



IMPACT OF E-COMMERCE IN INDIAN ECONOMY

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ABSTRACT:

This paper reveals the importance of ecommerce in Indian economy. As we all know India is among the fastest growing economy of the world, thus it is very much important to have government intervention and huge investment inflow in form of Foreign direct investment in large economy like India to stabilise and increase the growth of ecommerce industry in the economy. In India with the digital penetration has increased significantly, according to statistical data internet use has increased to 429.23 million user in India and is expected to reach around 830m by year 2021. There has been significant rise of e-commerce in India, as India's internet economy is 125 billion dollar in 2017. In this paper we will look towards the role of government in ecommerce industry and also look towards the various barriers of e-commerce in Indian aspects. "In this research paper we will talk mainly about B2C Ecommerce and its percentage of gross domestic product in Indian economy. we will also talk about entrepreneurs roles and decreasing value of ease of doing business in India as India in 2017 ranked in 100th position from 132th position out of 190 countries in 2008". For a country such as India, one of the most important advantages of e-commerce is its potential to help developing rural areas to leap-frog into the knowledge paradigm. E-Commerce is great platform not only to develop infrastructure but also increase employment rates in India and thus overall impact in increasing economic and social growth in Indian economy.

Key words: - *Ecommerce, Economic Growth, FDI, GDP.*

INTRODUCTION :

Today e-commerce has become an important part of daily life. Accessibility to e-commerce platforms is not a privilege but rather a necessity for most people, particularly in the urban areas. There are alternative e-commerce platforms available (instead of the traditional physical platforms) for almost every aspect of our lives, starting from purchasing of everyday household items to online brokerage. As in 21st century as internet has become most important and frequently and most necessity device, it will surely race to achieve more growth and sales via internet. According to eMarketer, worldwide retail Ecommerce sales will reach \$1.915 trillion by the end of 2017. With increase in digital penetration all across the globe and cheap and frequent easy accessibility of internet, it is prone to increase the growth of ecommerce all across the world, meanwhile lot of traditional people are quite worried and tensed with change in pattern of sale via internet, with the availability of cheap and high speed internet with variety

and security options, lot of individual and firms have connected their business with e-commerce. As in recent world it is highly impossible to grow without being available online. Thus to grow more and earn higher profit it is highly recommended to have proper structure availability and easy accessibility of online sites, because it not only determines profit and no. of users but also determines the ranking and position of enterprise of the firm in overall business world.

Also in this research paper I will focus about the growth and pattern of e-commerce in India and its sales and impact in Indian economy, of all different types of e-commerce, my research paper restricts its study to mainly b2c types of business, though it did cover other types of e-commerce and its social impact also in India via sales of e-commerce in India.

Literature Review

"Shebazbano Salim Khan, S. N. Borhade, and Mainuddin S. Shaikh in their paper "Impact of e-Commerce on Indian Market: Social and

Economic Impact” study how Electronic commerce (e-commerce) as part of IT insurrection became major part in the world deal in general and Indian economy in exacting. The Paper discovers the economic and social impact of e-commerce.(E-commerce, is currently rising at 30%. shopping site ebay Inc. Is growing at 60%. The number of customers of the company has augmented from one million users to 2.5 million in India; in the last four years. Some of the popular imported items imported by Indians include home decor, branded and unbranded apparel, accessories, and technology products.”)

1. (“affreenara and Dr Kishore Kumar Das in their paper “Growth of E-Commerce in India” talked about Ecommerce one of the highest growing business, with India having great market potential for investments. There has been huge surge in investment since; last year and more, is expected in coming years. The rapid growth in use of mobile and internet users has facilitated ecommerce business in both urban and rural cities. The topics covered include the terms study of commerce, key drivers of growth, market growth potential, investment, retail market, logistics infrastructure, internet regulations, key challenges and future of ecommerce.”)

Objective Of Study

India is one of the largest growing economy of the world. There is heavy use of internet among Indian citizens. The main basic objective of this research paper are -

- 1- To analysis the present trends of e-commerce in India
- 2- Government initiatives and different scheme in growth of e-commerce in India
- 3- Impact of e-commerce on literacy rate and employment rate in India

Research Methodology

Secondary data – various research papers of similar type have been referred to check the for analization of data .Other than this , various

scholar and data from other certified bank and source are used to collect data which is interpreted further for data analysis

Snapshot Of E-Commerce Industry In India

E-commerce in India is fastest growing economy of the world. Indian E-commerce is growing at an annual rate of 51% , the highest in the world and is expected to jump from \$30b in 2016 to \$120billion by 2020) (source – assocham – forrester study paper).With \$680b in online retail sales in 2016, china is largest E-commerce market globally, followed by United States and then India In India though there were use of e- commerce even before 1990s, but their contribution were significantly negligible. Recently a lot of blue chip PE firms have invested a huge money on India e-commerce as there is significantly huge potential and opportunity to success. In India 100 percent FDI is permitted in B2B e-commerce and thus shows the government intention and contribution towards e-commerce industry in India . The growth of e-commerce in India highly dependent on the following sub factors that do have an impact on Indian economy when it comes about e-commerce industry in India .some of these factor are –

- 1- Participation of niche companies in online trading
- 2- Unmatched FDI
- 3- Uniform GST

Digital penetration in Indian economy

In India smartphone penetration rate are increasing over years , with the increasing role of and importance of internet and digitalization , it is thus very much needed to have an active smartphone with proper internet connection ,, With the increase of role of e-commerce in India , and its high contribution and increasing of e-commerce share in total retail sale .As of 2015 , 18.21% of India’s overall population owned a smartphone that is around to be at 39% by 2019 (Source – stastia.com)This increase in

smartphone penetration in India is done by the point that India's share of the global smartphone market is forecast to more than triple between 2013-17 to reach .

Internet Penetration In India

According to NATIONAL REPORT OF E-COMMERCE DEVELOPMENT IN INDIA, it was clearly stated that there is increase in internet penetration in India to very large extent. Internet user increases to 429.23 Million in 2017 which is expected to take a huge upward trend to 829 million in 2021 , which will thus help internet economy of India to grow significantly . With the increase of digital penetration and increase of internet penetration in Indian context, it was thus needed to link between the growth and impact of e-commerce in context of Indian scenario.

With the increase in digital buyer, it was quite clear the internet penetration will thus also ultimately rise to certain extent, also as we have studied in earlier paper that m-commerce has also increased significantly thus lead to growth in m-commerce. Thus with the advancement of technology and increase in share of smartphone and internet operators it was quite clear that internet penetration was much needed to make a more significant impact on the Indian market.

Government Initiatives Supporting The E-Commerce Growth In India

The role of government in increasing the the growth of e-commerce is very important and plays huge role in the growth of e-commerce in Indian market . It is the government policies and reforms which not only affects the foreign investment and mindset of investors across the globe, but it is the people who also affects from the governmental policies. since 1991 when government of India opened its economy with the introduction of LPG (Liberalization , privatization and globalization) the Indian people started enjoying the benefits of open economy Since 1995 when internet was first

introduced for e-commerce purpose in India .

Since 2014 government of India has announced various initiatives namely

- Digital India
- Make in India
- Start-up-India
- Skill India
- Innovation fund

The proper functioning of and effective implementation of these program will certainly boost the growth trend of e-commerce in India .

- In the union budget of 2017-18 government has allocated us\$1.55 billion to BharatNetproject . According to which village will also be accessible to high speed internet and Wi-Fi hotspots and digital services at very low tariff in rural and panchayatlevels .

- Government of India has announced the launch of BHIM app, it will increase the digital payment in the country .it has been adopted by more than 12.5 million people of India . For promotion of this app government of India has announced 2 scheme for promotion of this app. they are -

1-Referral bonus scheme for individual 2-Cashback scheme for merchants

- The government of India has distributed rewards worth of RS 153.5 crore to more than 1 million citizens or say customers for embracing digital payment under scheme of Lucky GrahakYojana and Digi – dhanvyaparyojana.

- Government Of India has put lot of money and reforms which have impacted in growth of e-commerce in India . Not only growth but also has increased the standard of living of people. With the unemployment rate decreasing and rate of literacy is increasing over time , one thing which Gov. of India is currently focusing is on growth of entrepreneurs in India . Thus start up India is encouraging growth young entrepreneurs. Thus government of India has also launched various initiatives like UDAAN ,

UMANG , START-UP INDIA PORTAL etc

- The government of India has taken steps to provide funds through “ Fund of Funds” scheme which is actively working in Indian scenario and thus helping out MSME also.

- Role of FDI plays important role in the growth of e-commerce industry in India . Earlier investment rate in India was considerably very low which thus signifies low e-commerce growth across nation. Since FDI IN B2B e-commerce is 100% FDI allowance which means more investment, but FDI in B2C is still restricted because of governmental norms. Despite of all the government restrictions investments are made in Indian market because there are lot of opportunity in Indian market which can be properly utilized can lead to more profits . thus investment and FDI policies have an huge impact . investors like –

1. Idgvc Partners
2. Tiger Global Management
3. Accel Partners
4. Index Ventures
5. Sequoia Capital
6. Alibaba
7. Temasek Holdings
8. Forerunner Ventures

Are some of the major investors in e-commerce industry in India under government e-commerce policies. In India 2015 , there was highest ever funding with \$11.3B . Though in India FDI in multi brand retail companies is not allowed yet , Though some firms uses PROMOTIONAL FUNDING which is an indirect route for funding when FDI is restricted is prevalent in India . Thus 100% FDI in B2C is good start for investors to know the market size and opportunity in Indian market and thus more investment and FDI will surely increase the growth of e-commerce in Indian market .

- RESERVE BANK OF INDIA has decided to allow “inter-operability” among prepaid payment instruments (PPIs) such as e-wallets will

encourage cashless economy and thus eventually more use of e-commerce in Indian market .

- TAX SYSTEM AND INTRODUCTION OF GST is another government incentive/ scheme which will increase e-commerce growth in India in coming years .with the unified tax system it decreases the cascading of tax which in return simplifies the supply chain management side of e-commerce also . thus e- tailing becomes easier and sometimes in some industry cheaper also which gives manufactures and retailer to expand their business across India . With uniformity in tax , it will help in expanding the positive side of e-commerce across India and thus will not favour any particular state . Though in India TIER1 cities are more prone of e-commerce as their average order value is RS – 1544 and in TIER 2 is RS 1157 and RS 1033 in TIER3 cities in India according to IBEF report (source – ibef.com) . Thus Tax system also plays important part in e-commerce growth in India . India ranked 119th position in 190 countries in estimator of “paying taxes” thus which needs to be decreased .thus because of which business becomes hard and difficult for retailers and thus investors doesn't willing to invest more .

- E-GOVERNENCE is another important scheme or initiative taken by government of India . It will also boost the e-commerce growth and thus will also bring transparency among the citizens of India . India in EGDI index ranked very low were UNITED KINGDOM AND AUSTRILIA have highest rank in EGDI with index score of 0.92 and 0.91 respectively.

- Government of India to set up apex cybercrime coordination centre . – after having 1,44,496 cyber security attacks in India during 2014-16 there is plan to set up cybercrime coordination centre which will help in resolving the issues of cybercrime and thus try to nullify it . states should also open district level cybercrime coordination centre in order to increase

efficiency and resolve issues and increase e-commerce growth in India . Phishing, scanning or probing, website intrusions and defacements, virus or malicious code are some types of cybercrime .After this year budget list , there are rumors that government of India will start allocating some funds for cyber security , which will not only increase digital and internet penetration but will also aid e-commerce growth.

Findings

1. There is an increase in digital penetration in India ie more smartphones are utilized by the people of India

2. which tend to increase m-commerce growth in India.

3. There is an increase in internet penetration in India . India ranked 2nd in most internet users in the world

4. There is an increase in an e-commerce trend in India . With an increase in a contribution of e-commerce in India's GDP.

5. Government are making necessary incentives and schemes to promote digitalization and thus encouraging e-commerce growth in India

6. E-commerce of the nation is linked with the literacy rate of the nation. with more literacy and educated people there will be more e-commerce growth in a country .

7. Negative correlation between unemployment and e-commerce growth in India.

CONCLUSION :

Through the study of research paper we came to know how important is e-commerce industry currently in the world . With context of India we also try to find the upward trend of growth of e-commerce in India , and also increase in m-commerce and digital penetration in India .Government policies and initiatives has also lead to increase of e-commerce in india over years . According to survey after demonization , role of cashless economy in India has increased significantly , thus the role of internet also likewise other such government policies have

also had a major impact . a lot have been done and a lot has to be done when it comes to e-commerce industry in India . Also we study impact of literacy rate and unemployment rate on the growth of e-commerce industry in India . also there is significant need to increase the literacy rate in india and also spread awareness among rural people in india about cashless economy and role of internet in India in today's world . With need of more allocation of money towards cyber crime and strict law's need to be made , not only to make this process more secure but also reliable . In this research paper we went through the trend of e-commerce in India which is rising significantly and also how service provider like 4G, 3G helped to increase the digital penetration in India which thus helped to increase the e-commerce and m-commerce sales in Indian economy. Likewise government had also played huge role through different laws and policies towards the growth of sales via internet.

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