

Growth and Impact of E- Commerce in Indian Economic Development

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ABSTRACT

The emergence of e-commerce has elevated the market of Indian business to greater heights. It creates an entire new economy to the society that has abundant resources to change the way of business activities. The land mark of e-commerce is to strengthen incomes and display a variety of goods and services that can be bought through the internet. It stimulates consumers to buy goods and services through online which are more appealing. This study is exploratory in nature. This article tries to focus on the role of e-commerce business pointing out the category of e-commerce business, organizations involved in e-businesses, examine the growth of e-commerce in both physical and fiscal terms and critically analyze the barriers and constraints involved in flourishing e-commerce businesses in India. This paper also depicts the role of government in providing a legal framework for e-commerce.

Key words: E-commerce, Internet, Online.

1. INTRODUCTION

“It is true that the Internet will change everything. It is not true that everything will change.”

By Useem (2000)

Electronic commerce is presently an unavoidable and marvelous tool of India's trade facilitation policy. Beyond a shadow of doubt, last few years have witnessed a technological revolution accompanied by the wide spread use of the Internet, web technologies and their applications. Electronic commerce (e-commerce) as part of the information technology outbreak became widely used in the world trade in general and Indian economy in distinct. As a logo of globalization, e-commerce represents the cutting edge of success in this digital age and it has changed and is still changing the way business is conducted around the world. The electronic commerce has become one of the most efficient channels for all types of inter-organizational business processes.

E-commerce stands for electronic commerce and belongs to trading in goods and services through the electronic medium, via the internet or mobile phone. Through the internet, it belongs to a website, which sells services and products promptly and allows

credit card payments. There have been changes in the methodology with the advent of technology in business transactions. India as a speedy adaptor of technology with the current scenario of electronic data exchanges has taken its path to e commerce. The information technology industry detects it as an electronic business application aimed at commercial transactions. It can involve bunches of business activities like e-funds transfer, supply chain management, e-marketing, automated inventory management systems and automated data collection systems. It is completely used in electronic communications' technology such as the internet, extra nets, e-mail, e-books and mobile phones.

However, there is no standard definition for the term e commerce and it is named differently by different organizations in different ways. It's clearly agreed to mean the production, distribution, marketing, sale or delivery of goods and services by electronic means. The Asia Pacific Economic Co-operation (APEC) has supported a comprehensive definition of e-commerce to incorporate all business activities using a combination of electronic communications. The United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) have also denoted e-commerce as 'the process of using electronic

methods and procedures to conduct all forms of business endeavors.

2. REVIEW OF RELATED LITERATURE

Ayo et al (2010) analyzed the prospects of e-commerce based on ability, motivation and opportunities (AMO) model and noticed that virtually all companies have online trading. The paper described the motivation and scope for e-commerce as low based on lack of e-Payment frames and access to information and communication technology (ICT) facilities.

Brodie et al (2013) stated that the electronic commerce emerged as the revolution of the internet and allowed businesses to interact more effectively with their customers and other corporations. Because of this flourished information, banking industry has been using this new communication channel to reach its varieties of customers. Electronic commerce (e-commerce) has become a very essential technological growth for businesses by changing business practices.

(Alawneh A. and Hattab E 2014) stated that e-Business and e-commerce extol the enormous potential and opportunities provided for consumers and businesses globally. They found some defects and the benefits to be derived tend to be overstated. Numerous managers and investors are face strong pressure whether e-business investments create business value because it is not ambiguous to them how this value is created, and what are the factors that shape that value and also the relative significance of these factors.

Stewart (2016) conducted out a review on historical development, drivers and privileges of adopting e-commerce and described the role of e-commerce system for the construction industry as “while it is currently the larger companies that are championing these (e-commerce system) developments, it is clear that many stakeholders will engage with e-commerce systems in the near future”.

3. OBJECTIVES:

- a) To examine the growth of e-commerce in both physical and financial fiscal terms.
- b) To evaluate the benefits obtained from e-business.
- c) To critically analyse the barriers and constraints involved in e-commerce businesses in India

E- Commerce in India

For developing countries like India, e-commerce advances considerable opportunity. E-commerce in India is still in the beginning stage, but even the most-pessimistic projections indicate a boom. It is accepted that low the cost of personal computers, a growing installed base for internet use, and a progressively competitive Internet Service Provider (ISP) market will help fuel e-commerce growth in Asia’s second most populous nation. Indian middle class of 288 million people are balanced to the entire U.S. consumer base. This makes India a real appealing market for e-commerce. To make a successful e-commerce transaction both the payment and delivery services must be constructed systematically. There has been a move upwards in the number of companies' taking up e-commerce in the recent past. Numbers of Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. The e-commerce market in India has grown by 42 percent in the last seven years, was about USD 1200 million in 2016-17 and is expected to touch USD 11 billion by 2020 and USD 70 billion by 2020. According to Forrester, the Indian e-commerce market is expected to grow at a CAGR of over 75 percent between 2016 and 2020, which is the fastest with Asia Pacific region.

4.GROWTH AND PROSPECTS OF E-COMMERCE IN INDIA

E-commerce in India has developed extensively and offers abundant opportunities in developing countries like India. Highly dense urban areas with very high literacy rates, an enormous rural population with fast increasing literacy rate, a rapidly growing internet user base, technology advancement and adoption and such other things make India a dream destination for e-commerce players. The online travel industry has some private players such as made my trip, clear trip and yatra as well as a strong government presence in terms of IRCTC, which is a successful Indian Railways initiative. The online classified segment is universally divided into three sectors; Jobs, Matrimonial and Real Estate. Mobile Commerce is also growing promptly and proving to be a stable and secure supplement to e-commerce due to the record growth in mobile user base in India, in recent years. The current estimate of US\$ 11.79 billion for the year 2020 is way ahead of the market size in the year 2010 at \$3.75 billion. The following table shows the

growth of E-commerce in India in the last one and half decades.

TABLE – 1 GROWTH OF E COMMERCE IN INDIA DURING 1998-99 to 2012-17

Year	Total e-commerce transactions (in millions)
1998-1999	31.38
1999-2000	103.84
2007-2008	1750.00
2008-2009	3015.00
2009-2010	4230.00
2010-2011	6790.00
2011-2012	10000.00
2012-2017	35754.00

Source: A report of Internet and Mobile Association of India

Tables 1 show the e-commerce transactions during the year 1998-99 to 2012-2016. In 1998 the total transaction of e-commerce was 31.38 and it has increased to 103.84 in next year. After seven years the transaction has increased in millions and continuously it has increased up to 35 million in 2012-2017. The entire table result shows the rapid growth of e-commerce in India. The usage of e-commerce and users of technology has increased at a high level. It reveals the technology improvement and awareness among the people and society. In India more online users are willing to make purchases through the internet. Overall e-commerce industry is posed to experience a high growth in the next couple of years. E-Tailing and digital downloads are expected to grow at a faster rate, while online travel will continue to rule the major proportion of market share. Due to increased e-commerce initiatives and awareness by brands, e-Tailing has experienced decent growth. According to the Indian e-commerce Report released on the Internet and Mobile Association of India (IAMAI) the total online transactions in India was Rs. 17080 crores (approx \$1.75 billion) in the year 2016-2017 and it was grown by 40% to touch Rs. 29210 crores (approx \$2.15 billion) by the year 2007-2008. The following table shows the market share of e-commerce in India during 2016-2017.

TABLE – 2 MARKET SHARES OF E-COMMERCE IN INDIA 2012-2017

E-commerce sectors	Market share in (%)

Online travel	80.00
E-tailing	6.48
Financial services	6.31
Other online services	5.09
Digital download	2.12

Source: A report of Internet and Mobile Association of India.

According to a McKinsey-NASSCOM report, the e-commerce transactions in India are expected to reach \$1076.3 billion in 2020. On the other hand, compared to the western countries, India will reach the development stage and capture a primary place as early as possible. The following table shows the e-commerce sales in selected countries in Asia Pacific Region, during 2012-17.

TABLE-3 E -COMMERCE SALES IN SELECTED COUNTRIES IN ASIA PACIFIC REGIONS, 2012-17(BILLIONS USD)

Year/Coun try	2012	2013	2014	2015	2016	2017
Australia	9.5	13.6	20.4	26.4	28.7	31.1
China	2.4	3.8	6.4	11.1	16.9	24.1
India	0.8	1.2	1.9	2.8	4.1	5.6
Japan	36.8	43.7	56.6	67.9	80.0	90.0
South Korea	9.6	10.9	12.4	14.0	15.9	17.9
Asia Pacific region	59.9	73.3	97.7	124.1	145.5	168.7

Source: e-Marketer, December, 2017.

The table shows the entire e-commerce sales countries in Asia Pacific regions. Among these countries Japan headed in all the years in e-commerce sales followed by Australia, China, South Korea and finally by India. The other Asia Pacific countries developed their e-commerce sales in better level during 2006 to 2017. According to Indian e-commerce scenario, it has been observed that India has over 2,471 e-commerce hubs consisting of the cities, towns, villages, hamlets and smaller towns which cover the entire length and breadth of the country. Hence, the sizes of the e-commerce are also increased in high and appreciable level.

5. ADVANTAGES OF E-COMMERCE TO BUSINESSES IN INDIA

There is a rising awareness among the business community in India about the opportunities offered by e-commerce. In India e-commerce provides a new venue for connecting with consumers and conducting transactions via global trade, virtual businesses, lower search costs and increased power of downstream players.

Other benefits of e-commerce are as follows:

- Easy reach to a fast-growing online community
- Unlimited shelf place for products and services
- Helps to reach national and global markets at low operating costs.
- Collection of customer data
- Build customer loyalty
- Reduction of marketing and advertising cost

Barriers to e-commerce in India:

i). Payment Collection: Fraudulent charges, charge backs etc. all become merchant's responsibility and hence to be accounted for in the business model.

ii). Taxation: Octroi, entry tax, VAT and lots of state specific forms which accompany them. This can be confusing at times with lots of exceptions and special rules.

iii). Excessive pricing in e-commerce markets: Over the short term, excessive pricing is unlikely to be a major issue for e-commerce companies. Few e-commerce operations are currently making any profits, let alone excessive profits. Over the longer term, however, excessive pricing may become a serious concern for those e-commerce companies that develop dominant positions in their relevant markets.

iv). Collusion: One of the most widely held competition concerns relating to e-commerce is that it may facilitate such collusive behaviour. There are a number of characteristics of e-commerce that might be expected to facilitate collusion, even in the absence of joint ventures and online marketplaces.

v). Cybercrime in E-Commerce: Cybercrime is a major alarm that consumers have regarding e-commerce. No one wants to become a victim of cyber crime, which is a real hazard to e-commerce. Cyber crime is an e-crime. Cyber crime is a criminal act that involves computers and networks. Cyber crime includes criminal acts such as computer viruses, phishing, and denial of service attacks that cause e-commerce websites to lose revenues.

6. TECHNIQUES TO IMPROVE E-COMMERCE BUSINESS IN INDIA

In the recent past, the Indian Government has significantly liberalized Foreign Direct Investment ("FDI") in India. As per the regulations formed under the Foreign Exchange Management Act, 1999 ("FEMA") FDI is allowed on an automatic basis, up to a certain limit or fully, in most sectors. The government of India has passed the Information and Technology Act to keep a check on the transactions carried on via the electronic media and to make the process of E-commerce safe and reliable. The Act imposes heavy penalties and punishment on those who try to misuse this channel for personal benefit or to defraud others. The law has also established the authentication of the electronic records.

7. CONCLUSION

The speedy pace of e-commerce development has generally left the legal system struggling to keep up and gasping for breath. In much the same way as companies doing e-commerce must discover new business procedures and rules the legal system is trying to adapt existing laws to fit new settings. In the midst of this legal turmoil, India is one of the few countries across the globe that has achieved e-commerce legislation. However, much more is needed to completely regulate the tangled web. Effective risk management techniques coupled with sufficient legal documentation will go a long way in protecting e-commerce companies. The role of government should be to produce a legal framework for e-commerce so that while domestic and international trade are allowed to enlarge their horizons. The growth, development and role of e-commerce are remarkable level in India. If, it expands further in all features definitely India will capture a vital place in technology and able to compete with other countries to increase the status.

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