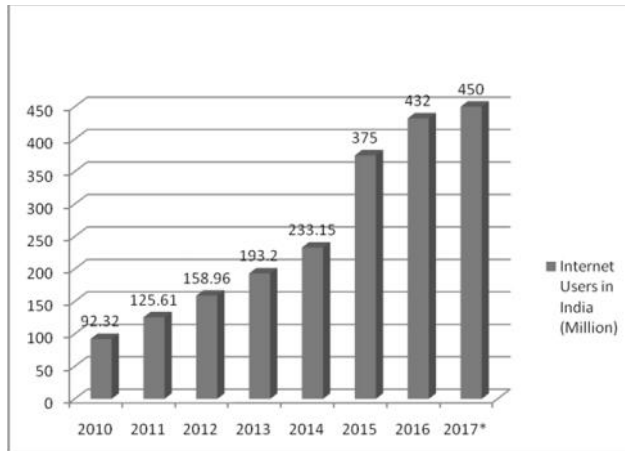
Source: Economic Times, PWC, Financial Express

Propelled by rising smart phone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow at CAGR 31.2% to US\$ 188 billion by 2025. We have seen a rapid growth in Indian e-commerce industry in last 4 years. In 2014 the total e-commerce retail sale was 7 billion (US \$) which increased to 17 billion (US \$) estimated in June 2017.

**Table 2: Growth of Internet Users in India (Million) & Internet Penetration in India**

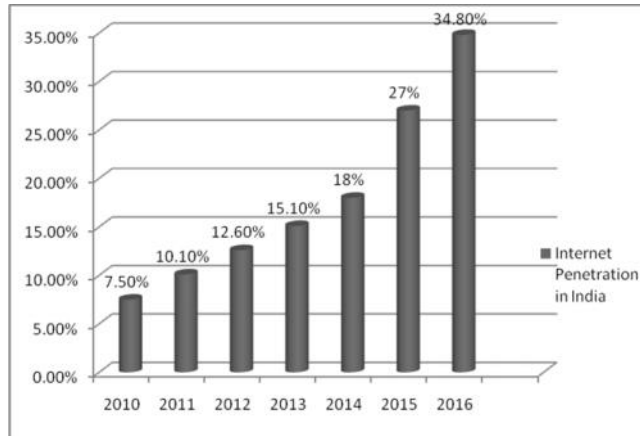
Year	Internet Users in India (Million)	Internet Penetration in India
2010	92.32	7.50 %
2011	125.61	10.10 %
2012	158.96	12.60 %
2013	193.20	15.10 %
2014	233.15	18.00 %
2015	375.00	27.00 %
2016	432.00	34.80 %
2017*	450.00	

**Internet Users in India (Million)**



Source: Economic Times, Live Mint (Estimated as of June 2017)

**Internet Penetration in India**



Source: Economic Times, Live Mint, Aranca Research (\*As of December 2016)

With increasing internet penetration in India internet users in India are expected to grow at CAGR 23% reach 700 million by 2020. In 2010 India has a user base of 92.32 million which now increased 450 million estimated on June 2017.



While convenience of shopping online is one of the main reasons, some of the other reasons why Indians are increasingly shopping online are product availability, good discounts, detailed product information, product comparison and saving of time. According to a survey Amazon, Flipkart and Snapdeal are the top 3 ecommerce players in India, followed by Myntra, Shopclues, Dominos, Freecharge, Jabong, Tradus, and eBay.

#### **Future of E-Commerce Sector in India**

Since 2014, the Government of India has announced various initiatives such as, Digital India, Make in India, Start-up India, Skill India and Innovation Fund which are constantly introducing people to online modes of commerce. The timely and effective implementation of such programmes will likely support the growth of e-commerce in future.

In addition favourable FDI policy of government is also attracting key players to make investment. Increasing FDI inflows, domestic investment, and support from key industrial players is helping in the growth of ecommerce. After the launch of Digital India programme the online market experienced a rapid growth. Talking about the near future, according to a study by ASSOCHAM, the number of consumers buying online is expected to cross the milestone of 100 million in the year 2017 and is likely to jump by 65% in the year 2018. The number of consumers buying online in the year 2016 was 69 million in India. Future of this sector will be deciphered by the law of 'survival of the fittest'. In the longer run, the e-commerce markets players will have to fight each other retain their share of the market at every level. The online travel industry however, continues to lead the e-commerce market share while share of other business segments has improved over the previous years.

#### **Factors Driving Growth of E-Commerce in India**

- Growth in number of smart & non-metro
- Increase in number of Internet users & smart phone users
- Availability of internet content in local languages
- Growth in Mobile Commerce
- Cashless Transactions through Digi wallets
- Growth of logistics and warehouses facilities

#### **Benefits of E-Commerce**

- **Benefit to Economy**
  - **Removal of Mediator Firms:** Through B2B e-markets, suppliers & producer are able to interact and sell their product directly to the buyers which eliminate intermediaries firms and distributors. It gives benefit to suppliers in form of reduction in total cost.
  - **Pricing Policies:** Among the more evident benefits of e-markets is the increase in price transparency.
  - **Economies of Scale:** The rapid growth of e-markets creates opportunity for firms to adopt the mass production for products which provides benefits of economics of scale to firms.
- **Benefit to Organisation**
  - **Access to New Markets:** Using E-commerce, Organisation can expand their market to national and international markets with minimum capital investment. An organisation can easily locate more customers, best suppliers and suitable business partner across the world.
  - **Cost Efficiency:** E-commerce helps organisation to reduce the cost to create process, distribute and manage the paper based information by digitization the information.
  - **Improve Brand Image:** E-commerce improves the brand image of the company in market among customers, by providing better service to customer.
  - **Faster Decision Making:** E-commerce helps simplify business processes and make them fast and efficient
  - **Increased Productivity:** E-commerce increased the productivity of the organisation, by providing better customer & quality services.

- **Benefit To Customer**

- **Facilitates Convenience:** Customer can order by their own convenience on the basis of business without travelling, and at the comfort of their homes. Orders are also delivered at their place this is the best shopping option for those who are always busy.
- **Product and Price Comparison:** A consumers can compare product and price of different companies so that the best products can be bought at the best prices. They can enjoy additional benefits such as discounts, free coupons items on sale, and get the best deals too.
- **Quick Payment:** Online payments are made quickly because online stores use electronic or mobile transaction payment methods. Mobile Wallet system for merchant accounts increases sales and increases revenue generation.
- **Ability to Sell Different Products:** The flexibility of running a business on the internet makes it possible for entrepreneurs to display and sell many products and covering larger demographic area.

### Challenges for the E-Commerce Sector in India

The phenomenal growth of the E-Commerce in India is accompanied by certain challenges:

- E-commerce is mainly used through internet. Even today the internet is very far from the reach of a lot of individuals and small people in rural areas.
- Due to lack of trust or knowledge. Many people in rural areas as well as in urban areas do not use the internet for any financial transactions.
- E-commerce opens the door for you globally; therefore, competition is increasing for the traders globally and also it is creating threat to the survival of local industries.
- Poor quality products: You cannot see physically and observe what you are paying for whatever you are offering. Therefore, customers run the risk of falling prey to false marketing and buying poor quality products from a virtual shop.
- Impulsive purchase: Online stores display a large number of products and due to the convenience of shopping, customers can get bad financial decisions through impulsive purchases.
- Lack of support after sale: As a result of lack of physical premises, customers find it hard to reach after sales support. According to the need, it may take several days before any help may be needed for any help.
- Delivery of goods can be delayed: It takes time before delivery of goods ordered. Sometimes the delivery delay and the customer's disadvantages are different from this physical business premises where the customers get out of the purchased products.
- Payments and transactions: To purchase an online product, you also have to provide credit card information with your personal details. But sometimes the information remains threatened with theft.

### Major Player in E-Commerce Sector in India

- **Amazon:** Amazon has launched in the year 2013. Being making late entry in Indian e-commerce market, Amazon has now become the leading and reputed online e-commerce platforms acknowledged at a wide scale all over the country.
- **Flipkart:** Introduced in year 2007, Flipkart has become the country's first e-commerce company, which has crossed the 100 million registered users' figure. The Bangalore-based Flipkart's user base has doubled in the past year. During the six months in 2016 alone the company has added 25 million users.
- **Snapdeal.Com:** Established in 2010 Snapdeal is third largest e-commerce seller in Indian market. All categories of products are offered at the appropriate discount.
- **Myntra.Com:** India's largest online fashion store, extremely popular among youngsters where the latest fashion is available at affordable prices.
- **Book My Show:** India's most popular online movie store, which offers Showtime, movie tickets, and concert tickets.
- **Jabong.Com:** All the products are available from clothes, gadgets, household items on the Indian fashion portal.



## Conclusion

Technology is definitely a good thing because it makes access to communication and information easier. It has made the world a global village and has created a wonderful platform for entrepreneurs who want to expand their enterprises. By implementing right business strategies it can turn a small business into an empire. This research paper shows that pattern in growth of E-commerce in Indian business. The growth of e-commerce companies has increased rapidly due to smartphones and increasing data usage in India by which people have got the freedom make access every aspect of business from viewing the product to, adding it to cart and making the payments and getting their product deliver at home in just few clicks. India has become the fastest growing e-commerce market in the world markets. It is believed that this growth will continue for coming years. The rapid growth e-commerce in the last few years has already projected the biggest firms among these ventures past the billion-dollar territory. That has increased the role of government to provide a legal framework for E-Commerce to make e-commerce a successful way to promote business product & services, so that firms can expand their horizons in domestic and international market. However, there are some challenges for e-commerce in India. Factors such as slow internet service, consumer loyalty, delivery infrastructure, promotion based business image and lack of good vendors are still hindering the way for online retail business.

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