

FUTURE PROSPECTS OF E-COMMERCE IN INDIA

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ABSTRACT

E-Commerce refers to the exchange of business information using electronic media. It includes online shopping or any other online transaction related to stock or bonds and any other B to B transaction. Today, E-Commerce has become an essential part of Indian society. From food to groceries, travel bookings, automobile or android purchase, everything is available online. E-Commerce platform has created an innovative shopping experience for the society. But there's still much to achieve to make the Indian society 100% equipped and comfortable with the online shopping platform. Trends show that Amazon- one of the market leaders of E-Commerce, has been able to take the lead in India after its historic success in the US and other developed nations and local players like Flipkart are also making space for themselves. This paper gives an overview of future prospects of e-Commerce in India. It also deals with the Future challenges and opportunities prevailing in India and how rapidly e-commerce sector is growing.

KEYWORDS: e-Commerce, Growth, Online, India, Innovation, Android Purchase, Electronic Media.

Introduction

The way people buy and sell goods and services has been changed over the last decade. E-Commerce was first introduced in 1960s via an electronic data interchange (EDI) on value added networks (VANs). Since then, the use of E-commerce has increased with the increased access to internet and also the increase of online sellers in the 1990s and early 2000s. According to a report by Deloitte India and Retailers Association of India (RAI), E-commerce will be the engine of the next level of Indian consumer growth in 2019. The report also valued India's ecommerce marketplace currently at \$200 Billion and predicted its growth to be \$1.2 Trillion by 2021. E-commerce sector is becoming more reachable and efficient for customers because of the increase use of Gadgets like smart phones, tablets and technologies like 3G, 4G, Wi-Fi, high speed broadband and now fiber optic are promoting the number of online users. Banks and other payment banks are making are ensuring that the customers get a secured online platform to pay effortlessly.

Objectives of the Study

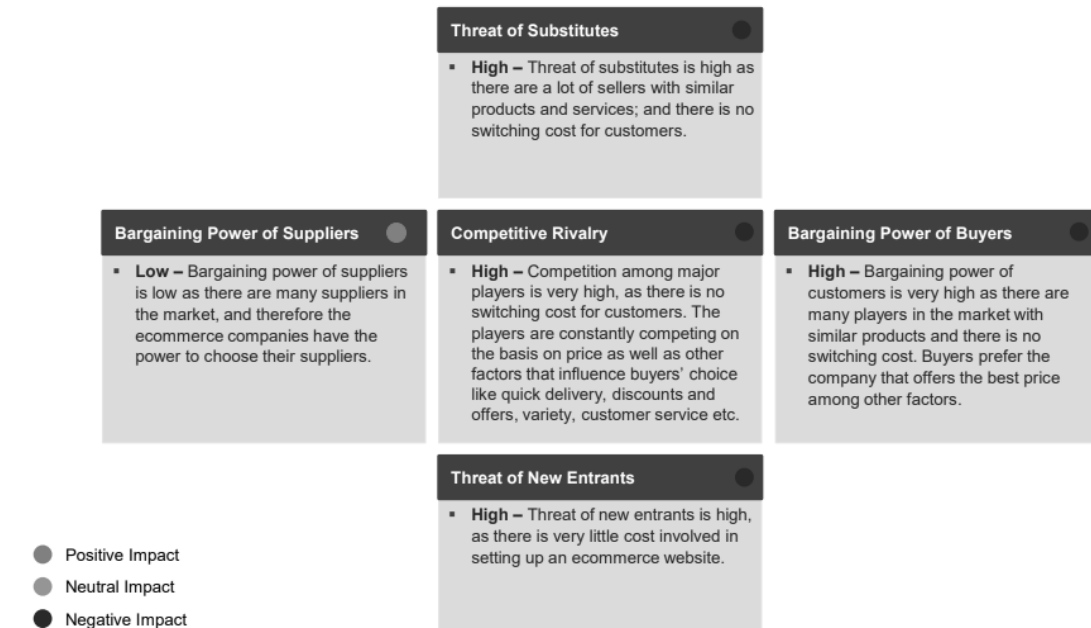
- To take an overview of the current scenario of E-Commerce in India
- To forecast the future position of E-commerce in India

Growth of E-Commerce in India

Rising smartphone penetration is propelling the launch of 4G networks in India. According to a recent article (February 26, 2019) in The Economic times, the Indian e-commerce market is expected to grow to USD 188 Bn by 2025 from USD 24 Bn in 2017. Increasing awareness about the benefits of online trading, have led to a significant increase in investment in E-commerce businesses. Seeing this, many established businesses in offline trading like Shoppers Stop or Lifestyle, have also setup their online transaction channels. Things like Food and grocery which could never have thought of as items for online trading earlier are now served at our doorsteps. This is possible only with the change of lifestyle and consumer adoption for convenience that E-commerce companies like Grofers, BigBasket, etc. are in great demands these days. Medicines are also now sold online by companies like 1mg etc. Indian E-commerce industry now has a viable business opportunity not only for established firms but even for start-ups.

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Porter's Five Forces Analysis for E-Commerce



Source: IBEF.org

Review of Literature

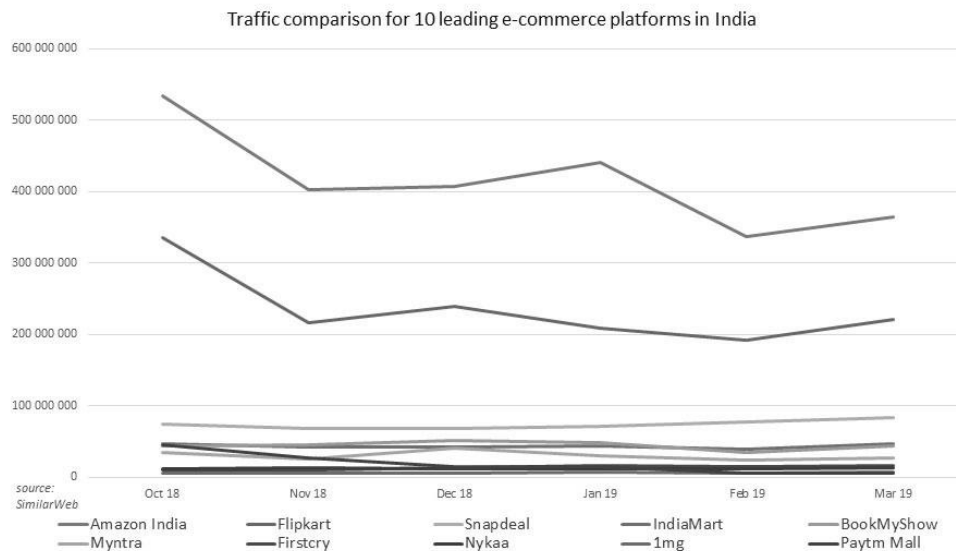
Raven et al. compared India and china's approaches in adoption of e-business. Factors influencing the growth of e-businesses in the two countries like government policy, existing technology infrastructure, regulations, experience and understanding of business operations, their culture were analyzed. It was concluded that China appears to be ahead of India in infrastructure, but India is ahead in e-readiness. It also further stated that in order to take advantage of e-business in both the countries, problems like poverty and inequality must be resolved.

Study by **Tarafdar and Vaidya** examined the organizational factors that decide the organization's inclination to adopt E-Commerce (EC). Qualitative data was used to study Multiple case studies particularly on four financial firms in India. Primary data was collected through Face to face interview and secondary data was collected using existing database on the company website and press releases. It was revealed that two main factors-leadership characteristics and organizational characteristics-mainly decided the propensity to employ E-Commerce technologies in an organization. It stated that leadership characteristics influence the adoption of E-Commerce technologies in centralized organizations and organizational characteristics influence the adoption of E-Commerce technologies in de-centralized organization.

Dasgupta and Sengupta paper titled "E-commerce in Indian insurance industry" compares the features of e-insurance with the traditional offline insurance services. According to the study, e-insurance offers benefits like cost reduction and price comparison for customers. It also states that insurance companies going online are also benefitted because they have the opportunity to have niche market, first mover advantage and product bundling. It Further discusses that availability of insurance agent is very less in rural markets as compared to urban markets, hence the status of e-insurance in India is still at a very nascent stage.

Top e-commerce Websites in India Compared by Estimated Traffic

The below graph shows the estimated monthly traffic of the top 10 e-commerce platforms in India. Previously Amazon and Flipkart are dominating the market whose monthly traffic stands far above the other players, above 360 mn and 220 mn respectively. The other players have uneven traffic volumes ranging from 5 to 90 mn visits per month.



Current Developments in Indian E-Commerce Market

Some of the major developments in the Indian e-commerce sector are as follows:

- Flipkart, after its acquisition by Walmart is expected to launch offline stores in India to promote private players in apparel and electronics.
- Paytm Payment Bank launched by Paytm is India's first bank with no charges on online transactions, no Monthly Average Balance and free virtual debit card.
- Reliance Industries Ltd is going to launch its food and grocery app online this year.
- In 2015, it was found that only 1 out of every 10 Internet users in rural India was a woman. To address this huge gender gap, Tata Trusts and Google together have introduced a digital literacy program. This program is based on 'train the trainer' model. Women from villages are trained on using the Internet and data-enabled devices. These women known as Internet Saathis work as trainers, to help other women in their village to get started for the same. As of April 2019, there were more than 81,500 Internet Saathis who have helped approximately 28 million other women learn about the Internet across 289,000 villages.

Government Initiatives to Promote E-Commerce in India

Some of the major initiatives taken by the government to promote the e-commerce sector in India are as follows:

- In order to enhance the participation of foreign players in the e-commerce industry, the Indian Government has increased FDI limit in the E-commerce marketplace to 100 % (for B2B models).
- In order to boost e-commerce in India, The Government of India has made heavy investments in rolling out the 5G fiber network in India.
- The Government of India allocated USD 1.24 billion to BharatNet Project in the Union Budget of 2018-19, to provide broadband services to 1.5lacks gram panchayats.

Achievements so Far

Following are the achievements of the government in the past four years:

- Government launched various initiatives like Udaan, Umang, Start-up India Portal etc. Under the Digital India movement.
- As of April 2019, there were more than 81,500 Internet Saathis who have helped approximately 28 million other women learn about the Internet across 289,000 villages.
- Udaan is an online B2B platform specially designed to connect Small and medium retailers, wholesalers etc with online traders and also provide them logistics, payments and technical support, has sellers in over 80 cities in India and delivers to over 500 cities.

- India has jumped 22 places to break into the top 100 of the United Nation’s E-Government Index 2018. India, which was ranked 118 in 2014, jumped 11 places to be ranked 96 in 2018. This jump shows how digital technologies and innovations are impacting the public sector and changing people’s everyday lives.
- Bharat Interface for Money (BHIM), a mobile based digital payment platform is another initiative by the Government of India to promote digital India.

Road Ahead

The e-commerce has transformed the way business is done in India. According to a recent report by Statista.com in April 2019, Revenue in the Indian E-Commerce market amounts to USD 32,348mn in 2019. Revenue is expected to show a CAGR 2019-2023 of 17.8%, resulting in a market volume of USD 62,284mn by 2023. The market’s largest segment is Fashion with a market volume of USD12,546 mn in 2019 and is expected to hit 64.8% by 2023. The average revenue per user (ARPU) currently amounts to USD 49.44.

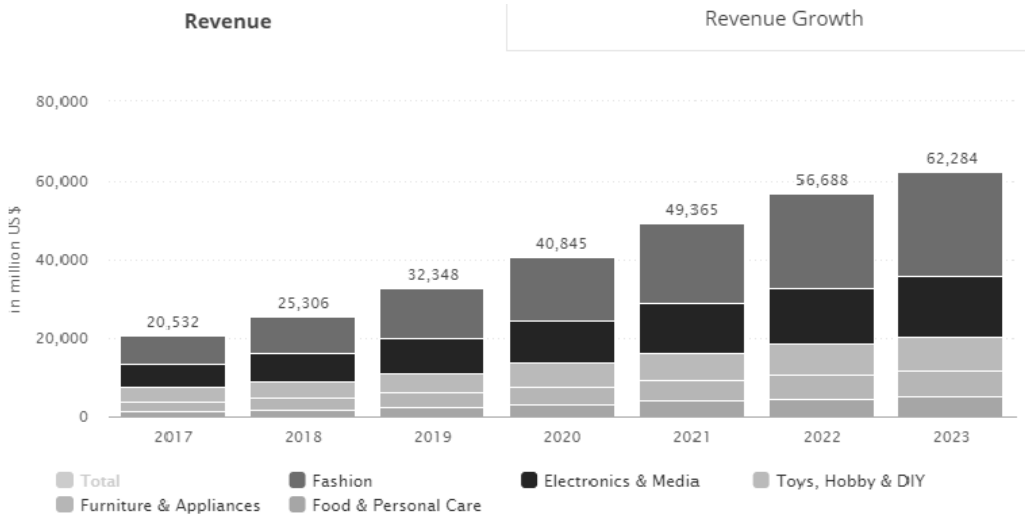


Fig: Revenue in million US\$

Source: Statista.com

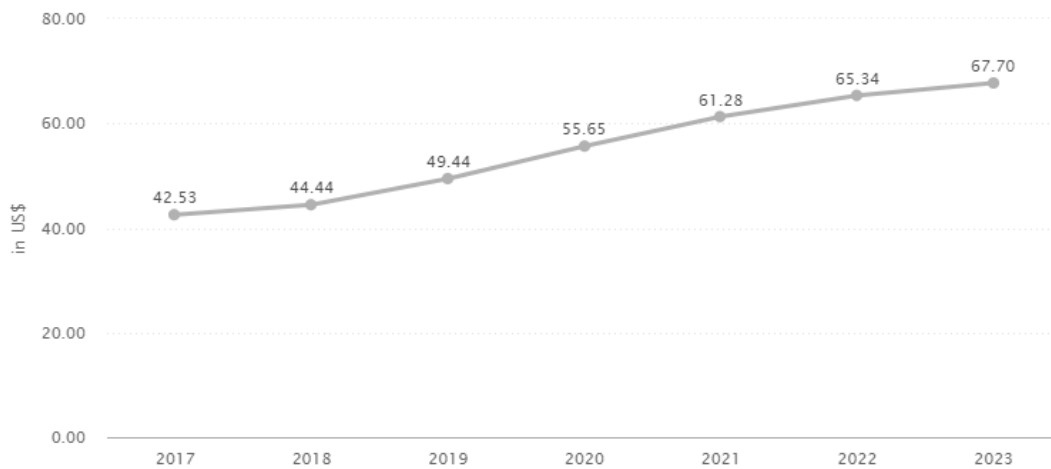


Fig: Average Revenue per user in million US\$

Source: Statista.com

The e-commerce industry provides means of financing, technology and training to the MSMEs in India and hence has been directly impacting them. The Indian e-commerce industry has shown a growth upwards and is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Innovations like digital payments, customer engagement and digital advertisements are expected to support the growth of the sector. This is expected to boost the employment and increase revenues from export and also provide better products and services to customers in the long-run.

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