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## E-Commerce Industry Significant Factor for the Growth of Indian Economy

Dr. E. Geetha Assistant\*; Adithya D. Shetty\*\*

\*Assistant Professor,

Department of Commerce,

Manipal University,

Karnataka, India.

geetha.e@manipal.edu

\*\*Assistant Professor,

Department of Commerce,

Manipal University,

Karnataka, India.

adithyad.shetty@manipal.edu

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### Abstract

Equipped with smart gadgets, the population in India is spoilt for a choice. E-commerce has experienced unprecedented growth since 2014. Rapid technology adoption led by an increase in the use of smart devices and access to the internet through broadband, 3G led to an increased online customer base which helped aid this growth.

The Indian government's ambitious Digital India project and the current demonetization will also affect the e-commerce sector significantly. This report attempts to showcase the current state of the e-commerce landscape in India and industry concerns, coupled with significance of e-commerce in the growth of the Indian Economy.

**Keywords:** ecommerce, technology, digital India, demonetization, economy.

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## Introduction

The world is now coalesced to a click on our phones, tablets, and laptops. All alluring materials around have taken an exodus to the world of internet. No longer do we have to think of physically going to the market to buy something, a thorough online research followed by consequent purchase. The internet now covers a wide range of products like home appliances, consumer electronic goods, books, apparels, travelling packages, and even everyday groceries.

E-Commerce stands for electronic commerce and caters to trading in goods and services through the electronic medium such as the internet, mobile or any other computer network. It involves the use of Information and Communication Technology (ICT) and Electronic Funds Transfer (EFT) in making commerce between consumers and organizations (B2C), organization and organization (B2B) or consumer and consumer (C2C).

We now have access to almost every knick-knack of our daily lives at competitive prices on the internet. No matter one is educated or illiterate, an urbane or a countryman, in India or elsewhere; all you need is an internet connection and a green bank account. With e-commerce then, you can buy almost anything you wish for without actually touching the product physically.

The growth of E-commerce is imminent in the next two years as a result of the growing popularity of social media and deeper internet penetration. 26 percent of the Indian population accessed the internet in 2015. It is a significant increase in comparison to the previous years, considering the Internet penetration rate in India stood at about 10 percent in 2011. The number of internet users has increased tenfold from 1995 to 2016. However, the percentage of internet penetration in India has the potential to improve.

Micro, small and medium enterprises are the backbone of the Indian economy, contributing 8% to the GDP. They also employ 22% of the workforce. E-commerce helps connect them with buyers in India and globally.

By 2020, the e-commerce industry is expected to form the largest part of the Indian Internet Market with an estimated value of \$100 billion.

## Objective

To establish a substantial relationship between E-commerce and the growth of the Indian Economy

### *India's Growth Potential*

India has a good potential for growth of e-commerce in India. People are moving towards digitalization added to which government is also promoting use of technology through various projects like

“Digital India” Statistics say out of the 1.3 billion population only around 20% of it are internet users. Even though only 1/5<sup>th</sup> of the total population has access to the internet, it has not stopped e-commerce companies from establishing in India. Usually, in any industry, companies take decades to establish and capture a major portion of the market. Four companies out of top 9 highest profit

generating startups in India are e-commerce companies. Even though startups were badly affected due to funding crunch, e-commerce has managed to establish itself. IAMAI's (Internet and Mobile Association of India) latest study shows that there was a growth of 30% from December 2011 to December 2015.

The above statistics show the growth of e-commerce industry in India in crores. We can observe medium growth from 2010 to 2014. High growth is observed till 2016 from 2014 with almost 57% growth rate. Electronic goods and fashion cover 49% of total spending in the online market. ShopClues, Flipkart, Snapdeal and Paytm are having a major share in the e-commerce industry. Flipkart's major portion of revenue generation is through the sale of electronic goods and mobile phones. Myntra, Jabong, Limeroad, Wooplr, Voonik are paying are the major market occupiers in the fashion sector. Investments in fashion sector companies having an online platform observed huge hike in 2015. Most of the fashion brands have started selling their products online.

Communication process has evolved from written letters to phone calls. Individual's most preferred way of communication is a smartphone. Smartphones come with multiple features which simplify man's work. India has seen the high growth rate in sales of smartphones online in past 2-3 years. Few brands sell their phones only online.

India is a country with a lot of tourist destinations. People from throughout the world come to India to witness India's diverse culture, Natural scenery, adventure, etc. India is known for medical healings. Wellness tourism is one sector which attracts a large number of tourists to India. There is a huge increase of tourists in India since a decade.

The above diagram shows the preferred mode of payment used by the customers shopping online. The payment industry in India has observed significant alterations with the introduction of the online payment system. Cash on delivery is the safest way of payment as the payment of money is done once you receive the product and verifying if it is in good condition. People feel there are fewer chances of fraud in the case of CoD and hence almost 76% of the customers prefer CoD. Debit cards are the next preferred option by customers. Debit cards are preferred by 7% of customers as it enables easy payment for customers. Certain websites provide EMI option on buying products using credit cards. It is an additional benefit to the customer. Youth prefer net banking and mobile payments as it is one of the easiest and quickest ways to pay money. Most of the websites provide additional discounts, cash backs, etc. on using debit/credit cards or using net banking and mobile payments to encourage people to make the payment online and reduce payments through CoDs.

The following table shows the divisions of e-commerce sectors and their net worth in descending order

Sector	Net worth (in crore rupees)
Online Travel	76396
Online non Travel	49336
E-tail	37689
Financial Service	5231
Other Online Services	3823
Matrimony and classifieds	2592
Total Net Worth	125732

## Current Ecommerce Market Landscape

### Key Trends Driving e-Commerce in India

#### - *Government Initiatives Gaining Momentum*

The promptness of the Indian Government in accepting e-Commerce digital platforms to facilitate transition and systematization of conventionally offline markets such as those of agricultural produce, etc. has contributed immensely to the growth of the Indian Economy. The Government has launched an e-market platform to connect farmers with the big markets of numerous states to sell agro-commodities. Following is a summary of these initiatives:

- **Digital India:** One of the most driven and greatest ever drawn up activities is Digital India which centres on changing India into a carefully engaged and knowledgeable economy. The three main areas identified are to “Build Digital Infrastructure as a Core Utility,” enable “Government Citizen Services” on demand and “Digital Empowerment of citizens.”

- **Make in India:** Ambitious towards the advancement of Indian industries, the important strides were taken by the government are- improving the business environment in the nation, empowering production, and permitting FDI in main divisions. Key pillars of this program worth citing are “research and innovation” and “a conducive business environment.”

#### - *Increase in Internet Penetration*

The e-Commerce industry in India has been impelled by the ascent in internet penetration due to major upgrades in the telecom infrastructure. With 3G and 4G services making way into India along with reducing data tariffs, expenditure on internet data is growing significantly. While India ranks the lowest in Asia when it comes to internet speed, data rates in India are two times cheaper than in China and three times cheaper than in the US. Government schemes such as National Optical Fibre Network (NOFN) can considerably increase internet penetration in the rural communities and provide a way to e-Commerce companies to tap the huge market potential there.

#### - *Growth in Smartphone Adoption driving Mobile based E-Commerce Sales*

Smartphones are outpacing feature phones and are relied upon to display gigantic development in the coming years. The widespread adoption of smartphones is being propelled by several factors such as – high competition leading to low prices, the prevalence of internet enabled services and ease of accessibility to content. According to a report by venture capital firm KPCB, India has the highest share of mobile based e-Commerce sales globally at 41%<sup>14</sup>. The leading e-Commerce companies state that almost 70-75% of their online traffic comes from mobile phones and thus higher revenues are coming from mobile applications. For e.g. 50% for Flipkart while 70% for Quikr<sup>15</sup>.

#### - *Innovation in Logistics*

Logistics space witnessing partnerships with hyper-local companies and India Post.

Customers are getting accustomed to next-day delivery of products. Due to challenges regarding handling huge volumes of delivery, return orders and higher standards of customer service, the industry has seen the rise of several third-party logistics service providers (3PLs) who handle last-mile deliveries. There is an increasing incidence of partnerships of e-commerce companies with the 3PLs to reach the hinterlands of the country mainly in tier 2 and 3 cities. Also leading e-tailers have set up their logistics arms for greater control on deliveries and enhanced customer experience India Post with its extensive reach of 19,000 pin-codes and 1, 54,725 post offices across the country has set-up dedicated processing centres to handle last-mile deliveries of the e-Commerce companies. Even in the B2B e-Commerce space, logistics service providers are beginning to partner with online truck aggregators and freight marketplaces such as Freight Tiger to build trust and accelerate intercity freight transactions. Such aggregators are increasingly poised to become leading B2B marketplaces for the logistics industry in India.

### ***Future of E-Commerce***

The E-commerce industry driven by constant development and innovation implemented in the industry, huge participation from young entrepreneurs contribution through FDI all these key factors paved a way to move on the right direction of this industry and expected to continue in future also.

The steadily expanding utilization of computerized wallets together with the recently propelled UPI stage will cultivate advancement in instalments.

Keeping in context the "choked traffic" circumstance in India's metros prompting to late conveyances or expanding the biker count to meet the delivery timelines. E-commerce and logistics service providers are investigating moving from synchronous hand delivered parcel system to an asynchronous model, where parcels are hand delivered to a locker secured by a code sent as text to the recipient. This experiment, if successful, is probably going to help e-commerce companies improve customer experience.

There will be collaborations between online business organizations and offline companies, for example, retailers.

The dispatch of wearables, for example, Google Glass, Apple Watch, and other Smart Watches opens new doors for connecting with clients. E-Tailers would watch out for advancements in this field, in spite of the fact that this may just be an urban phenomenon at the moment.

Anticipating the seasonal surge especially during festive seasons is a challenge for e-Commerce companies regarding managing the supply chain logistics to provide on-time deliveries to all customers. Therefore, Artificial Intelligence technologies will be leveraged in the future to anticipate demand, manage price fluctuations and to overcome challenges of last-mile deliveries. Automated Guided Vehicles (AGV) could solve many logistics problems of the e-tailers and result in highly successful product deliveries. For example, Amazon Prime Air is working on the drone-based delivery of its products. Local knowledge of the delivery person complemented by the GPS-based device could lead to efficient delivery of products.

## Conclusion

With the dawn of e-commerce, the business procedures have changed because computers, internet connection, and informative websites are the new additions in every business. It has also changed the entire transaction procedure in the banking system.

The entire procedure of marketing management has changed on the attractive presentation of products and services on websites, and one operator on the company computer is sufficient to carry on the transaction and effect sales. The usage of paper records is also eliminated from offices because the influence of technology and to retain green environment sustainability for the future generation.

The growth and future of E-commerce industry are imminent in the fast developing India. By 2020, the e-commerce industry is expected to form the largest part of the Indian Internet Market with an estimated value of \$100 billion and also contribute significantly for the GDP growth in India.

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