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Impact of E-Commerce in Indian Economy

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Abstract: *The significance of e-commerce in the Indian economy is demonstrated in this study. Since India's economy is one of the fastest growing in the world, government intervention and significant foreign direct investment inflow are crucial for stabilising and boosting the growth of the country's e-commerce sector. India's online economy was worth 125 billion dollars in 2017, indicating a notable increase in e-commerce. This essay will examine the government's participation in the e-commerce sector as well as the different obstacles to e-commerce in India.The primary focus of this research paper will be B2C e-commerce and its share of the Indian economy's GDP. We will also discuss the responsibilities of entrepreneurs and the declining importance of doing business in India, which placed 100th out of 190 nations in 2017 after ranking 132nd in 2008. One of the most significant benefits of e-commerce for a nation like India is its ability to help rural areas advance into the information paradigm. "E-commerce is a great platform not only to develop infrastructure but also to increase employment rates in India, which has an overall impact on increasing economic and social growth in the Indian economy."*

Keywords: GDP, FDI, economic growth, and e-commerce

I. INTRODUCTION

E-commerce is now a significant aspect of everyday life. For most people, especially in urban regions, having access to e-commerce platforms is a necessity rather than a privilege. For practically every part of our lives, from online broking to the purchase of common home items, there are alternative e-commerce platforms available (instead of the traditional physical platforms). It will undoubtedly compete to increase growth and sales over the internet since it has become the most significant, common, and essential device in the twenty-first century.

"Worldwide retail e-commerce sales will reach $1.915 trillion by the end of 2017, according to eMarketer. With increased digital penetration worldwide and cheap, frequent, easy access to the internet, it is prone to increase the growth of e-commerce all across the world, while many traditional people are quite worried and tense with change in pattern of sale via internet," many individuals and businesses have connected their businesses with e-commerce.

Growing without being accessible online is practically impossible in the modern environment.

Therefore, it is highly advised to have appropriate structure availability and easy accessibility to web sites in order to expand and generate bigger profits. This is because these factors not only determine profit and the number of users, but also determine the firm's ranking and place in the business world.

Additionally, the growth and trends of e-commerce in India, as well as its sales and effects on the Indian economy, will be the main focus of this research paper. While it does cover other forms of e-commerce and its social impact in India through sales of e-commerce in India, it primarily focuses on business-to-consumer (B2C) transactions.

II. E-COMMERCE: WHAT IS IT?

Although there isn't a single definition for electronic commerce, it is generally understood to be the buying and selling of goods and services or the transfer of money or data over an electronic network, mainly the internet, as well as all other activities related to any transaction, like supply chain and service management, delivery, and payment facilitation.

Online business expansion is boosted by e-commerce. It falls under the following categories:

1. Internet advertising
2. Internet marketing

3. Internet-based sales
4. Delivery of products
5. Product support
6. Online invoicing
7. Payments made online

Electronic commerce, thus, handles all internet-related tasks. The data communication between the financing, billing, and payment components of online business operations is also covered. E-business and e-commerce are often used synonymously.

III. VARIOUS E-COMMERCE TYPES

In this study paper, we will look at five fundamental forms of e-commerce.

1. BUSINESS-TO-BUSINESS (B2B) refers to any electronic exchange of goods or services between two businesses. Electronic markets and intra-system transactions fall under this category of e-commerce.
2. BUSINESS TO CUSTOMER (B2C): A retail transaction involving a single buyer. This average customer is either a buyer or a consumer of any store on the website.
3. CUSTOMER TO CUSTOMER (C2C): In this kind of online business, a consumer sells a product to another customer directly.
4. CUSTOMER TO BUSINESS (C2B): Individual consumers of goods or services sell their products to businesses in this type of e-commerce.
5. BUSINESS-TO-GOVERNMENT (B2G) Compromises of trade between businesses and the public sector are listed in this section on e-commerce.

E-commerce has certain special qualities that enable businesses to flourish and make money. Among the distinctive characteristics of e-commerce are:

2. Ubiquity
3. Global reach
4. Universal standards
5. Wealth
6. Interaction
7. Information density
8. Customisation

9. E-Commerce Business Model Types

1. Drop shipment
2. Storage and wholesale
3. White labelling
4. Production
5. Subscription-based

10. E-Commerce Product Models

1. A single item
2. One category
3. Several categories
4. Affiliste

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IV. LITERATURE REVIEW

In their work "Impact of e-Commerce on Indian Market: Social and Economic Impact," Shebazbano Salim Khan, S. N. Borhade, and Mainuddin S. Shaikh examine how e-commerce, as a component of the IT revolution, has grown to play a significant role in both the Indian economy and global trade. The study examines how e-commerce affects society and the economy.E-commerce is currently growing at a rate of thirty percent. eBay Inc. is expanding by 60%. In the past four years, the company's customer base in India has increased from one million to 2.5 million. Home décor, branded and unbranded clothing, accessories, and technology products are a few of the popular imports that Indians import.

In a study paper titled "E-Commerce: True Indian Picture," Devendera Agarwal discussed e-commerce insights and outlined the current state of e-commerce in India. It displays the Indian public's surfing habits and provides a critical assessment of the veracity of various reports that are occasionally released. Additionally, it examines e-commerce critically, with a particular emphasis on electronic trade. The study came to the conclusion that India has huge potential for e-commerce expansion. Additionally, we have seen that the level of interest in the travel industry is higher than that of other services. Professional e-commerce websites are performing exceptionally well, but it is necessary to identify the barriers preventing consumers from making purchases online.

V. OBJECTIVE OF STUDY

India's economy is one of the fastest-growing in the world. Indian citizens utilise the internet extensively.

This research paper's primary goals are to:

1. Analyse current e-commerce trends in India
2. Government programs and endeavours to expand e-commerce in India
3. The effect of e-commerce on India's employment and literacy rates

VI. RESEARCH METHODOLOGY

4.1 Method of Data Collection: Secondary data: To verify the format and type of graphs for data analysis, a number of research publications of a similar nature have been consulted.In addition, other scholars and data from other accredited banks and sources are used to gather information that is then further evaluated for data analysis.

Research Design Type: The study is both exploratory and descriptive. descriptive in that it establishes a connection between the nation's literacy rate and a specified metric. Exploratory research is characterised by the collection of data from multiple parameters and the tendency to develop a cause-and-effect link between the parameters.

PARAMETER: Various parameters are employed to determine the correlation between the indicators. To build a clear grasp of indicators, indicators such as the unemployment rate, expansion of the internet, m-commerce sales, and literacy rate are employed.

4.2 Government Programs Fostering India's E-Commerce Development

The government has a significant and significant impact on the expansion of e-commerce in the Indian market. Not only do government policies and reforms impact foreign investment and the attitudes of investors worldwide, but they also have an impact on the people themselves. The Indian people have been benefiting from an open economy since 1991, when the government of India opened its economy with the introduction of LPG (liberalisation, privatisation, and globalisation). India has been using the internet for e-commerce since 1995.

The Indian government has announced a number of initiatives since 2014, including

- Digital India
- Produced in India
- Start-up India
- Skill India
- Innovation Fund

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The rising trend of e-commerce in India will undoubtedly be accelerated by the appropriate operation and successful execution of these programs.

The government has set aside $1.55 billion for the BharatNet project in the 2017–18 union budget. In rural and panchayat levels, the community will also have access to high-speed internet, Wi-Fi hotspots, and digital services at extremely inexpensive prices.

- The BHIM app, which will boost digital payments across the nation, has been announced by the Indian government.Over 12.5 million Indians have embraced it. The Indian government has announced two programs to promote this app. They are-

1. Individual referral bonus program
2. A cashback program for retailers

- FDI has a significant impact on the expansion of India's e-commerce sector. In the past, India's investment rate was extremely low, indicating slow growth in e-commerce nationwide. FDI in B2C is still limited due to regulatory regulations, even though FDI in B2B e-commerce is 100% permitted, meaning more investment. Investments are made in the Indian market despite all government restrictions since there are many opportunities there that, when properly utilised, can result in higher returns. FDI and investment policies are therefore very important. investors like as:

1. Idgvc Partners
2. Global Management of Tiger
3. Accel Partners
4. Index Ventures
5. Capital of Sequoia
6. Alibaba
7. Temasek Holdings
8. Forerunner Businesses

Are a few of the significant investors in India's e-commerce sector under government e-commerce regulations. With $11.3 billion, India received the largest financing ever in 2015. Even though foreign direct investment (FDI) in multibrand retail businesses is now prohibited in India, some businesses use promotional funding, which is a common indirect source of funding when FDI is prohibited. Therefore, 100% FDI in B2C is a fantastic place for investors to learn about the size and potential of the Indian industry; further investment and FDI would undoubtedly boost the expansion of e-commerce in the Indian market.

- The decision by RESERVE BANK OF INDIA to permit "inter-operability" between prepaid payment instruments (PPIs) like e-wallets will promote a cashless economy and ultimately increase the use of e-commerce in the Indian market.
- Another significant program or project implemented by the Indian government is e-government. Additionally, it will increase the expansion of e-commerce, which will increase transparency among Indian citizens. The United Kingdom and Austria have the highest rankings in the EGDI index.

VII. DATA ANALYSIS

This study will determine the relationship between the rise of e-commerce and the literacy rate in any given nation. Therefore, we employed the Spearman Rank Correlation Method data methodology to find out. If (x) represents e-commerce as a percentage of total retail sales and (y) represents the nation's literacy rate. In this case, D is the difference between the two rankings, where Ry is the rank of the y indication and Rx is the rank of the x indicator.

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$$1-\left(\frac{6\Sigma d^2}{n(n^2-1)}\right)=1-\left(\frac{6\times 6}{n(n^2-1)}\right)$$

Coefficient (z) = here n=6
= 1 – 6*6/125-5
= 1- 36/120
= 1 – 0.3
= 0.70

Since n = 5, z = 0.7. This shows a significant positive correlation between the nation's literacy rate and e-commerce as a percentage of overall retail sales. In other words, e-commerce as a percentage of all retail sales in the country will increase with the nation's literacy rate and vice versa.

We will also attempt to determine the relationship between India's unemployment rate and B2C e-commerce as a proportion of GDP in this research study. People living below the poverty line find it difficult to take use of the advantages of e-commerce in India, where the jobless rate is rising. However, as we saw in the previous chapter, cellphone penetration has increased in India, which in some way has an impact on the country's e-commerce sales growth. It is necessary to do correlation analysis to determine the relationship between the unemployment rate in India and e-commerce as a percentage of the country's GDP.

VIII. FINDINGS

- India's digital penetration is rising, meaning that more Indians are using smartphones, which tends to boost the country's m-commerce growth.
- In India, more people are using the internet. India has the second-highest number of internet users worldwide.
- In India, e-commerce is becoming more popular with a growth in e-commerce's GDP contribution in India.
- The government is implementing the required programs and incentives to encourage digitalisation and, consequently, the expansion of e-commerce in India.
- The country's e-commerce and literacy rate are related. A nation's e-commerce will expand more as its population becomes more literate and educated.
- India's e-commerce boom and unemployment are negatively correlated.

IX. CONCLUSION

We learned how significant the e-commerce sector is in the modern world through the examination of research papers. In the context of India, we also look for an upward trend in the country's e-commerce growth as well as an increase in mobile commerce and digital penetration.Over time, government initiatives and policies have also contributed to an expansion in e-commerce in India. According to a survey conducted following demonisation, India's cashless economy has grown considerably, and as a result, the internet has become increasingly important. Other government measures have also had a big impact. Regarding the Indian e-commerce sector, a lot has been done and much more has to be done. Additionally, we research the effects of unemployment and literacy rates on the expansion of the Indian e-commerce sector. Additionally, there is a great need to raise India's literacy rate and educate rural residents about the country's cashless economy and the importance of the internet in the modern world.

Stricter laws and increased funding for cybercrime are necessary to make this process more dependable and safe. In this study, we examined the rapidly growing e-commerce trend in India as well as how service providers like 4G and 3G contributed to the country's increased digital penetration, which in turn boosted e-commerce and m-commerce sales in the Indian economy.

Similarly, the government has contributed significantly to the expansion of online sales through various laws and policies.

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