

The Role of E-commerce in the Development of India

Dr. Murari Lal Baidh

Assistant Professor, (Need Based) Deptt. of Commerce,
G. C. Jain Commerce College, Chaibasa, Jharkhand

ABSTRACT

Electronic commerce or e-commerce is a business model that lets firms and individuals buy and sell things over the Internet. Propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017. India's e-commerce revenue is expected to jump from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, growing at an annual rate of 51%, the highest in the world. The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second-largest e-commerce market in the world by 2034. E-commerce, the buying and selling of goods and services over the internet, has emerged as a game-changer in the global business landscape. In recent years, India has witnessed a significant growth in e-commerce, revolutionizing the way businesses operate and consumers shop. This research paper explores the multifaceted role of e-commerce in the development of India, shedding light on its economic, social, and technological impacts.

Keywords: Landscape, technological, technological, Game-changer, consumers shop, data and information,

Introduction:

The India E-Commerce Market size is estimated at USD 112.93 billion in 2024, and is expected to reach USD 299.01 billion by 2029, growing at a CAGR of 21.5% during the forecast period (2024-2029). One of the primary factors driving the market's growth is rapid urbanization. Additionally, rising internet penetration and devices such as smartphones, laptops, and tablets to access e-commerce websites boost the market's growth. E-commerce allows businesses to conduct business without maintaining a physical presence, saving money on infrastructure, communication, and overhead. The policies introduced by the Government of India, including 100% FDI in B2B E-commerce through the automatic route in the marketplace model of B2C E-commerce, are projected to boost the sector's growth. As per the new FDI policy, online entities, through foreign investment, cannot offer the products sold by retailers in which they hold an equity stake. According to the India Brand Equity Foundation (IBEF), the Indian government's Digital India effort aims to drive it into an online economy worth trillion by 2025. It has

led to the formation of a new steering group to review and analyse the development of an e-commerce platform for the government. The commerce ministry has started a new committee to review the Open Network for Digital Commerce (ONDC) strategy. ONDC is an e-commerce platform that the government is supporting and aims to provide the final shop's infrastructure, which will resemble Flipkart and Amazon. Such developments are expected to drive the studied market. According to IBEF, by 2024, online retail penetration will reach 10.7%, up from 4.7% in 2019. Likewise, by 2025, India's internet buyers will number 220 million. According to a Pioneer report, India's e-commerce sector is ranked 9th in the world for cross-border growth. E-commerce in India is expected to grow from 4% of total food and groceries, fashion, and consumer electronics retail sales in 2020 to 8% by 2025. Expansion of e-commerce can raise competition in retail markets, increase consumer choice, and motivate and expedite product distribution innovation. However, several competition agencies' recent

enforcement and advocacy work have revealed the possibility of anticompetitive behaviour in the internet context. Concerns about potential market fragmentation are significant among many organizations that have looked into the topic of e-commerce competition. The pandemic-induced lockdown and mobility restrictions represented a significant point for e-commerce in India, bringing new shoppers and sellers into digital platforms, and offering players long-term growth. Containment efforts introduced people to the convenience of online buying and motivated online buyers to buy more, making the Indian e-commerce business one of the significant beneficiaries of the pandemic.

E-commerce occupied an important place in the new business scenario. It enables companies to overcome geographical barriers and expand globally to reach markets that are beyond reach earlier. E-Commerce security particularly privacy aspect have gained much more recognition than ever before. If e-commerce related data and information's are not secured, than crackers or cryptographers can easily intercept, corrupt, steal, alter, tap the secret, financial and confidential information. The e-commerce industry was reported at 24 billion in 2017 and was recognised as the fastest growing industry in India. The purpose of this paper is to explore the key factors which influence customer's online shopping behaviour.

Objective of the study:

The following are the main objectives of the present study in E-commerce

1. To study the present status and trends of E-commerce in India
2. To study the key factors influencing the E-commerce in India
3. To study the improvement of customer services and satisfaction in E-commerce.

Research Methodology:

The present study is based on secondary data collected from different journal, magazine, government report, conference volume books and websites and different government report and economic survey. The

present paper assesses the impact of e-commerce on Indian economy.

Results and Discussion :

E-commerce has played a pivotal role in stimulating India's economic growth. It has provided a platform for small and medium-sized enterprises (SMEs) to compete in the global market by reducing barriers to entry. The online marketplace has enabled businesses to reach a wider customer base, expanding their market presence beyond geographical limitations. Moreover, e-commerce has facilitated the growth of new industries such as logistics, digital payments, and warehousing, generating employment opportunities and contributing to GDP growth.

● **Empowering MSMEs and Startups:**

Micro, Small, and Medium Enterprises (MSMEs) form the backbone of India's economy, and e-commerce has become a catalyst for their growth. By providing a digital platform, e-commerce has enabled MSMEs to overcome traditional barriers such as limited resources, marketing challenges, and distribution constraints. Through online marketplaces, these enterprises can reach a national and even global audience, helping them scale up their operations, increase sales, and enhance profitability. E-commerce has also played a vital role in promoting entrepreneurship by providing a launchpad for startups to enter the market with minimal upfront costs.

● **Access to New Markets:**

E-commerce has opened up new avenues for businesses in India, especially those in remote and rural areas. Traditional brick-and-mortar stores often face challenges in reaching customers beyond their immediate vicinity. However, e-commerce platforms have bridged this gap by connecting sellers from remote regions with consumers across the country. This has resulted in the democratization of the market, allowing small businesses to compete with established players and reducing regional disparities.

● **Enhancing Consumer Convenience:**

One of the primary advantages of e-commerce is the convenience it offers to consumers. Online shopping provides a hassle-free experience,

allowing customers to browse and purchase products from the comfort of their homes. With improved logistics and reliable delivery services, e-commerce has reduced the time and effort required for shopping, saving consumers from long commutes and crowded markets. Additionally, the availability of detailed product information, customer reviews, and competitive pricing has empowered consumers to make informed choices.

● **Digital Payments and Financial Inclusion:**

E-commerce has played a crucial role in driving the adoption of digital payments in India. With the introduction of various payment platforms, such as mobile wallets and UPI (Unified Payments Interface), e-commerce transactions have become secure, convenient, and cashless. This has not only facilitated smoother online transactions but has also contributed to the government's goal of financial inclusion by providing access to digital banking services to a large section of the population.

● **Technological Advancements and Innovation:**

The growth of e-commerce has spurred technological advancements and innovation in India. It has catalysed the development of robust logistics networks, last-mile delivery solutions, and supply chain management systems. Innovations such as hyperlocal delivery, drone delivery, and automated warehouses have transformed the traditional retail ecosystem, making it more efficient and cost-effective. Moreover, the need to provide seamless user experiences has led to advancements in artificial intelligence, machine learning, and data analytics, which are now being applied across various sectors. E-commerce has emerged as a transformative force in the development of India, bringing about economic growth, empowering businesses and consumers, promoting entrepreneurship, and driving technological advancements. The government's initiatives such as Digital India, Make in India, and Startup India have further facilitated the growth of e-commerce in the country. As India continues to embrace the digital revolution, the role of e-commerce will continue to evolve, shaping the future of the nation's economy and society.

● **Job Creation and Employment Opportunities:**

The growth of e-commerce has created a significant number of job opportunities across various sectors. It has given rise to new roles such as e-commerce managers, digital marketers, content creators, and customer support professionals. Furthermore, the expansion of e-commerce has increased the demand for logistics and delivery personnel, providing employment to a large number of individuals. This has not only contributed to reducing unemployment but has also improved the overall socio-economic conditions in the country.

● **Rural Empowerment and Inclusive Growth:**

E-commerce has played a crucial role in empowering rural communities and fostering inclusive growth. With access to the internet and e-commerce platforms, rural artisans, craftsmen, and farmers can directly sell their products to a wider customer base, eliminating middlemen and obtaining fair prices for their goods. This has improved their income levels, enhanced their standard of living, and reduced their dependence on traditional intermediaries. Additionally, e-commerce has facilitated the growth of rural entrepreneurship, allowing individuals in remote areas to establish their businesses and contribute to the local economy.

● **Government Initiatives and Policy Support:**

The Indian government has recognized the potential of e-commerce in driving economic development and has introduced several initiatives and policies to support its growth. The Digital India campaign, launched in 2015, aims to transform India into a digitally empowered society by providing internet access, digital services, and online governance. Additionally, measures such as the introduction of Goods and Services Tax (GST) and the establishment of dedicated e-commerce zones and logistics parks have streamlined operations, improved transparency, and boosted investor confidence in the e-commerce sector.

● **Cross-Border Trade and Export Opportunities:**

E-commerce has facilitated cross-border trade for Indian businesses, opening up new export

opportunities. Online marketplaces allow Indian sellers to reach international customers, promoting the export of goods and services. This has helped in diversifying the Indian economy and reducing dependency on traditional sectors. Moreover, e-commerce platforms provide a cost-effective way for small businesses to explore global markets, expanding their customer base and driving foreign exchange earnings.

● **Consumer Insights and Market Research:**

E-commerce platforms generate vast amounts of data on consumer behaviour, preferences, and purchasing patterns. This data is invaluable for businesses and policymakers in understanding market trends, identifying consumer needs, and developing targeted strategies. E-commerce has democratized market research, making it accessible to businesses of all sizes. By leveraging this data, companies can customize their offerings, improve customer experiences, and make informed business decisions.

● **Environmental Sustainability:**

E-commerce has the potential to contribute to environmental sustainability by reducing the carbon footprint associated with traditional retail. By eliminating the need for physical stores, e-commerce reduces energy consumption, lowers greenhouse gas emissions, and minimizes packaging waste. Moreover, the optimization of logistics networks and delivery routes in e-commerce can lead to more efficient transportation and reduced fuel consumption. As the focus on sustainability grows, e-commerce can play a vital role in promoting eco-friendly practices and driving the adoption of green technologies. Challenges of E-commerce

Challenges of E-commerce:

Challenges of e-commerce in India are both technical as well as economical challenges. E-Commerce challenges can vary in complexity, impact and business need. During covid-19 there is a huge change in commerce trends. Major challenges are as follows.

1. Data security; one of the biggest global challenge in e-commerce is security breaches. There is lot of personal data and information involved in e-

commerce. Hence any kind of technical breach can cause serious challenges in e-commerce dealing.

2. Identity verification; identification of the person who is visiting the e-commerce website is the right person or not is the biggest challenges in e-commerce.

3. Loyalty in customer; Acquiring a new customer can cost up to 5 times more higher than retaining an older existing customer. The success rate is high regarding retention of existing customers than new customer.

4. Competitor and Competition analysis; Today customers are visiting many options/ sites in market before placing order of products. Looking the same thing from the sealer's prospective it is difficult to adopt any strategies in their website.

5. Shipping and Pricing; Today customers favour shopping at free shipping websites and return policy before finalizing product websites like Amazon flipkart etc. making it challenge for others to compete it is biggest challenge in e-commerce.

6. Customer Support; Maintaining the customer support is one of the challenge in e-commerce. By providing different facilities to retain them is problem face by all e-commerce sites. Consumers want simple and convenient shopping experiences.

7. E-Commerce a cross border Trade; Cross border trade emphasises the cross border delivery, Language barriers, Currencies problem. These problems are faced by the e-commerce while operating international business and its delivery. Businesses must understand the buyer's pain and design solutions based on their feedback.

Government Initiatives Regarding E-Commerce in India

● In February 2019, a **draft National e-Commerce policy** has been prepared and placed in the public domain, which addresses six broad issues of the e-commerce ecosystem viz. e-commerce marketplaces; regulatory issues; infrastructure development; data; stimulating domestic digital economy and export promotion through e-commerce.

● The Department of Commerce initiated an exercise and established a Think Tank on 'Framework for National Policy on e-Commerce' and a Task Force under it to deliberate on the challenges confronting India in the arena of the digital economy and electronic commerce (e-commerce).

● The Reserve Bank of India (RBI) has decided to allow "interoperability" among Prepaid Payment Instruments (PPIs) such as digital wallets, prepaid cash coupons and prepaid telephone top-up cards. RBI has also instructed banks and companies to make all know-your-customer (KYC)-compliant prepaid payment instruments (PPIs), like mobile wallets, interoperable amongst themselves via Unified Payments Interface (UPI).

● **FDI guidelines for e-commerce by DIPP:**

In order to increase the participation of foreign players in the e-commerce field, the Government has increased the limit of foreign direct investment (FDI) in the e-commerce marketplace model for up to 100% (in B2B models).

● Government e-Marketplace (GeM) signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless and transparent payment system for an array of services in October 2019.

● The heavy investment of Government of India in rolling out the fibre network for 5G will help boost e-commerce in India

In the Union Budget of 2018-19, the government has allocated Rs 8,000 crore (US\$ 1.24 billion) to **BharatNet** Project, to provide broadband services to 150,000-gram panchayats.

Conclusion :

e-Commerce has become an important part of many multilateral negotiations such as Regional Comprehensive Economic Partnership (RCEP), WTO, BRICS etc. e-Commerce still faces various issues like international trade, domestic trade, competition policy, consumer protection,

information technology etc. As a growing sector with huge interest from both domestic and international players, it becomes pertinent to regulate it keeping in mind the interest of both entrepreneurs and consumers. A conducive environment and a level playing field should be encouraged. Policymakers should also be mindful of shaping a vibrant domestic industry. A comprehensive policy is of utmost importance to reflect India's position in both domestic and international or multilateral forums.

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