

## **E-commerce status in India-an update and its future**

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### **Abstract**

E-commerce has revolutionised the relationship between organisations and the individuals using the digital platform. Due to rising Internet user base and favourable market conditions, India's e-commerce has seen tremendous growth in recent years. This study is therefore conducted to review existing e-commerce literature and trace its development in India. The launch is followed by India's e-commerce origins, India's e-commerce status, India's e-commerce giants, major growth drivers in India's e-commerce industry, e-commerce industry challenges, and India's e-commerce future.

### **Introduction**

E-commerce essentially uses electronic communications means in a bid to redefine value-creating relationships between organisations and individuals.(Chanana & Goele, 2012). Using internet and technology such as Electronic Data Interchange, e-commerce involves running a business. E-Commerce refers to an online retailer's website that trades products or services directly from portal to customer. The portal uses a digital shopping cart or digital shopping basket system for credit card, debit or EFT payment (Electronic Fund Transfer). Considered the most promising use of IT, it has allowed companies to improve their internal productivity and extend their operations internationally, overcoming geographical barriers. (Rina, 2016). E-commerce has been classified into the following (i) Business to Business on the basis of the parties involved in the exchange: It includes all electronic transactions involving manufacturers and distributors, partners, wholesalers and retailers at both ends.(ii) Market to Customer: This includes the process of supplying goods and services directly between the company and the consumer (Kenton, 2020). (iii) Market to Consumer: all purchases of products and services between customers via an online marketplace can be made accessible to third parties, such as e-bay. (iv) User to Company: It involves company-customer relationships, but reverses their roles; it is the customer who generates business demand and receives payment for it.(v) Business to Government: includes business-to-public communications through Internet registration technology, taxes and other government-related activities. In recent years, India has seen tremendous growth, in terms of e-commerce especially in the business-to-consumer segment, with numerous advantages over traditional businesses, such as convenience, time savings, easy comparison, feedback, option availability and relatively low prices. (Franco and Bulomine, 2016). In the e-commerce sector, India has much promise due to rising Internet user base and favourable market conditions. In 2018, India's e-commerce industry's market size was around \$50bn, rising exponentially. This will cross US\$200 billion by 2027 (Keelery, 2020). This work aims at reviewing existing e-commerce literature and tracing its growth in India. After the launch, India's e-commerce

root, India's e-commerce status, India's e-commerce giants, major factors in India's e-commerce industry growth, India's e-commerce industry barriers, and India's e-commerce future.

### **Origin of E-commerce in India**

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The use of digital transaction has ameliorated a great deal in India in the recent times. "Around 50% of the country's population now has access to Internet-enabled devices, turning our vast population into a user base of over half a billion users." These impressive figures have made India a hotbed for Internet-based businesses, the biggest profiteer being the e-commerce industry. (Binu, 2019). In 1991, when the internet basically did not even exist in India, the concept of e-commerce first formally appeared. People were aware of this thing called the internet by the late '90s, but for most of them, it remained a privilege they didn't especially need. It was only in 2002, when the IRCTC launched an online reservation scheme that the public generally embraced the internet as something fruitful in a genuinely Indian way, by which time a company called Amazon was already starting to make a few murmurs in the US. After that, in India, many businesses such as Amazon, flip kart, etc. start business but are unable to penetrate deeply into the market until frontman of reliance industries, Mukesh Ambani, announced the arrival of Reliance Jio and opened the gate by providing data services at a fraction of the cost compared to what his rivals were charging. In B2B e-commerce companies, the Indian government then provided for a 100 percent FDI limit. Almost every organisation suddenly had an online projection of itself, and India became an e-commerce powerhouse (Binu, 2019).

### **E-commerce status in India**

E-commerce companies offer a wide range of products and services, across various industries. Some of them are listed below.

**Automobiles:** Automotive sales in India undergo digital transformation. In India, several interesting startups have emerged in recent years, including used car auction, car insurance, classified online cars, roadside assistance, car analysis and rental services. Websites like "Zigwheels.com, Gaddi.com, Carwale.com and OXL" are only a few examples of the e-commercial vehicle industry.

**Lifestyle:** In the e-commerce sector, lifestyle also holds a larger share. Various items, such as clothing, accessories, home decor, mobile phones, books, gifts, etc. could be availed from the popular websites like "Amazon, Myntra, Jabong, flipkart", etc.

**Real estate:** "Real estate e-commerce websites offer information on both new property and resale." Some services offered include housing finance, property management consulting, home insurance, home loans, etc. Indiaproperty.com, 99acres.com, magicbricks.com, etc. are examples of Indian property locations.

**Stocks and shares:** There are websites dealing with buying and selling of stocks and bonds, industry analysis and research, sector comparison, equity and mutual fund research, market dynamics tracking, etc. Some examples of such sites include "www.equitymaster.com," "www.5paisa.com," etc.

**Travel and tourism:** E-commerce provides new travel and tourism possibilities. Www.tourismindia.com, India's main government portal, has a range of tourist information including

passport and visa portals, travel and accommodation information, etc. Websites like makemytrip.com and yatra.com has made travelling convenient with number of packages to choose from. Matrimony:

Marriages are said to be made in heaven, but are made on marriage portals in the e-commerce world. This website offers services like matchmaking, astrological services, ritual knowledge, legal issues, etc. Shaddi.com, jeevansathi.com, etc., are examples.

Employment: E-commerce companies offer work for job seekers by clicking a mouse for which a small fee is paid. "Monsterindia.com", "Naukri.com", "shine.com" are some websites.

### **E-commerce Giants in India**

When it comes to online shopping, Indians have their peculiarities and particular needs. Leading global shopping sites are not generally the country's most common. The top five of India's biggest e-commerce giants are:

(1) Amazon India: Amazon began as an online bookstore in the US in 1994 and later diversified into items such as media, electronics, clothing, furniture, food, toys, as well as jewellery. It has 200 million monthly visits.

(2) Flipkart: It is India's national pioneer in e-commerce. Flipkart was originally founded in 2007 to sell books, before expanding to other common categories, including cell phones, electronics, fashion, and lifestyle items. It has 157.5 million monthly visits.

(3) IndiaMart: Established in 1999, it is an online B2B marketplace for Indian companies. IndiaMart enables producers, suppliers and exporters to sell their goods directly to their visitors through the website to get in touch. It has 52.2 million monthly visits.

(4) Myntra: Myntra is an online fashion, home and lifestyle retailer specialising in India. Launched in 2007, Myntra, especially through its mobile apps, has established a strong online presence. It has a monthly rate of 14.2 million visits.

(5) Snapdeal: It is a diverse online shopping platform that offers items ranging from appliances and appliances to electronics and apparel. Snapdeal was founded in 2010 and has received several rounds of funding from well-known investors, including Alibaba Group, Foxconn, as well as SoftBank. It has 12.9 million monthly visits.

### **Major factors for growth of E-commerce industry in India**

The key factors enabling e-commerce sector growth (Debbarma and Nandi, 2014; Ara, 2015; Kumar, 2017) include (i) faster adoption of new technologies: faster adoption of new technologies such as the internet and smartphones was one of India's major drivers of e-commerce (Ara, 2015). (ii) India's fastest-growing economy: India is one of the world's fastest-growing economies, and higher sales made India one of the fastest-growing consumer markets. Some of the factors that have been instrumental in driving the e-commerce industry in India are increased disposable income, lifestyle shifts and shopping habits (Debbarma and Nandi, 2014). (iii) Creative Easy-to-use technologies: India's e-commerce companies have been concentrating on developing new mobile/smartphone apps, allowing users to easily make online purchases through their smartphones. Mobile apps have also supported businesses through the sharing of daily service alerts and notifications to boost their regional outreach and increase their level of contact with end users. Furthermore, digital ads have also helped e-commerce players to reach a wider audience/customers. Similarly, the use of Search Engine

Optimization as an Internet marketing tool has also helped e-commerce businesses boost their search engine rankings (Kumar, 2017). (iv) Choice of payment options: Although Indian e-commerce companies offer different payment options, most players have provided customers' cash-on-delivery options, despite higher administration costs due to such transactions as this is the most preferred payment method among customers. To simplify the payment process in e-commerce transactions, digital payment products as well as electronic wallets have also been introduced (Kumar, 2017).

### **Barriers for e-commerce industries in India**

There are numerous obstacles (Gangawane and Padole, 2017; Kumar, 2017) responsible for adversely effecting growth of e-commerce in India, some of which are as follows: (i) Payment Collection: When paying by net banking, even with a thin margin business, you have to end up giving a significant share of revenue (4 percent or more). Fraudulent charges, fee backs, etc. all become the responsibility of the merchant and are thus accountable in the business model (Gangawane and Padole, 2017). (ii) Reverse logistics: reverse logistics is very inefficient, leading to high inventory and higher costs. (iii) Digital payment transaction failure: E-commerce industry faces high transaction failure rates due to lack of high-speed bandwidth and payment gateway technology inefficiencies. (Kumar, 2017). (iv) High customer acquisition costs: Extreme competition and strong discounting for e-commerce businesses have resulted in expensive customer acquisition and retention. (v) Reliance on rural telecommunications operators: e-commerce companies wishing to expand into Tier 2 and Tier 3 cities rely on telecommunications operators to introduce 3G/4G services for connectivity in these areas. (vi) Reliance on network and bandwidth: Access to e-commerce platforms through desktop computers, mobiles, as well as other devices depends on the bandwidth of the network (Kumar, 2017). (vii) Taxation: entry tax, VAT and a variety of unique state forms that follow them. With several exceptions and special laws, this can be confusing at times (Gangawane and Padole, 2017). (viii) Privacy: A big issue that needs to be discussed is privacy. Because of the fear of cyber-crime, clients are very concerned about sharing their data.

### **Future of E-commerce in India**

“E-commerce has reduced the customer-producer gap. The Indian e-commerce industry has been on an upward trajectory and is expected to surpass the US by 2034 to become the world's second-largest e-commerce sector. By 2027, from Rs 2,69,076.5 crore in 2017, the e-commerce market is projected to cross Rs 13,97,800 crore. The Indian e-commerce market has the potential to rise more than four times to Rs 10,48,350 by 2022, backed by growing revenues and growth in internet use. Online shoppers across India are expected to cross 120 million in 2018 and 220 million by 2025. Out of around 100,000 pin codes nationwide, online retailers now sell 15,000-20,000 pin codes. A young demographic makeup, increasing internet penetration as well as relative efficient allocation of resources are the main drivers of this market. The government's policies and regulatory mechanisms, such as 100% Foreign Direct Investment (FDI) in e-commerce and 100% FDI under the B2C e-commerce marketplace model, are expected to further fuel growth in the sectors (IBEF, 2020). IBEF, 2020.” Some of the developments in India that are likely to impact the future of e-commerce positively include:

1) Payment innovation: With the growing use of digital wallets and Unified Payment Interface (UPI), the payment methods are getting swifter and undeviating. (UPI) 2) Artificial intelligence and use of drones- Copying to the subjected supply demands is a challenge for e-commerce industry today. Alternatively, drone delivery such as drone-based delivery by Amazon

Prime Air. Artificial Intelligence (AI) also changes the e-commerce industry, enabling consumers to easily discover what they're searching for by pressing a button.

3) Delivery model: The "traffic" condition leading to late delivery in India's metros. E-commerce and logistics service providers are testing new distribution methods, e.g. drone delivery, delivery from nearby kirana shops. Amazon kirana, crowd-sourced distribution, in Mumbai, etc are reflective of this adopted model.

4) -With respect to commerce in India, in 2015, "around 279.5 million people accessed the internet via mobile devices, which is expected to cross 524.5 million by 2021 (As per statistic digital market outlook). India's mobile apps help e-tailers attract more remote and rural customers." Customers can receive notifications, updates, view product catalogues, place order and pay via simple mobile app.

5) Digital ads: digital ads may be used for devices of any kind. Customizing ads to target markets, improving interaction and loyalty, and towing interactive opportunities make digital advertising more competitive.

## Conclusion

The paper accentuates on the history of e-commerce, the present state of e-commerce, e-commerce giants, major factors driving the development of the e-commerce industry, along with challenges and possibilities of future endeavours.

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