

# International Journal of Financial Management and Economics

P-ISSN: 2617-9210 E-ISSN: 2617-9229 IJFME 2021; 4(2): 103-105 Received: 13-06-2021 Accepted: 18-07-2021

#### Ashish Kumar

Research Scholar, University Department of Commerce and Business Administration, TMBU Bhagalpur, Bihar, India

# E-commerce in India

### **Ashish Kumar**

#### Abstract

E-commerce is known as electronic commerce or electronic business. Originally electronic commerce meant the facilitation of commercial transactions electronically. The meaning of e-commerce has changed over the last 30 years. Dealing in goods and services through electronic media and internet is called as E-Commerce. It involves carrying on a business, selling or providing services directly from the websites and portals to the customers.

This online business industry is well established in India. Indian E-commerce revenues increased drastically over the last decade. This sector has registered a growth of 36% in 2020. With the evolution of technology and increase in consumerism all over India, E-commerce is riding the high tide in online business. Easy access to internet via mobile devices coupled with increasing confidence of customers to purchase online is leading the way. The e-commerce industry helps in reducing costs in managing orders while also interacting with a wide range of suppliers and trading partners. It also involves many forms of business transactions in which parties interact electronically rather than by physical exchanges or direct physical contact. Recently Indian government introduced various reforms to help the nation's e-commerce industry grow. The onset of lockdown and a push towards digitalization proved to be a blessing in disguise for the sector. As consumers resorted to online shopping, e-commerce became the backbone for supplying essentials to more than 1.3 billion people of India. The growth of e-commerce volumes in India is attracting the attention of countries worldwide. Government has allowed 100% FDI in business-to-business e-commerce. 100% FDI under the automatic route is permitted in the marketplace model of e-commerce. Rise in digital literacy has led to an influx of investment in ecommerce firms levelling the market for new firms while churning out innovative patterns to disrupt old functioning.

Keywords: electronic, revenue, technology, trading, innovation, FDI, suppliers

#### Introduction

E-commerce is widely defined as buying and selling of goods and services through internet and the transfer of money and data to complete the sales. It is also known as electronic commerce or online business. It refers to a business model that operates in four major segments and can be conducted over computers, laptops, tablets, smart phones and other smart devices. Every imaginable product and service is available through e-commerce transactions including books, music, plane and train tickets, financial services like banking, stocks, investing etc. E-commerce involves more than one party along with exchange of data or currency to process a transaction. It encompasses a wide variety of data, systems and tools to conduct online marketing and selling activities and to oversee logistics and fulfillment. Ecommerce was introduced about 40 years ago in its earliest form. Since then, it has helped unlimited businesses to grow and blossom with help of new technologies, improvement in internet connectivity, security with payment gateways and widespread consumers and business adoption. E-commerce originated for the exchange of business documents like invoices or orders between suppliers and their customers. It has grown by leaps and bounds ever since and its growth has shifted the retail workforce. Employment in e-commerce sector increased by 20%. It is also estimated that number of e-commerce jobs will keep on growing tremendously. It is clear that highly competitive nature of e-commerce will keep on changing the retail industry and influence customers behavior.

According to Flipkart CEO Sachin Bansal, going forward India is going to be the third biggest e-commerce (market by value) in the world (after the US and China). The explosive growth of Flipkart and Snapdeal.com shows that Indian shoppers are willing to buy a range of products online, which gave a strong boost to investor confidence, according to Vani Kola, managing director at Kalaari Capital which is an investor in Snapdeal and online

Corresponding Author: Ashish Kumar

Research Scholar, University Department of Commerce and Business Administration, TMBU Bhagalpur, Bihar, India innerwear seller Zivame. Over the last two decades, rising internet and mobile phone penetration has changed the way we communicate and do business. While in countries such as the US and China, e-commerce has taken significant strides to achieve sales of over 150 billion USD in revenue, the industry in India is, still at its infancy. With just 24% of its population online today, India's Internet penetration is still just about a third that of the other BRIC countries (Figure 1) and similar to less developed countries, such as Yemen and Angola. With approximately 250 to 300 million Internet users, it is the second largest country by users globally-just behind China and ahead of the us.

## Major milestones of India e-commerce market

Internet was opened for commercial use in the year 1991. The medium became popular with the general public in 1994 with the development of security protocols and DSL that allowed rapid access and persistent connection to the internet.

#### E-commerce in the Indian insurance industry

With the advent of the Internet, online processes are replacing conventional models in our society. The greatest impact in online technology has been achieved by ecommerce. E-commerce is attractive both to buyers and sellers as it reduces search costs for buyers and inventory costs for sellers. In this paper we investigate the impact of ecommerce on the insurance industry in India. The recent growth of Internet infrastructure and introduction of economic reforms in the insurance sector have opened up the monopolistic Indian insurance market to competition from foreign alliances. We study the evolving scenario in the insurance industry in India and identify the features of online insurance that improve the conventional insurance model and thus, makes it more attractive for the Indian insurance industry to go online.

### 1995: The internet wave

With the advent of the Internet in 1995, India witnessed the setting up of B2B portals, matrimonial sites, job search directories and online stores through Rediff.com and Indiatimes.com. However, these smaller initiatives did not thrive due to several factors, such as low Internet penetration, slow Internet speed, and small user base for online shopping, inadequate logistics infrastructure, low consumer acceptance of e-commerce and the lack of a tangible revenue model. More than a thousand e-commerce businesses collapsed due to the IT downturn in 2000.

### Research review

The meaning and process of electronic commerce has changed over the last few decades. Dealing in goods and services through websites and portals to customers is well established in India, which went through a digital revolution. The concept of e-commerce first formally came in 1991 in India, when internet practically didn't exist in India, but by the late 90s, people become aware of internet as a luxurious need. The first stepping stone towards setting off the e-commerce was the creation of Flipkart by two engineers from IIT Delhi, deciding to sell books online, which turned out to be a great giant in online business industry. With evolution in technology and increase in consumerism all over India, e-commerce is leveling up the market by churning out innovative patterns to disrupt old

functioning's. Information technology radically transformed the way of business around the world and e-commerce has transformed itself into a complete digital sector proving itself as part of the new economy.

# E-commerce business can be classified on basis of what they sell

- Sell physical good: These are typical online retailers which sell clothing, furniture, tools, accessories etc.
  Shoppers can buy physical goods through online stores by visiting the site and purchasing it.
- Service based retailers: Aside from products, services can also be purchased online. When we hire educators, freelancers, consultants etc. through online, these are called service-based retailers or e-tailers.
- **Digital products:** This term refers to all items that are in digital format including e-books, online courses, software, graphics and virtual goods.

# E-commerce refers to a busy model that operates in four major segments which are

- Business to business (B2B): In this model, both the parties involved are businesses. It is a transaction in which one business provide products and services to other business.
- Business to consumers (B2C): This model represents a transaction between business and individual. It is the most common business model.
- Consumer to business (C2B): This model represents a transaction in which individual creates value for business. Consumers provides products or services to companies to help increase their profits.
- Consumer to consumer (C2C): In this model, consumers are involved with each other, where they buy and sell products and services directly from one another.

India is a developing nation. The growth and development of e-commerce volumes in India is attracting the attention of countries worldwide. India has the second largest internet user base of about 40% of the total population, where penetration of e-commerce is growing at an infectious rate. According to Google India Research, India is expected to generate \$100 billion online retail revenue by the year 2021. E-commerce in India is at an all-time high in 2021 owing to the country's 780 million internet users. E-commerce order volume increased by 36% in last quarter of 2020, with personal care, beauty and wellness segment being the largest beneficiary. Easy access to internet via mobile devices coupled with increasing confidence of customers to purchase online is leading the way. India's e-commerce revenue is expected to jump to \$120 billion in 2021, growing at an annual rate of 51%, the highest in the world. Electronics is currently the biggest online retail sales category followed by apparels. It is one of the fastest growing trade channels available for the cross-border trade of goods and services for digitally connected shoppers and this happened due to the innovations such as digital payments, hyper local logistics, analytics driven customers engagement and digital advertisements. E-commerce is expanding its reach to general masses backed by social media, which not only advertises but also receives feedback, build brand image and promote new launches. E-commerce driven by digitization and internet penetration in rural market is creating huge opportunities for consumers. Although there is a strong buildup of this industry, a vast portion of population is still not aware of its benefits. A robust supply chain and we'll established logistics network enhance the success of e-commerce companies with flexibility of getting what they are looking for. The largest e-commerce companies in India are Flipkart and Amazon. Though the sector has witnessed tremendous growth and is expected to grow, but it has not worked out for all ecommerce websites. Many of them like Snapdeal, eBay India, indiaplgza.in, Seventy MM and many others had to close down or change their business model to survive. Many Indian startup including Urban company, book my show, Nykaa and others are running at a loss due to COVID-19 pandemic. Recently, Indian government introduced various reforms to help nation's e-commerce industry grow. The outset of lockdown and a push towards digitization proved to be a blessing in disguise for this sector. As consumers resorted to online shopping, e-commerce became the backbone for supplying essentials to more than 1.3 billion people of India. Some major developments in Indian ecommerce sector are:

- Flipkart, after being acquired by Walmart is expected to launch more offline retail stores in India to promote private labels in fashion and electronic segments.
- Launch of Paytm payment bank: India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card.
- Google entered India's e-commerce space with Google shopping. Google and Tata trust collaborated for the project' Internet Saathi' to improve internet penetration among rural women in India.
- Government has allowed 100% FDI in B2B ecommerce. 100% FDI under automatic route is permitted in the marketplace model of e-commerce.
- Despite depressed consumer spending, economic slowdown and uncertainty created due to COVID-19, ecommerce companies are expecting strong sales growth in 2021.
- Recent rise in digital literacy has led to an influx of investment in e-commerce firms' settings up market for new players to set up their base in the market.
- Government initiatives such as Digital India, Skill India, Startup India and Make-in-India are also contributing to its growth, as it resulted in expanding base of internet users including rural India which promises a bright future for e-commerce in coming years.

#### Conclusion

Today it's almost inconceivable that a company would not be using a digital space to drive sales as it offers plethora of benefits. E-commerce helps in reducing costs in managing orders while also interacting with wide range of suppliers and trading partners. It makes purchase simpler, less time consuming, quick delivery and easy returns, which improves customer experience and satisfaction. Growth in e-commerce sector will also boost employment, increase revenue from exports, increase tax collection and provide better products and services to customers in long term. With all the technological advancements, India is set to become the third largest online market after US and China with an annual gross merchandise value of nearly \$350 billion. Few years back, almost 70% customers said that they use online

service because of discounts, but today they use it due to their convenience. With the hit of COVID, digital services have undoubtedly served the customers very well, which is evident in high customer satisfaction and willingness to keep using digital channels to fulfill their needs.

#### Reference

- 1. Kaur EH, Kaur MD. E-commerce in India-challenges and prospects. International Journal of Engineering and Techniques 2015;1(2):36-40.
- 2. Kalia P, Kaur N, Singh T. E-Commerce in India: evolution and revolution of online retail. In Mobile commerce: Concepts, methodologies, tools, and applications. IGI Global 2018, 736-758.
- 3. Ray S. Emerging trend of e-commerce in India: Some crucial issues, prospects and challenges. Computer Engineering and Intelligent Systems 2011;2(5):17-35.
- 4. Das K, Ara A. Growth of e-commerce in India. Growth 2015. Available at: http://ijcem. in/wp-content/uploads/2015/08/Growth\_of\_e-Commerce\_in India. pdf (accessed 9 December 2015).
- 5. Kalia P, Kaur N, Singh T. E-Commerce in India: evolution and revolution of online retail. In Mobile commerce: Concepts, methodologies, tools, and applications. IGI Global 2018, 736-758.