

Research Paper Title: Understanding the Externalities of E-Commerce Management in India

Miss. Rujuta Milind Joshi¹, Anushka Sandeep Bhosale², Rasika Sanjay Oak³

Assistant Professor, Dapoli Urban Bank Senior Science College, Dapoli, Maharashtra, India¹

S.Y.B.Com., Dapoli Urban Bank Senior Science College, Dapoli, Maharashtra, India²

F.Y.B.Com., Dapoli Urban Bank Senior Science College, Dapoli, Maharashtra, India³

Abstract: Increased internet and cell phone use over the past 20 years has altered how people communicate and conduct business. E-commerce is a new idea and a game changer for businesses everywhere. The e-commerce industry is predicted to develop at a 41% CAGR in India, surpassing USD 103 billion by 2020. The key factors encouraging the expansion of the e-commerce business are the rising use of the internet and smartphones. Favourable demographics and a rising internet user population also contributed to this increase. According to analysis, India is adding three new internet users every second, and by 2020 it expects to have 320 million online buyers, up from approximately 50 million in 2015. It demonstrates how quickly young minds and blood in India are moving toward embracing new technologies. E-commerce expenditure made up 2% of all retail spending in 2015–16 and has grown to be a major force in the development of new markets. By 2020, it is projected to contribute to 4% of the GDP. Its growth is being accelerated by government programs like Make in India, Digital India, Skill India, Start-up India, and Cashless India. However, the rapid expansion of the e-commerce sector and the use of the internet came with several difficulties that needed to be addressed periodically. This paper tries to study the socioeconomic externalities of the e-commerce industry in India considering its current and projected trends. This paper will provide a policy prescription on how government support programs can help the e-commerce sector expand while raising the positive externalities and keeping negative externalities at bay.

Keywords: E-Commerce, Socio-economic externalities, Government Initiatives, Schemes, Digitization

I. INTRODUCTION

A business concept known as "e-commerce" enables businesses and consumers to buy and sell goods over the Internet. The Indian e-commerce market is anticipated to increase from US\$ 38.5 billion in 2017 to US\$ 200 billion by 2026, driven by expanding smartphone penetration, the rollout of 4G networks, and rising consumer wealth. A corporate report (2016) anticipates India's e-commerce revenue to rise at the greatest yearly pace in the world, 51%, from US\$ 39 billion in 2017 to US\$ 120 billion in 2020. By 2034, it is anticipated that the Indian e-commerce market will overtake the US to overtake it as the second-largest electronic commerce market in the world.

The structure and operation of Indian society as well as the economy are projected to be significantly impacted by the e-commerce sector's continued growth on a variety of levels. India's developing and expanding e-commerce sector is a significant result of technical development. It is an excellent platform for the retail sector to grow internationally and connect with customers without geographical or temporal restrictions. However, the Indian e-commerce sector may currently lag behind all others.

However, it is estimated to increase quickly in the next years, both in developed and emerging nations. Such externalities need to be addressed with care for the future development of the e-commerce sector in India.

1.1 Objectives

1. To study the socioeconomic externalities of the e-commerce industry in India considering its current and projected trends.
2. To provide a policy prescription on how government support programs can help the e-commerce sector expand while raising the positive externalities and keeping negative externalities at bay.

3. To access and undertake indigenous solutions to overcome negative externalities of e-commerce on individual and societal levels

II. LITERATURE REVIEW AND ANALYSIS

When an economy uses new technology extensively to boost production, efficiency, and global competitiveness, it can develop into an industrialized and modern economy. The technology for buying and selling items has evolved significantly throughout the years. Consumers today prefer simple and convenient methods of product purchase (Gherghina et al., 2021). Internet use has made this method convenient which is referred to as E-commerce. E-commerce is nothing more than the purchasing and selling of goods and services through the internet using websites, mobile devices, and other technology (Pawar et al., 2020).

Consumer preferences, interests, and trends are evolving along with technical innovation, and e-explosive commerce's rise is undoubtedly helping. However, despite its rapid expansion, it still faces a number of difficulties, including inadequate infrastructure, cyberlaw, privacy, and issues with the payment system, the delivery procedure, etc. Digitalization has resulted in the creation of millions of jobs worldwide, and in advanced nations, internet usage accounts for roughly 3.4% of GDP. India's economy is changing, but society is also experiencing the effects of digitalization. The future years will present excellent chances for SMEs. Their study demonstrates that e-commerce is a significant job-creation vector, with estimates of 15–20 lakh new jobs by 2018 in India. The Indian economy would be able to grow more quickly and compete with developed countries in the next years with the help of effective planning and controlled digitization (Penny, 2021).

According to a report by PwC (2015), India's e-commerce is expanding more quickly every year. The e-commerce industry experienced significant growth in 2014, which was fuelled by the quick uptake of new technology, the rising popularity of mobile devices like smartphones and tablets, and easy access to the internet via broadband, 3G, and other technologies that increased the number of online consumers. In India, the number of mobile customers increased from 261 million in 2007–2008 to 910 million in 2013–2014, according to their data. Furthermore, 58% more people in rural areas are using the internet each year. According to the report, emerging technologies like virtual walls as well as virtual mirrors will assist in further enhancing the consumer experience, which will in turn promote increased consumption.

With a compound annual growth rate (CAGR) of 52%, the e-commerce sector in India is expected to reach USD 36.7 billion by the year 2020. According to his research, India's internet and mobile user populations are both steadily growing. This will drive the expansion of India's e-commerce market in the future years. By bringing the internet to isolated areas of India, government programs like Make in India and E-governance will undoubtedly promote this industry (Agarwal et al., 2015).

E-commerce is anticipated to soar across Asia in the next years. India, a rapidly developing emerging Asian market, has positive eCommerce industry expectations that are in line with regional expansion. By 2020, it is anticipated that 329.1 million Indians would be making online purchases of products and services. By then, around 70.7% of Indian internet users will have made purchases online. For the Indian retail sector, mobile has also become a lucrative and promising medium for online and in-store buying (Viu-Roig et al., 2020). In reality, in 2016 roughly 23% of Indian internet users said they made a purchase using a mobile phone. India now ranks among the top digital markets for the penetration of mobile e-commerce. About 27% of digital consumers in the nation reported buying online using a smartphone on a monthly basis, while 24% reported doing so on a weekly basis. In India, almost 71 percent of users stated they preferred mobile wallets for making digital payments. It suggests that India's e-commerce business has a promising and lucrative future (Maheshwari et al., 2017).

2.1 Governmental Programs for Indian e-Commerce

- A national e-commerce policy that addresses six major issues of the e-commerce ecosystem, including e-commerce marketplaces, regulatory issues, infrastructure development, data, stimulating the domestic digital economy, and export promotion through e-commerce, was prepared and made public in February 2019.

- The Department of Commerce organized an exercise and created a Task Force and Think Tank under the name "Framework for National Policy on e-Commerce" to discuss the difficulties India faces in the field of the digital economy as well as e-commerce (Shajahan et al., 2021).
- Prepaid Payment Instruments (PPIs) including prepaid cash coupons, digital wallets, and prepaid phone top-up cards will now be able to "interoperate," according to the Reserve Bank of India (RBI). Additionally, the RBI has ordered businesses and financial institutions to use the Unified Payments Interface to connect all know-your-customer (KYC)-compliant prepaid payment instruments (PPIs), such as mobile wallets, to one another through Unified Payments Interface (UPI).
- DIPP's FDI regulations for online commerce: The Government extended the limit on FDI in the model of e-commerce marketplace up to 100% in order to increase the participation of foreign firms in the industry (in B2B models).
- In order to enable a cashless, paperless, and transparent payment system for a variety of services, the Government e-Marketplace (GeM) and Union Bank of India have become signatories of a Memorandum of Understanding (MoU) in October 2019.
- India's government is making significant investments to build up a fiber network for 5G, which would increase e-commerce there.
- To deliver internet connections to 150,000 gram-panchayats, the government has committed ₹ 8,000 crores, i.e., approximately US\$ 1.24 billion in the Union Budget for 2018–19.

The literature and data available for e-commerce in India have been suggesting that e-commerce, though have been showing huge positive externalities, still is possessed by negative externalities which can cause market failure. Below are these positive as well as negative externalities observed while observing the impacts of e-commerce on the Indian economy and society as a whole:

2.2 Positive externalities of e-commerce in India

- E-commerce enables vendors to become closer to customers, which boosts productivity and creates ideal competition. Additionally, the buyer has a variety of merchants from which to choose and can purchase the best things for their needs, tastes, and budget. Also, customers now have constant access to online retailers.
- E-commerce also significantly lowers the cost of transactions for consumers.
- One of the rapidly expanding commercial channels for the transnational exchange of goods and services is e-commerce.
- With few investments, it offers a greater reach and reception on the global market. It makes it possible for both buyers and sellers to reach a global market. Geographical limitations and difficulties are eliminated or much diminished.
- This e-commerce technique significantly shortens the product distribution chain by interacting directly with ultimate customers. There is established a clear and direct line of communication between the provider of the finished product or service and the final consumer. In this method, goods and services are developed to suit the specific target-preferences market.
- Since e-commerce allows for the creation of a single store to meet all of a customer's business needs, clients may find products with ease.
- Ease of doing business: It makes commencing and running a business straightforward and easy in a smoother manner.
- The development of the e-commerce industry has the potential to improve employment, export revenue, tax collection by ex-cheques, and long-term customer satisfaction.

2.3 Negative externalities of e-commerce in India

- E-commerce businesses are less accountable, and the quality of the products may or may not satisfy client expectations.

- Information technology and network connectivity are extremely important. Unpredictable consequences on overall operations can result from mechanical failures.
- E-commerce transactions are not currently regulated, as there are no clear laws in place either domestically or internationally to do so.
- The customer may occasionally lose their sense of privacy, culture, or economic identity.
- The possibility of fraudulent economic or financial transactions and the loss of private financial data exists.
- Protecting intellectual property rights (IPR) online is becoming more and more important because the Internet is borderless and has little control. The abuse of trademark rights is one of several important IPR issues that are now present.

Considering these negative and positive externalities, the government must intervene in the e-commerce market to avoid any market failure due to negative externalities, asymmetric market information, and many other such causes while improving upon positive externalities. A few recommendations that would follow considering the analysis of the e-commerce industry in India can be depicted:

- To fulfil the rising requirements of economic and social infrastructure for necessary e-commerce market development
- to assure that the rural community has access to equal opportunities and inclusive benefits.
- To control and regulate the cyber legislation and laws
- To support MSMEs and entrepreneurs' development prospects by educating and empowering rural communities.

2.4 Enhancing E-Commerce through Individual & Societal Activities

- Raising student's awareness through group discussions, debates, etc
- Using social media platforms to enable people to access newer opportunities through e-commerce
- Making the community e-literate to use e-commerce
- Advised by experts on how e-commerce will help achieve goals
- Conducting special webinars and awareness programs through universities

III. CONCLUSION

E-commerce has grown to play a significant role in numerous multilateral discussions, including the WTO, the BRICS, the Regional Comprehensive Economic Partnership (RCEP), and others.

Domestic trade, international trade, competition laws, consumer protection, information technology, and other concerns continue to be challenges for e-commerce. It is important to regulate this sector since it is expanding and has a lot of interest from domestic as well as foreign companies. This regulation should be considered the interests of both business owners and consumers. A friendly atmosphere and an even playing field need to be erected and promoted.

Creating a thriving local sector is another important consideration for policymakers. To accurately represent India's position in domestic, international, and multilateral forums, a complete policy is crucial.

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