

# A Study on Impact of E-Commerce on Indian Economy - Government Initiatives, Opportunities and Challenges

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**Abstract:** *This paper reveals the importance of e-commerce, its impact on Indian economy. The paper also highlights contribution e-commerce on the economic development of India, opportunities, challenges in India. E-commerce has transformed the way business is carried out in India.*

*E-commerce has made it easier for human to reduce physical work and to save time. Now a day's e-commerce has stepped in to the day to day life of people. At present the E-Commerce is great platform for social development and economic development for an Indian Economy. India is the fastest growing economy of the world, According to Grant Thornton, India's e-commerce market is expected to reach US\$ 111 billion by 2024 and is expected to be worth US\$ 188 billion by 2025, and 350 billion by 2030. This is an indicator that India is the speediest evolving market with annual multifaceted rate of growth of 52%. It is leading a complete change in traditional way of doing business. This significant change in business model is witnessing a tremendous growth around the globe and India is not an exception. A massive internet penetration has added to growth of E-commerce and more particularly start-ups have been increasingly using this option as a differentiating business model. Moreover E-Commerce has significant influences on the environment. Although the model is highly used in current business scenario but the option has not been explored at its fullest. The current research has been undertaken to describe the scenario of E-Commerce, analyze the trends of E-Commerce. The study further examines the key variables imperative for the success of E-commerce business models.*

**Keywords:** Ecommerce, Economic Growth, FDI, GDP

## I. INTRODUCTION

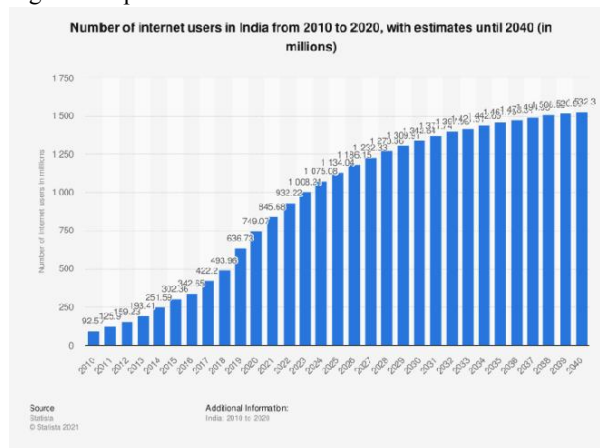
India has emerged as the fastest growing major economy in the world and is expected to be one of the top three economic powers in the world over the next 10-15 years, backed by its robust democracy and strong partnerships. Ecommerce has changed the shopping ride of Indian customers. The term 'E-commerce' suggests that doing on-line business with the help of PC, Faxes, E-Mail and Phones. Over the last decade, the method of buying and selling the products and Page services has been altered through the online. Introduction of electronic information interchange spreads into producers, retail traders, stock market operations and travel reservations etc. that ensued throughout a larger boom of the economy. It has been begin from the term E-mail. In 1972, IBM used the term E-commerce for the first time. E-commerce is a boom in the modern business. It is a paradigm shift influencing both marketers and the customers. Rather e-commerce is more than just another way to boost the existing business practices. It is leading a complete change in traditional way of doing business. This significant change in business model is witnessing a tremendous growth around the globe and India is not an exception.

Moreover, E-Commerce has every potential to curb the pollution and thus producing significant influences on the environment. Buying goods and services via E-Commerce allows consumers the freedom to choose when and where to shop and the opportunity to research the product, the seller, and any other available options. Shopping has been revolutionized through the availability of online information. Just about anything that can be bought in a merchandise store can be bought via E-commerce, even perishables like groceries. And consumers have embraced these possibilities around the globe. The effects of e-commerce are already appearing in all areas of business, from customer service to

new product design. 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. In now days E-commerce uses the WWW at least some point in transaction lifecycle. It can also reduce costs in managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services. For developing countries like India, e-commerce offers considerable opportunity. In India it is still in nascent stage, but even the most-pessimistic projections indicate a boom. There has been a rise in the number of companies' taking up e-commerce in the recent past.

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. (Mitra Abhijit, 2013). E-commerce has reached to an extent that the cow dung patties are also selling like hot cakes online in India. internet and mobile penetration, growing acceptability of online payments.

With the event of computers, the first dealing was administered between the European Union and the USA in 1973. In 2020, India had **over 749 million** internet users across the country. This figure was projected to grow to over 1.5 billion users by 2040, indicating a big market potential.



In India, money on delivery is that the foremostmost well-liked payment methodology, In 2017, the foremost necessary e-commerce firms in Asian country were Flipkart, Amazon, Myntra, Paytm, and Snapdeal. In 2018, Amazon beat Flipkart and was recorded the foremost necessary ecommerce in India in terms of revenue. The internet and Mobile Association of India states that the Indian online retail market is anticipated to grow at the speed of fifty two percentage and might be reached USD 36.7 billion in 2020.

There is vital rise in the sales of retail E Commerce from 2017 to 2023, per E-Marketer retail E-Commerce sales by 2023 ought to reach quite \$7 trillion. With higher than figure square measure going to effortlessly apprehend however frequent and surprising the modification of sales pattern is world as all the most economies

**Classification of e-Commerce:**

E-commerce may be classified into 4 segments

Consumer-to-Consumer (C2C): It finds innovative ways to permit the patron to act with alternative to one another and they will sell product or services to each other.

Business-to- Consumer (B2C): B2C dealing is allotted over the web between a business and a shopper.

Business-to-Business (B2B): It refers to a state of affairs within which one business build dealing with different.

Shopper to Business (C2B): once a client sells their personal product or offerings to an enterprise or corporation in exchange for a fee.



## 1.2 OBJECTIVES OF THE STUDY

- India is one of the largest growing economies of the world. There is heavy use of net among Indian citizens. The main basic objectives of this research paper are
- To study the present status of E-Commerce in India.
- To study the impact of e-commerce on Indian economy.
- To study the government initiatives to boost up of e-commerce.
- To study the opportunities of the e-commerce in India.
- To study the various challenges faced by the e-commerce Program

## II. RESEARCH METHODOLOGY

Research Methodology is the systematic and theoretical analysis of the methods applied to a field of study. For this research paper, Secondary data analysis is conducted to gain in-depth understanding of the e-commerce status in the Indian. The paper is based on the information retrieved from the internet via journals, research papers, websites Indian e commerce industry reports.

## III. REVIEW OF LITERATURE

**Madhukar Sarode, (2015):** In his paper concluded that e-commerce is future of shopping and gap has been reduced between manufacturer and purchaser due to e-commerce. There is large scope for e-commerce in India but due to weak cyber law, people are facing challenges in India.

**Saxena, (2015)** in her paper concluded that e-commerce plays a pivotal role in Indian society. It plays an important role in upgrading and developing the Indian financial system. It provides support to small and medium enterprises to flourish their business. E commerce additionally faces some challenges like lack of cyber laws and lack of computer education etc.

**Abhijit, (2013)** The researcher in his paper opined that e-commerce has unleashed another revolution, which is changing the way Indian entrepreneurs are doing the businesses. . With the development of 3G and 4G wireless communication technologies, geographic distances for establishing the business relations is reduced.

**Elizabeth & McGregor (2000)** The researcher analyzed the impact of e-commerce on consumers, business and education. A discussion of public policy initiatives, research questions and ideas for future research was given.

**H. Ramchandani, (2016)** in her paper concluded that the retail e-commerce sales in 2015 as a percentage of total retail sales in India accounted for about 0.9% of all retail sales in India. However this figure is expected to grow in near future. E-commerce has greatly impacted the business of retailers especially small retailers. Internationale-retailers are giving a strong competition to domestic ones. However physical retailers still have a very good standing in the Indian market as Indian consumers generally like to inspect the goods before making any purchase.

**Raghunath & Panga, (2013)** concluded that initially, new internet users would be reluctant to conduct any kind of online business, citing security reasons as their main concern. His paper also revealed that, in order to increase consumer adoption of e-services, the source of consumer confusion, apprehension and risk need to be identified, understood and elevated. E-commerce provides excellent opportunities in different areas but it requires careful application for consumer protection issues.

#### **IV. THE IMPACT OF E-COMMERCE ON THE ECONOMY**

E-commerce boosts the economy by increasing productivity, encouraging innovation, and driving better shopping experiences. Ecommerce has empowered individuals to shop online on a global scale. In addition, ecommerce creates opportunities for protecting the planet, both for forward-thinking sellers and for eco-conscious shoppers.

**Sustained Growth Leads to Greater Innovation:** Ecommerce is growing at a striking pace. The current ecommerce is driving entrepreneurship and encouraging businesses of all sizes to compete. This sustained growth and activity leads to more online experiences for all customers. The increase in online shopping generates new economy growth and innovation among sellers, getting them to pinpoint what are shifting towards e-commerce sales.

makes their product unique and create a compelling experience that helps in customer retention. Ecommerce has grown in popularity because of the convenience, value, and choice it offers consumers.

##### **The Impact of Ecommerce on B2B Sellers and B2C Sellers**

The growth of B2B ecommerce and its technology has also contributed to higher order volume, more efficient supply chains, and less expenses involved in order management for wholesalers, manufacturers, and distributors alike. Ecommerce has also had a major impact on B2C sales. In particular, many digital-native brands, startups, and legacy companies have found great success with the direct-to-consumer model. The growth of e-commerce also increased career opportunities in the ecommerce realm, including sales, marketing, design, web development, and IT roles.

##### **Ecommerce Creates a More Savvy Consumer**

Ecommerce has made it easy for buyers to shop anytime, anywhere, and on any device without being limited by store hours or geographic location. Consumers can access to a nearly endless amount of products and goods, and they can easily compare prices, features, brands, and companies. This ease of access has led to consumers being more tech-savvy, connected, and engaged. An increased focus on customer experience also led to demands and regulations around greater accessibility online, as well as an online community of shoppers who to keep coming back to their website online store.

##### **Ecommerce Offers Benefits for the Environment**

Beyond the ways ecommerce can improve the economy of a country, it can also reduce its carbon footprint. According to a global study by Generation IM, ecommerce is 17% more carbon-efficient than traditional retail stores. Carbon efficiency includes areas of the business like product transport, buildings, warehouses, product packaging, and manufacturing. Since online companies rely less on physical store locations, they have more flexibility when it comes to implementing measures that can reduce their carbon emissions. With growing concerns about its impact on the environment, Today's shoppers are calling for businesses to be more sustainable and transparent, today's shoppers prefer to buy from eco-friendly brands.

##### **Ecommerce is Good for the Planet and the Economy**

The rapid shift from offline to online sales has shown no signs of slowing down.

E-commerce boosts the economy by increasing productivity, encouraging innovation, and driving better shopping experiences. In addition, ecommerce creates opportunities for protecting the planet, both for forward-thinking sellers and for eco-conscious shoppers. As ecommerce continues to grow, the economic and environmental benefits are sure to follow.

#### **V. GOVERNMENT INITIATIVES AND DIGITAL PENETRATION IN INDIAN ECONOMY**

Since 2014, the Government of India has introduced various initiatives namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund, e-governance. The timely and advantageous implementation of such applications will likely help the e-commerce growth in the country.

In order to enlarge the participation of overseas business in the e-commerce field, the Indian Government hiked the foreign direct investment (FDI) in the Ecommerce market up to one hundred percent (in B2B models).

The heavy funding of Government of India in rolling out the fiber community for 5G, will assist raise ecommerce in India.

Government has allotted Rs.8,000 crores to Bharat-Net Project, to provide broadband services to 150,000 gram panchayats.

Under the Digital India movement, government launched a range of initiatives like Udaan, Umang, Start-up India Portal etc.

Under the mission Internet-Saathi, the authorities has influenced over sixteen million female in India and reached 166,000 villages.

Udaan, a B2B online change platform that connect small and medium measurement manufacturers and wholesalers with on-line outlets and also provide them logistics, repayments and technology support, has dealers in over eighty cities of India and provides to over 500 cities.

The government delivered Bharat Interface for Money (BHIM), a simple mobile primarily based platform for digital payments

#### **VI. OPPORTUNITIES**

- E-commerce is future of shopping and gap has been reduced between manufacturer and purchaser due to e-commerce.
- It plays an important role in upgrading and developing the Indian financial system. It provides support to small and medium enterprises to flourish their business
- e-commerce has unleashed another revolution, which is changing the way Indian entrepreneurs are doing the businesses. With the development of 3G and 4G wireless communication technologies, geographic distances for establishing the business relations is reduced.
- E-commerce provides excellent opportunities in different areas but it requires careful application for consumer protection issues.
- The main advantage of e-commerce over traditional commerce is the user can browse online shops, compare prices and order merchandise sitting at home
- Digital India aims to create 17million direct and 85 million indirect jobs.
- Digital Training Program initiatives towards training and digital literacy by the government and private sector players such as NDLM, Digital Literacy Mission etc have been successful in reaching out to millions of people. This has resulted in an increase in employability of the trained personnel
- Security is the challenge facing e-commerce today & there is still a lot of advancement made in the field of security.
- The Digi Locker service has provided universal accessibility to citizens, by allowing them to access and share documents. Currently, there are approximately 4 million registered users with 5.0 million 48 documents uploaded on the digital locker facility.
- The e-hospital program is increasing delivery speed of healthcare services.

#### **VIII. CHALLENGES**

- There is large scope for e-commerce in India but due to weak cyber law, people are facing challenges in India, lack of computer education etc.
- International e-retailers are giving a strong competition to domestic ones.
- New internet users would be reluctant to conduct any kind of online business, citing security reasons as their main concern.
- In order to increase consumer adoption of e-services, the source of consumer confusion, apprehension and risk need to be identified, understood and elevated.
- Digital literacy in India has been low despite of rising smart phone penetration and internet user base.

- A strong skill base building is required to support the initiatives and services that are envisaged under the Digital India umbrella.
- Digital India to be successful, all segments of Indian society need to adopt digital technologies. This will not only create demand for Digital India but also achieve its vision of empowering all citizens.
- Speed up of digital infrastructure at rural and remote locations. The speed at which digital infrastructure especially fiber networks is being developed needs to be increased for provision of digital services at remote locations.
- The biggest obstacle in the course of advancement of e-commerce is that the consumer's senses are limited to seeing and hearing the product.
- The second problem that e-commerce has been facing over the past few years is that of security. Traditional buyers and sellers are still paranoid about conducting business online.
- Despite all the noise about e-commerce, which is significant, companies still have to keep their old business practices: Can I trust who I am buying from? Who am I doing business with? What is their trading history? Am I obeying the law? Will I receive the goods as specified on screen and who do I approach if I have a problem?". According to emarketer.com, "70% of US consumers are concerned about online security; this discourages consumers from using credit cards to shop online (PaymentOne)".

#### **IX. CONCLUSION**

This paper concludes, the e-commerce industry has been immediately impacting the micro, small & medium organizations (MSME) in India with the aid of supplying capacity of financing, technology and coaching and has a favorable cascading impact on other industries as well. The Indian e-commerce enterprise has been on an upward boom trajectory and is anticipated to surpass the US to emerge as the second largest e-commerce market in the world by way of 2034.

The rise of this technology has also led to a greater interest in shopping among younger demographics like millennial and Gen Z. Millennial consumers, in particular, are changing the game in B2B e-commerce and impacting the way online shopping is done.

Today's consumers are increasingly favoring sustainable businesses that can help them become more responsible shoppers. Leading companies are responding to this consumer demand by using their influence to adopt more sustainable business practices and operations, to build more trust with their customers. E-commerce brands continue to make real and impactful changes to promote sustainability, this will lead to more positive long-term benefits for the environment.

Thus to conclude, in a competitive market, sustainable programs can serve as a way for online companies to win over shoppers and differentiate from their competitors. Online sellers are innovating their businesses by making changes to their supply chain or updating their packaging to increase productivity while reducing waste and minimizing their impact on the planet. This will enable e-commerce to become greener, faster, and more sustainable in the long run.

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