



## A study on impact of E-Commerce on India's commerce

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### **ABSTRACT**

*E-Commerce — the use of the Internet and the web to transact business. Digitally enabled transactions include all transactions mediated by digital technology. The general category of e-commerce can be broken down into two parts: **E-Merchandise & E-Finance**. Many companies, organizations, and communities in India are doing business using E-commerce and also are adopting **M-commerce** for doing business. E-commerce is showing exceptionally well business growth in India. Growth of internet users is increasing day by day. Despite being the **second largest user** base in world, only behind **China (772 million)**, the penetration of e-commerce is low compared to markets like the **United States (312 million)**, but is growing at an unprecedented rate, adding around **10 million** active internet users every month. The industry consensus is that growth is at an inflection point. India's e-commerce market was worth about \$3.9 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 79% of India's e-commerce market is travel related. According to Google India, there were 35 million online shoppers in India in 2014. Q1 and is expected to cross 100 million mark by end of year 2016. By 2020, India is expected to generate \$100 billion online retail revenue out of which \$35 billion will apparel sales are set to grow four times in coming years. This paper is outcome of a review of various research studies carried out on Impact of E-commerce on Indian Commerce.*

**Key words:** E-Commerce, Internet, Internet Banking

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### **INTRODUCTION**

India has emerged as one of the major players on the new international business scene. Its unstoppable economic growth since **reforms in 1991** has become the focus of attention of researchers in the area of international business and management. The purpose of this paper is to

review the impact of e-commerce on Indian Commerce , what are the issues that have received the most attention, which are the main findings or what more needs to be done in terms of research.

#### **OBJECTIVE OF THE STUDY**

- To understand the present status and trends of E-Commerce; and
- To reveal the key variables influencing the increased usage of E-Commerce.

#### **Research Methodology**

The paper has been written on the basis of secondary data. The secondary data were collected from published books, journals, research papers, magazines, daily newspaper, internet and official statistical documents.

#### **E-COMMERCE**

E-commerce is a modern business methodology that **addresses the needs** of organizations, merchants and consumers to **cut costs** while **improving the quality** of G&S and increasing the **speed of service delivery** and caters to exchange of products, services and information via internet. It is “**doing business online**”. It includes any commercial activity that takes place directly between a business, its partners or its customers through electronic communication and **digital information processing** technology.

E-commerce is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. These business transactions are business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The term retail is used in reference to transactional processes around online retail. E-Commerce is the movement of business on to the World Wide Web. It facilitates new types of information based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertising revenue. Many sites are now selling a diverse range of products and services from flowers, greeting cards, and movie tickets to groceries, electronic gadgets, and computers etc.

### **Origin of E-Commerce**

It is difficult to pinpoint just when e-com began. There were several precursors to e-com. In the late **1970s**, a pharmaceuticals firm named **Baxter Healthcare** initiated a primitive form of B2B e-com by using a telephone –based modem that permitted hospitals to reorder supplies from Baxter. This system was later expanded during the **1980s** into a PC-based remote order entry system and was widely copied throughout the US long before the Internet became a commercial environment. The 1980s saw the development of EDI standards that permitted firms to exchange commercial documents and conduct digital commercial transactions across private networks.

In the B2C arena, the first truly large- scale digitally enabled transaction system was deployed in France in 1981. The French Minitel was a videotext system that combined a telephone with an 8-inch screen. By the mid-1980s, more than 3 million Minitels were deployed, and over 13,000 different services were available, including ticket agencies, travel services, retail products and online banking. The Minitel service continued by its owner, France Telecom.

However, none of these precursor systems had the functionality of the Internet. Generally, when we think of e-com today, it is inextricably linked to the Internet. For our purposes, we will say e-com begins in **1995**, following the appearances of the first banner advertisements placed by ATT, Volvo, Sprint and others on Hotwired in late October 1994 and the first sales of banner ad space by Netscape and In foseek in early 1995. Since then, e-com has been the fastest growing form of commerce in the USs.

### **KEY DRIVERS IN INDIAN E-COMMERCE ARE**

- Large percentage of population subscribed to broadband Internet, burgeoning 3G internet users, and a recent introduction of 4G across the country.
- Explosive growth of Smartphone users, soon to be world's **second** largest Smartphone user base.
- Rising standards of living as result of fast decline in poverty rate.
- Availability of much wider product range (including long tail and Direct Imports) compared to what is available at **brick and mortar (BAM)** retailers.
- Competitive prices compared to **BAM** retail driven by disintermediation and reduced inventory and real estate costs.
- Increased usage of online classified sites, with more consumer buying and selling second-hand goods.
- Evolution of Million-Dollar startup like Jabong.com, Saavn, Make my trip, Book my show, Zomato etc.

### **Indian E-Commerce Market Size and Growth**

The e-commerce industry of India is one of the fastest growing segments in the Asia Pacific region. The value of online sales in India is predicted to reach **\$48 billion by 2020**, according to analytics firm **Forrester**. E-Commerce in India is growing at an outstanding rate and is expected to account for **1.61%** of the global **GDP** by **2018**. As per Market experts the annual growth rate of total retail sales will easily remain in the **double digits** between 2016 and 2020.

Indian e-commerce market was worth about **\$3.9 billion** in **2009**, it went up to **\$12.6 billion** in **2013**. According to Google India, there were **35 million** online shoppers in India in 2014 Q1 and is expected to cross **100 million** mark by end of the year **2016**. By **2020**, India is expected to generate **\$100 billion** online retail revenue out of which **\$35 billion** will be through **fashion** e-commerce.

Online Retailing comprises about **12.5%** (**\$300 Million** as of **2009**). India has close to million online shoppers and is growing at an estimated **30% CAGR** vis-a-vis a global growth rate of **8-10%**. Electronics and Apparel are the biggest categories in terms of sales.

Another big segment in e-commerce is **mobile/DTH recharge** with nearly **1 million** transactions daily by operator websites like Airtel.in, Vodafone. In and third party sites like paytm.com, ezrecharge.in, rechargeitnow.com. The Indian government is keen to develop its distribution channel and other e-commerce related services as a major revenue model going ahead, especially when India Post transacted business worth 280 crore INR in the cash-on-delivery (CoD) segment for firms such as **Flipkart, Snapdeal and Amazon**. Both these projects will have significant impact on increasing the reach of e-commerce players to generally non-serviceable areas, thereby **boosting growth**.

### **Challenges of E-commerce in India:**

India has **less credit** card population, lack of fast postal services in rural India. Accessing the Internet is currently hindered down by slow transmission speeds, frequent disconnects, cost of Wireless connection and wireless communication standards over which data is transmitted. **High-speed-bandwidth Internet connection** not available to most citizens of the nation at an affordable rate. In India, mostly people are **not aware** about the **English language** or not so good in English language. So that for the transaction over internet through electronic devices, language becomes one of the major factors to purchases, hire and sell a particular product or services. Multiple issues of trust in e-commerce technology, **Digital Illiteracy** and lack of widely accepted standards, absence of cyber laws, legal issues such as privacy and security, high tax rate of Indian market, lack of trust, lack of payment gateways, privacy of personal and business

data connected over the Internet not assured security and confidentiality of data not in place to deploy ubiquitous IT Infrastructure and its maintenance.

**Conclusion:**

With the development of new technological tools, the world of e-commerce is changing rapidly. The Indian e-commerce market is set to **overtake** the US and become the **second largest** in the world in less than to decades, going head-to-head with China for the number one position. The growth was driven by rapid technology adoption led by the increasing use of devices such as smart phones and tablets, and access to the internet through broadband, 3G, etc, which led to an increased online consumer base.

Due to increased government initiatives and awareness by business community, e-commerce in India has experienced decent growth. E-commerce is still in **budding stage** and experiencing a surge in growth but it offers extensive opportunity in developing countries like India. The Online Travel Industry, online retailing, online classifieds and Digital Downloads are the biggest segment in e-commerce and is flourishing largely due to the Internet-savvy urban population. These segments are expected to grow at a faster rate in the coming years.

E-commerce companies in India provide most tangible and high end e-commerce solution taking utmost care of the privacy and security of the e-commerce website. E-Commerce service includes shopping carts, database programmers, graphic design services, graphics, e-business, Flash designs etc. The future looks very prospective for e-commerce in India. The success of online stock exchanges providing a stock portfolio and status with a fifteen minute delay in prices support this view. The Indian Railways initiative in terms of IRCTC is a successful venture. Indian Banks too have been very successful in adapting EC and EDI Technologies to provide customers with real time account status, transfer of funds between current and checking accounts, stop payment facilities. The private banks such as ICICI Bank, HDFC bank have put their electronic banking over the internet facilities in place for the upcoming e-commerce market speed.

With the explosion of internet connectivity through mobile devices like Smartphone and tablets, millions of consumers are making decisions online and in this way enterprises can build the brand digitally and enhance productivity but government policies must ensure the cost effective methods/solutions. E-Commerce in India is destined to grow both in revenue and geographic reach.

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