



IMPACT OF E-COMMERCE ON INDIAN ECONOMY- A PERSPECTIVE TO RETAIL BUSINESS

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Abstract

The e-commerce has transformed the way business is done in India. This paper highlights the economic as well as social impacts of e-commerce in India. It is the India fastest evolving market annual multifaceted growth rate 52% to touch USD 36.7 billion by the end of 2020. The increasing perception of smart phones and internets are expressively contributing to the growth of e-commerce convenient payment process, speedy delivery of product, high discount, customer friendly policies and easy returns are driving more customers towards online shopping. Due to the digital revolution, the e-commerce sector in India increases from \$3.8 billion in 2009 to \$ billion in 2014. It is projected to cross \$ 100 billion within the next 5 years which will contribute more than 4% to India's GDP. E Commerce provides useful resource for the growth of retail business in India. The Digital India project which aims to offer a one stop for Government services will absolutely boost this sector by introducing the internet to remote corners of India This paper will also highlight puss and cone of retail business. On the

Key words: *E-Commerce, Retail business digital India pros & cons.*

INTRODUCTION

Over the last ten years, the way of buying and selling of goods and services has been altered by the Internet. E-commerce is converting the shopping experience of Indian customers. The introduction of electronic data interchange spreads into producers, retail traders, stock market operations and travel reservations etc. Which ensued in a higher growth of the economy. The term 'E-commerce' means carrying online business with help of computer, fax, e-mail and telephone. It has been come out from the term 'E-mail'. In 1972, the term 'Ecommerce' used by IBM for the first time. In 1973 with the development of computers, the first successful transaction was carried out between the European Union and the USA. In 1995, the introduction of internet in India marked the launch of ecommerce in the country. Internet and Mobile Association of India states that Indian online retail market is anticipated to grow at the rate of 52 % and will reach USD 36.7 billion in 2020.

INDIA has an internet user's base of about 450 million as of July 2017, 40% of the population. Despite being the second largest user base in world, only behind China (650 million, 48% of population), the penetration of e-commerce is low compared to marketer like the United States (266 million, 84%), or France (54 Million, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month. The industry consensus is that growth is at an inflection point.

In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. Demand for international consumer (including long-tail items) is products growing much faster than in-country supply from authorized distributors and e-commerce offerings.

Literature Review

India's e-commerce market was worth about \$3.9 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 70% of India's e-commerce market is travel related. Electronics and Apparel are the biggest categories in terms of sales.

According to a study done by Indian Institute of e-Commerce, by 2020 India is expected to generate \$100 billion online retail revenue out of which \$35 billion will be through fashion e-commerce. Online apparel sales are set to grow four times in coming years



Overall e-commerce market had reached Rs. 1,07,800 crores (US\$24 billion) by the year 2015 with both online travel and e tailing contributing equally. Another big segment in e-commerce is mobile/DTH recharge with nearly 1 million transactions daily by operator websites.

A new sector in e-commerce is online medicine, selling complementary and alternative medicine or prescription medicine online. There are no dedicated online pharmacy laws in India and it is permissible to sell prescription medicine online with a legitimate license.

Online sales of luxury products like jeweler also increased over the years. Most of the retail brands have also started entering into the market and they expect at least 20% sales through online in next 2-3 years.

Objective of Study

1. To study the impact of e-commerce on Indian economy.
2. To study the growth and contribution of retail business on our economy.
3. To study about the activities of government with regard to e-commerce.

Research Methodology

This research is based on secondary data which are collected from several sources i.e. research papers, publications from Ministry Of Commerce, Govt. of India etc. which is available on the internet.

Modes of E-commerce

E-commerce can be categorized into three modes or segments based on the participants involved in the transaction.

- 1) **Consumer-to-Consumer (C2C):** It finds innovative ways to allow the consumer to interact with each other and by doing so they can sell goods or services to each other.
- 2) **Business-to-Consumer (B2C):** B2C transaction is conducted over the internet between a business and a consumer. E.g. an online publisher may sell his book to a customer and receive payment without meeting him/her.
- 3) **Business-to-Business (B2B):** It refers to a situation in which one business make a transaction with other.

Overview of the e-commerce retail supply chain

E-commerce retail supply chain contains of numerous stages such as procurement, bar-coding, quality checking, storage of goods, packing, dispatch and return to vendor. First four stages are known as first mile delivery. Below diagram shows the overview of a supply chain of e-commerce.

Recent trends in E-commerce

1. Industry studies by IAMAI (Internet and Mobile Association of India) show that online travel dominates the e-commerce industry in India with 70% of the market share.
2. Online retailer major categories include smartphones, laptops, cameras, books, computers, clothes, home and kitchen appliances, toys, and gifts.
3. Promotion of products, recruitment through social media, the pattern of advertisement by corporate sector etc., are made online.
4. Changes in the lifestyle of Indian consumers by seeking convenience, comfort and variety.
5. There are customer's delightment due to first delivery, easy payment and easy return policy.
6. 60% of online purchases happen during business hours. (9AM-5PM).



Online retail business in India

The number of consumers who purchase online has crossed 100 million by 2017 end with e-retail market likely jumping 65% on year in 2018, an ASSOCHAM Resurgent India study said

The year 2017 will see large scale growth in the Indian e-commerce sector with increased participation from people across the country. This industry will continue to drive more employment opportunities and contribute towards creating more entrepreneurs through the e-commerce marketplace model," the report said.

In other cities like Bangalore, 69% of its population chose to buy daily routine products through e-shopping in 2015-16, which will go to 75% this year for apparel, gift articles, magazines, home tools, toys, jeweler, beauty products & sporting goods categories, the report suggested.

In Mumbai, 65% of population chose purchasing daily products online in 2016, which might go up another 70% in this year for electronic gadgets, accessories, apparel, gifts, computer per pearls, movie [5].

Fig 2 Shows the Market Size of Online Retail in India.



Pros of retail business in e-commerce

1) Convenience & Easiness

For many people in the world, e Commerce becomes one of the preferred ways of shopping as they enjoy their online because of its easiness and convenience. They are allowed to buy products or services from their home at any time of day or night.

The best thing about it is buying options that are quick, convenient and user-friendly with the ability to transfer funds online. Because of its convenience, consumers can save their lots of time as well as money by searching their products easily and making purchasing online.

2) Offer Product Datasheets

Consumers can also get description and details from an online product catalogue. For your customers, it is very much important to get information about the product no matter whether the time of day and day of the week. Through information, are making your customers and prospects are decision to purchase your products or not.

3) Attract New Customers with Search Engine Visibility

As we all know that physical retail is run by branding and relationships. But online retail is also driving by traffic that comes from search engines. For customers, it is not very so common to follow a link in the search engine results and land up on an ecommerce website that they never heard of.



4) Comprise Warranty Information

No matter whether you are looking to choose including warranty information with product descriptions and datasheets or providing it from within an ecommerce shopping cart, you need to make sure that customers must be aware of important terms and conditions that are associated with their purchase.

5) Decreasing cost of inventory Management

With e-commerce business, the suppliers can decrease the cost of managing their inventory of goods that they can automate the inventory management using web-based management system. Indirectly, they can save their operational costs.

6) Keep Eye on consumer Buying Habit

The best thing is e-commerce retailers can easily keep a constant eye on consumers' buying habits and interests to tailor their offer suit to consumers' requirements. By satisfying their needs constantly, you can improve your ongoing relationship with them and build long-lasting relationships.

7) Competence

For effective business transactions, e-commerce is an efficient and competence method. Setting-up cost is extremely low as compare to expanding your business with more brick-and-mortar locations. Very few licenses and permits are required to start-up an online business than physical store. You can save your lots of money by using fewer employees to perform operations like billing managing inventory and more customers,

8) Allow Happy Customers to Sell Your Products

With lots of customers' reviews and product ratings, you can easily increase your sells as new customers find that your products are good and effective. Make sure that you mention your clients' testimonials, reviews and product ratings as such things can help your new customer to purchase your products.

9) Selling Products Across the World

If you are running a physical store, it will be limited by the geographical area that you can service, but with an e-Commerce website, you can sell your products and services across the world. The entire world is your playground, where you can sell your complete range of products without any geographical limits. Moreover, the remaining limitation of geography has dissolved by m-commerce that is also known as mobile commerce.

10) Stay open 24*7/365

One of the most important benefits that ecommerce merchants can enjoy is store timings are now 24/7/365 as they can run e-commerce websites all the time. By this way, they can increase their sales by boosting their number of orders. However, it is also beneficial for customers as they can purchase products whenever they want no matter whether it is early morning or mid-night.

11) Economy

Now, you don't have to invest your money in the physical store, insurance or infrastructure as all you need is a wonderful idea, unique products and well-designed website to reach your precious customers to sell your products and services. We can say that this makes an e-commerce a lot more economical and reasonable.

12) Boost Brand Awareness

As like e-commerce business can help B2B organizations to get new customers, so it will be helpful for e-commerce businesses to boost their brand awareness in the market. Developing pages that can be indexed by search engines crawlers is one of the best ways to enhance your website' search engine optimization and enhance the target audience on your site.



13) Decrease Costs

One of the most positive things about e Commerce is that you can decrease the costs of your business. Below are some of the costs that you can reduce by opting for ecommerce:

- ❖ **Advertising & Marketing Cost:** If you opt for ecommerce, you don't have to spend your money on advertising and marketing. However, organic search engine traffic, social media traffic and pay-per-click are some of the advertising channels that are cost-effective.
- ❖ **Personnel:** A complete automation of check-out, billing, inventory management, payments and other type of operational costs lower the total number of employees that you require to run your ecommerce business.
- ❖ **Eliminate Travel Cost:** Now, customers do not have to travel long distances to reach their desired stores as ecommerce allows them to visit the e-store anytime without traveling. With few mouse clicks, customers can make their purchase and have wonderful shopping experience.

14) Offer Huge Information

One of the best benefits of ecommerce for customers is they can get huge information that is not possible in a physical store. We all know that it is quite difficult to equip employees to respond to customers who are looking for information on different product lines.

But ecommerce websites offer additional information to their customers without any hassle. All the given information is provided by vendors so that their customers find it easy to purchase products with information.

15) Analytics

We can say that business 2 business offers an excellent platform to organizations to launch their complete range of analytics campaign. Through ecommerce, organizations can easily calculate and evaluate sales effectiveness, customer effectiveness, marketing campaigns, product mix, customer engagement and more.

16) Expand Market for Niche Products

It is difficult for buyers and sellers to find each other in the physical world, but it becomes very easy for them with the inception of e-store. Customers can search their required products on the web and can purchase it from any corner of the world. No matter what kind of product customers are looking, they can find all types of products without any hassle.

17) Scalability

With effective ecommerce solution, you and your organization grow and scale easily to meet market demand as well as customer requirements by introducing different scales channels and reaching market segments.

18) Ability of Multi-site

With ecommerce platform, it becomes easy for businesses to launch channel specific and particular brand ecommerce website. This ability enables you to provide co-branded websites for your specific customers and allows for websites catering to specific international spectators.

Cons of E-Commerce

1) The competition is fierce.

When you have a physical store you compete mainly with other local businesses your neighbors, the mall, competitors down the street. Online, however, you're competing with the whole world. It can be harder to stand out and hold your own when your customers have limitless options.

2) It's awareness harder. to establish awareness and trust.

When you own a physical store, you interact with your customer face-to-face, which allows you to build relationships and trust. This is much harder to do when you're a nameless, faceless entity on the Internet.



Building trust for e-Commerce stores requires work, attention, and great customer service. If you're not prepared to offer those things, your store will suffer... 3) A good website is hard to find.

Setting up a website is easy. Setting up a good website is not. If you want customers to find your store, you need to be optimized for search engines. If you want them to buy your products, your store must be organized, easy to navigate, and fast. In fact, your e-commerce website will be your first and biggest investment, and, unlike a physical store, it's probably not something you'll be able to do by yourself. If you don't like that lack of control, you might want to stick with what you know.

Role of Government

Indian Government must have to play a significant role in the promotion and growth of these technologies throughout Indian industries.

1. Government must have to support rapid deployment of necessary infrastructure by providing various educational and skills development resources.
2. Ensuring equity in the availability of opportunities and benefits for the overall development of the rural community.
3. Government has to adopt some specific e-commerce laws.
4. Digital India, Make India, skill India etc are some good steps taken by the government for this purpose. It will definitely enhance the economy of our country.

Government initiatives

Since 2014, the Government of India has announced various initiatives namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support the e-commerce growth in the country. Some of the major initiatives taken by the government to promote the e-commerce sector in India are as follows:

1. Reserve Bank of India (RBI) has decided to allow "inter-operability" among Prepaid Payment Instruments (PPIs) such as digital wallets, prepaid cash coupons and prepaid telephone top-up cards.
2. Finance Minister Mr Arun Jaitley has proposed various measures to quicken India's transition to a cashless economy, including a ban on cash transactions over Rs 300,000 (US\$ 4,655.1), tax incentives for creation of a cashless infrastructure, promoting greater usage of non-cash modes of payments, and making Aadhaar-based payments more widespread.

Economic and social impacts

1. With the growing competition in the e-commerce market, players who are able to adapt and innovate quality products will gain profit and enhance the economy of the country.
2. Both electronic learning and mobile learning enhances the access of the good educational institutions in remote areas.
3. The rise of online sales in the developing markets will encourage retailers to go online for global expansion.
4. E-marketplaces are working well in India due to high fragmentation on the supply side.
5. Mobile banking reduces the transaction cost of banks which increases access to financial services through rapidly growing mobile market. Rural areas which are too costly or unprofitable for business development might be a focus of investment and market expansion, and also for building corporate offices.

Findings

1. Government initiative towards e-commerce is an effective activity which helps for the better payment modes through which retail business can be functioned smoothly.
2. The social and economic impacts are somehow in a positive manner.
3. As the pros are good enough there can be a wider scope for start-ups to get into the retail business.



Conclusion

After taking a complete view of the industry trends, it is seen e-commerce is emerging as an important tool to certify exploding growth of retail business in Indian economy. It has the scope to lead India into an Economic superpower. With a rapidly growing internet penetration e commerce offers an attractive option for the retailers to expand. To achieve this, there should be more investments in supporting infrastructure and innovative and game changing business models in India. In spite of cons, as we see the pros are dominantly high and cons can be controlled by following suitable measures retail business in e-commerce is a profitable and a wide area through which the business can be carried in successfully.

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