

Chapter 1

E-COMMERCE INDUSTRY IN INDIA: AN INNOVATIVE GROUND FOR GROWTH

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Abstract

E-commerce industry in India is rapidly growing now a days. This paper tries to appraise the contribution of e-commerce to the holistic growth of India. Both in direct and online marketplace, Business to Business (B2B) has significant presence in India. E-Commerce provides a source of employment in developing economies.

Keywords: E-commerce, Economic growth, Business-to-business, Business-to-consumer, Consumer-to-consumer

Background

E-commerce industry in India is rapidly growing now days. Because of the greater customer convenience, it can provide, and wide choices each shopping site has, a good deal of customers is now relying upon E-commerce in India. Thus, it adds momentum to the growth of this industry. E-commerce (electronic commerce or EC) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily through internet. These business transactions occur either as business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. This paper attempts to evaluate e-commerce as an innovative ground for growth.

History of E-commerce

The beginnings of e-commerce can be traced to the 1960s, when businesses started using Electronic Data Interchange (EDI) to share business documents with other companies. After, the number of individual users sharing electronic documents with each other grew in the

1980s, in the 1990s, the rise of eBay and Amazon revolutionized the e-commerce industry. Consumers can now purchase endless amounts of items online, both from typical brick and mortar stores with e-commerce capabilities and one another.

Review of Empirical Studies

(Gangeshwer, 2013) dealt with the conceptual knowledge of search engine marketing (SEM) or e-commerce, and the current and future aspects of e-commerce in Indian context. This paper deliberated about the top motivator factors of shopping online.

(Raghunath & Panga, 2013) examined the different opportunities of e-commerce viz., E-business, E-learning, E-commerce education integration, E-insurance, E-commerce for the WTO and developing countries and future media of e-commerce. It raises key challenges that are being faced by consumers relating to e-commerce viz., Ethical issues, Perceptions of risk in e-service encounters, challenges for e-commerce education, IT act 2000 and legal system.

(Chanana & Goele, 2012) opined that the E-Commerce market is thriving and poised for robust growth in Asia. There are players who made a good beginning. Their success depends on their understanding of the market and offering various types of features. They found that the overall E-Commerce will increase exponentially in coming years in the emerging market of India.

(Rau, 2011) noticed that the rapid growth of e-commerce in India is being driven by greater customer choice and improved convenience. Mobile commerce is the next logical step for Indian merchants. With the growth of mobile phones and increased issuing and use of debit and credit cards, mobile commerce will deliver strong growth over the coming years.

(Efendioglu, Yip, & Murray) found that in development and diffusion of ecommerce in China, cultural issues such as socializing effect of commerce, transactional and institutional trust, and attitudes toward debt play a very major role. They have identified changes that will be required for broader acceptance and diffusion of e-commerce in China and propose approaches that businesses can use to enhance this development.

Data Analysis and Results

India is a shopper's paradise now, albeit, online. The unrivalled population in India armed with smart gadgets is spoilt for a choice. Aided by declining broadband subscription prices and launch of 3G and 4G services, consumers have become the driving force of e-Commerce in the country. From buying groceries to furniture, movie tickets, trains tickets to steel and coal, e-Commerce has empowered the consumers. As per reports, India will see more people come online than any

other country in the next 15 years. With digital device and social media, online sellers are getting unprecedented opportunity for growth and have thus become continuously more attractive for investors. Even though Business to Customers (B2C) is getting all the attention, Business to Business (B2B) is not far behind.

Both in direct and online marketplace, B2B have significant presence. The marketplace model gives customers a plethora of choice and the best prices under a single platform. It also gives vendors a level playing field. Most B2B players have tied up with banks and financial institutions for supply chain finance that helps in improving access to credit. B2B e-Commerce has brought in efficiency, convenience, choice, reach and lower transactional cost for buyers. For SMEs, a B2B portal is one of the best things that have happened. For any SME, marketing and advertising costs are huge and many do not have adequate technical expertise to reach out to larger markets. Those areas are now taken care by B2B portals. Basically, B2B wipes out the weaknesses of SMEs.

Having a B2B platform takes care of the distribution, advertising and gives access to markets. B2B has enabled SME's growth in sales and helped them acquire new customers. The steady growth of e-Commerce in the country is, thus, ultimately seen at both ends of the spectrum. With the launch of Digital India and Make in India, the Government of India has been active in bringing out solutions that will help SMEs. Digital India will provide improved internet accessibility while Make in India will help in indigenizing product manufacturing. The technology centric framework by the government will provide cloud based platforms for SMEs. All this is assisting the growth of small businesses in the e-Commerce era. However, the tax laws in the country lead to a fair bit of complication; and for that one vital reform – the introduction of GST (Goods and Services Tax) will bring in much awaited relief for the e-commerce sector. Coming back to the empowered consumer – they will not be obscure anymore. SMAC will take the lead – Social, Mobile, Analytics and Cloud computing.

Data Analysis and Results

- Social media has become a platform for active engagement between the buyer and the seller. It will continue to be one of the biggest influencer to connect to the end user
- Mobility – One in four Indians carry a smart phone. That data itself proves how large the mobility wave is and the scale of transactions it can execute

- Analytics – Predictive analytics will help e-Commerce players to optimize their marketing strategy for targeted advertising that will influence consumers to buy. For B2B companies the analytics will develop more reliable sales buying
- Cloud computing – Reducing costs and increasing speed of business, especially on big traffic days, is one of the major advantages of Cloud computing

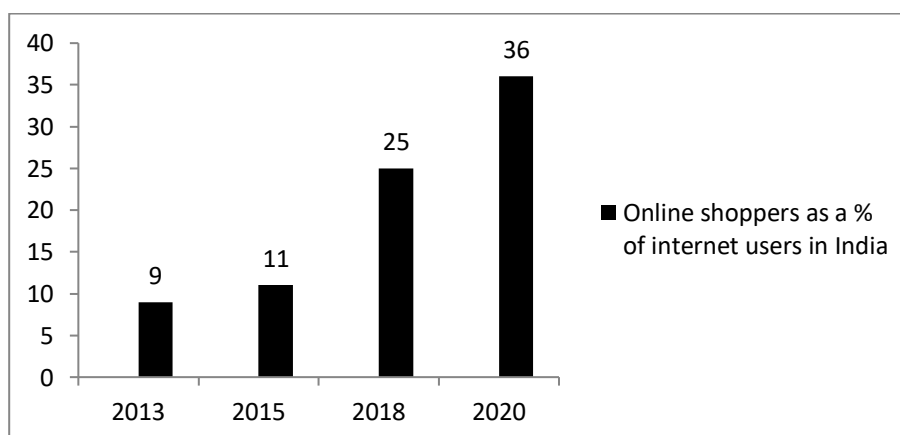
Further technologies such as Machine learning, Artificial Intelligence, Robotics, Internet of Things, are yet to be leveraged in a meaningful and scale-able way by e-commerce companies and that will be the next frontier. (Source: report of the Confederation of Indian Industry-CII, 2020)

A snap from Indian E-commerce Industry

The Indian consumers are rapidly advancing towards adopting technology. While the overall tele-density is 81.8%, the mobile tele-density is also high at 79.8% as of November, 2020. Additionally, during the same time, India beat the United States of America to become the second largest market after China, for smart phones with 220 Million users – This was attributable to the availability of highly affordable smart phones and with easy-to-use features which helped first-time smart phone users leapfrog from the desktop/laptop phase. Internet penetration is also significantly rising with the number of internet users at 354 Million as of September, 2020.

In addition, there is a shift in mobile usage from voice to data. Mobile internet spend has risen from 54% to 64% from 2019 to 2020. This is due to an availability of high-speed 3G & 4G internet connectivity at affordable prices which has led to an increase in transactions done via mobile (Source: report of the Confederation of Indian Industry-CII, 2021)

Figure 1: Percent of Online Shoppers



Source: report of the Confederation of Indian Industry-CII, 2021

Suggestive Remarks

Developments in the information and communication technology will definitely upgrade the quality and quantity of the total e-transactions in the Country. Major constraint in that development is the insufficiency of government funds. The more elaborated Indian economy, through its widening share of global trade, compels to shorten the finance in infrastructure. As the IT enabled infrastructure demands high investments and lengthened recouping period, today, states are not in a position to invest. So we have investible funds along with cheap technology. In many aspects, government can ensure elaborate participation of people.

Conclusion

E- Commerce provides a source of employment in developing economies. Development of technological infrastructure is an imperative in India for the growth of e- commerce and thereby employment. In this area, private investment must be ensured. Authorities must ensure creative involvement of private individuals in the development of e-commerce platform. The gains from the e-commerce shall be reinvested in the same area. For this purpose, government must take necessary initiatives.

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