



Research Article

MAJOR INFLUENCE OF E-COMMERCE ON INDIA'S COMMERCE- A CONCEPTUAL STUDY

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ABSTRACT

E-commerce certainly involves an online transaction. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. The general category of e-commerce can be broken down into two parts: E-Merchandise & E-finance. Many companies, organizations, and communities in India are doing business using E-commerce and also are adopting M-commerce for doing business. Ecommerce is showing tremendous business growth in India. Increasing internet users have added to its growth. 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 markets like the United States (266 M, 84%), or France (54 M, 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 inflation point and also 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. According to Google India, there were 35 million online shoppers in India in 2014 Q1 and is expected to cross 100 million mark by end of year 2016. By 2020, India is expected to generate \$100 billion online retail revenue out of which \$35 billion will apparel sales are set to grow four times in coming years. This paper is outcome of a review of various research studies carried out on Impact of E-commerce on Indian Commerce.

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INTRODUCTION

India has emerged as one of the major players on the new international business scene. Its unstoppable economic growth since reforms in 1991 has become the focus of attention of researchers in the area of international business and management. The purpose of this paper is to review the impact of e-commerce on Indian Commerce that has been published in top business and management journals, with the aim of knowing what are the most influential papers, what are the issues that have received the most attention, which are the main findings or what more needs to be done in terms of research. Internet plays an important role in our daily life. We use internet daily almost for every single work. Before e-commerce buying and selling were done without internet physically in the markets but after the arrival of e-commerce in India our life has become more convenient because of its number of advantages. Online shopping is a part of e-commerce which is done mostly by the users due to e-commerce websites in India which allows us to buy and sell the products according to our choice at affordable price.

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E-commerce website has a lot of impacts on different markets and retailers. In this paper we will discuss about the different markets and retailers and impacts of e-commerce on them.

Insights on E-Commerce

E-commerce is a paradigm shift. It is a "disruptive" innovation that is radically changing the traditional way of doing business. Electronic commerce is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. E-commerce is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. These business transactions are business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The term *e-tail* is used in reference to transactional processes around online retail. E-commerce is conducted using a variety of applications, such as email, fax, online catalogs and shopping carts, Electronic Data Interchange (EDI), File Transfer Protocol, and Web services. It can be thought of as a more advanced form of mail-order purchasing through a catalog. E-Commerce is the movement of business onto the World Wide Web. 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. 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

REVIEW OF LITERATURE

ASSOCHAM Study (2015) found the highest growth rate in the apparel segment, almost 69.5 per cent over 2014, followed by electronic items, up 62 per cent, baby care products, up 53 per cent, beauty and personal care products at 52 per cent and home furnishings at 49 per cent. Rapid growth of digital commerce in India is mainly due to increased use of smartphones. Mobiles and mobile accessories have taken up the maximum share of the digital commerce market in India, noted the study. Moreover, almost 45 per cent online shoppers reportedly preferred cash on delivery over credit cards (16 per cent) and debit cards (21 per cent). Only 10 per cent opted for internet banking and a scanty 7 per cent preferred cash cards, mobile wallets, and other such modes of payment. The 18-25 years of age group has been the fastest growing age segment online with user growth being contributed by both male and female segments. The survey highlights that 38 per cent of regular shoppers are in 18-25 age group, 52 per cent in 26-35, 8 per cent in 36-45 and 2 per cent in the age group of 45-60. Nearly 65 per cent online shoppers are male and 35 per cent female.

Mitra Abhijit (2013) suggests E-Commerce has unleashed yet another revolution, which is changing the way businesses buy and sell products and services. New methodologies have evolved. The role of geographic distances in forming business relationships is reduced. E-Commerce is the future of shopping. With the deployment of 3G and 4G wireless communication technologies, the internet economy will continue to grow robustly.

Chanana Nisha and Goele Sangeeta (2012) propose that the future of E-Commerce is difficult to predict. There are various segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware products and apparel. There are also some essential factors which will significantly contribute to the boom of the E-Commerce industry in India i.e. replacement guarantee, M-Commerce services, location based services, multiple payment option, right content, shipment option etc.

Awais Muhammad and Samin Tanzila (2012) indicate that use of internet has made the world a global village. The use of Internet has reduced the distances and brought the people together. A nation's back bone is commerce and it will be strengthened if backed by electronic tools in which e-commerce plays a vital role. The important feature in e-commerce is privacy which not only increases competitive advantage but confidence level also. E-commerce brings sellers and potential buyers at the distance of one click and it saves time as it is cost effective, as E-commerce is becoming a major key to success

Dutta and Dutta (2009) found tangibles have the highest impact on overall customer satisfaction. The largest

discrepancy between the customer expectations and perceptions is in terms of empathy which includes Bank locations and ATM machines in convenient places and tele-banking and internet banking facility. The study regards this as a major source of concern for Indian banking industry as a huge service quality gap exists for all the banks in this category

Kumar and Rajesh (2009) suggest that the facilities of the banks should be made more convenient for customer comforts. The ATM services should be extended with few more cabins. The work also concludes that with sincere efforts and positive attitude, the needs of many customers can be satisfied when banks aim at 'customer delight'.

Some of the major historical developments of E-Commerce

A timeline for the development of e-commerce is as follows:

- 1971 or 1972: The ARPANET is used to arrange a cannabis sale between students at the Stanford Artificial Intelligence Laboratory and the Massachusetts Institute of Technology, later described as "the seminal act of e-commerce" in John Markoff's book *What the Dormouse Said*.
- 1979: Michael Aldrich demonstrates the first online shopping system.
- 1981: Thomson Holidays UK is first business-to-business online shopping system to be installed.
- 1982: Minitel was introduced nationwide in France by France Telecom and used for online ordering.
- 1983: California State Assembly holds first hearing on "electronic commerce" in Volcano, California. Testifying are CPUC, MCI Mail, Prodigy, CompuServe, Volcano Telephone, and Pacific Telesis. (Not permitted to testify is Quantum Technology, later to become AOL.)
- 1984: Gateshead SIS/Tesco is first B2C online shopping system and Mrs Snowball, 72, is the first online home shopper
- 1984: In April 1984, CompuServe launches the Electronic Mall in the USA and Canada. It is the first comprehensive electronic commerce service.
- 1990: Tim Berners-Lee writes the first web browser, World Wide Web, using a NeXT computer.
- 1992: Book Stacks Unlimited in Cleveland opens a commercial sales website (www.books.com) selling books online with credit card processing.
- 1993: Paget Press releases edition No. 3 of the first app store, The Electronic App Wrapper
- 1994: Netscape releases the Navigator browser in October under the code name Mozilla. Netscape 1.0 is introduced in late 1994 with SSL encryption that made transactions secure.
- 1994: Ipswitch IMail Server becomes the first software available online for sale and immediate download via a partnership between Ipswitch, Inc. and Open Market.
- 1994: "Ten Summoner's Tales" by Sting becomes the first secure online purchase.
- 1995: The US National Science Foundation lifts its former strict prohibition of commercial enterprise on the Internet.
- 1995: Thursday 27 April 1995, the purchase of a book by Paul Stanfield, Product Manager for CompuServe

UK, from W H Smith's shop within CompuServe's UK Shopping Centre is the UK's first national online shopping service secure transaction. The shopping service at launch featured W H Smith, Tesco, Virgin Megastores/Our Price, Great Universal Stores (GUS), Interflora, Dixons Retail, Past Times, PC World (retailer) and Innovations.

- 1995: Jeff Bezos launches Amazon.com and the first commercial-free 24-hour, internet-only radio stations, Radio HK and NetRadio start broadcasting. eBay is founded by computer programmer Pierre Omidyar as Auction Web.
- 1996: India MART B2B marketplace established in India.
- 1996: ECPlaza B2B marketplace established in Korea.
- 1998: Electronic postal stamps can be purchased and downloaded for printing from the Web.
- 1999: Alibaba Group is established in China. Business.com sold for US \$7.5 million to e-Companies, which was purchased in 1997 for US \$149,000. The peer-to-peer file sharing software Napster launches. ATG Stores launches to sell decorative items for the home online.
- 2000: The dot-com bust.
- 2001: Alibaba.com achieved profitability in December 2001.
- 2002: eBay acquires PayPal for \$1.5 billion. Niche retail companies Wayfair and Net Shops are founded with the concept of selling products through several targeted domains, rather than a central portal.
- 2003: Amazon.com posts first yearly profit.
- 2003: Bossgoo B2B marketplace established in China.
- 2004: DHgate.com, China's first online b2b transaction platform is established, forcing other b2b sites to move away from the "yellow pages" model.
- 2007: Business.com acquired by R.H. Donnelley for \$345 million.
- 2009: Zappos.com acquired by Amazon.com for \$928 million. Retail Convergence, operator of private sale website RueLaLa.com, acquired by GSI Commerce for \$180 million, plus up to \$170 million in earn-out payments based on performance through 2012.
- 2010: Groupon reportedly rejects a \$6 billion offer from Google. Instead, the group buying websites went ahead with an IPO on 4 November 2011. It was the largest IPO since Google.
- 2011: Quidsi.com, parent company of Diapers.com, acquired by Amazon.com for \$500 million in cash plus \$45 million in debt and other obligations. GSI Commerce, a company specializing in creating, developing and running online shopping sites for brick and mortar businesses, acquired by eBay for \$2.4 billion.
- 2014: Overstock.com processes over \$1 million in Bitcoin sales. India's e-commerce industry is estimated to have grown more than 30% from 2012 to \$12.6 billion in 2013. US e-Commerce and Online Retail sales projected to reach \$294 billion, an increase of 12 percent over 2013 and 9% of all retail sales. Alibaba Group has the largest Initial public offering ever, worth \$25 billion.

- 2015: Amazon.com accounts for more than half of all e-commerce growth, selling almost 500 Million SKU's in the US.

Besides the above information some of the major key drivers in Indian E-Commerce are as follows:

- Today large percentage of population has subscribed to various broadband services including internet, burgeoning 3G internet users and also recent introduction of 4G users across the country
- Explosive growth of various smartphone users, which is soon deemed to be the world's second largest smartphone user base
- Rising standards of living as a result of fast decline in poverty rate
- Availability of much wider product range (including that of long tail and direct imports) compared to what actually is available at various brick and mortar retailers
- Increased usage of online classified sites, with more or less consumer buying and also selling second hand goods
- Evolution of Million Dollar start ups like Jabong.com, Saavn, Makemytrip, Bookmyshow, Goibibo.com, Swiggy, Zomato etc

India's retail market was at \$470 billion in 2011, \$675 billion in 2016 and expected to reach around \$850 billion by 2020 with estimated CAGR of 10%. According to Forrester, e-commerce market in India is set to grow the fastest within Asia-Pacific region at a CAGR of over 77% between 2020-2025. As of June 2015 India has an internet base of about 354 million. India despite being the second largest user base in the world, only behind China (650 million internet users, 48% of population) still has the penetration of e-commerce to be found low when compared to markets like United States (266 million users, comprising of 84%) and France (54 million, comprising around 81%). But still the growth rate of internet users is growing at an unprecedented rate, thus 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 products (including long-tail items) is growing much faster than in-country supply from authorized distributors and e-commerce offerings. Largest e-commerce companies in India are Flipkart, Snapdeal, Amazon India, and Paytm.

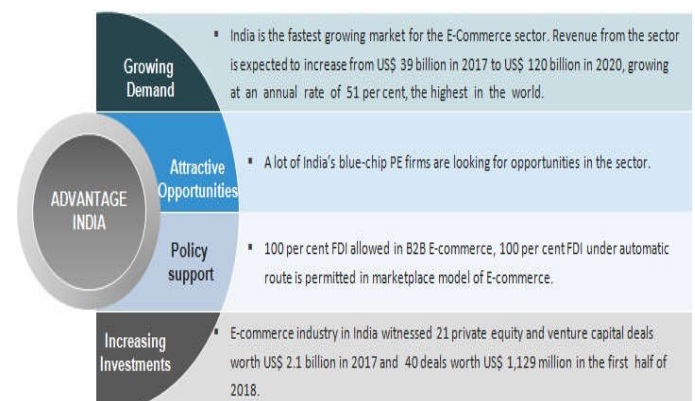


Figure to show Industry overview of E-Commerce in India



Above figure showing Alibaba V/s Amazon: How the e-commerce giants stack up in the fight to go Global

Growth and prospects of E-commerce in Indian context

It is quite often said and believed that increasing internet and mobile penetration as well as growing acceptability of online payments and other such favorable demographics has provided e-commerce sector in India a unique opportunity for companies to connect with their customers. When it comes to overall revenue generated through e-commerce as compared to previous years with all branded apparels, accessories, jewellery, footwear, gifts which are available a cheaper rate and also delivered at doorstep (As per reports of ASSOCHAM). It is also noted that the buying trends during 2020 will witness a significantly upward movement due to aggressive online discounts, rising fuel prices and also wider and abundant choice will certainly hit the e-commerce industry in 2020.

Market Size

Propelled and initiated by rising Smartphone penetration and launch of 4G networks and increasing consumer wealth, Indian e-commerce market as such is expected to grow around US \$ 200 million by 2026 or so from US\$ 38.5 billion in 2017. Also online retail sales in India are expected to grow by 31 percent to touch US\$ 32.70 billion in 2018 led by Flipkart, Amazon India and Paytm mall. Electronics segment was the biggest contributor to online retail sales in India with a share of around 48 percent followed closely by apparel at 29 percent in 2018.

Investments/ Developments

Some of the major developments in the Indian e-commerce sector are as follows:

- Flipkart, after getting acquired by Wal-Mart for US\$ 16 billion, is expected to launch more offline retail stores in India to promote private labels in segments such as fashion and electronics. In September 2018, Flipkart acquired Israel based analytics start-up Upstream Commerce that will help the firm to price and position its products in an efficient way.
- Paytm has launched its bank - Paytm Payment Bank. Paytm bank is India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card
- As of June 2018, Google is also planning to enter into the E-commerce space by November 2018. India is expected to be its first market.
- E-commerce industry in India witnessed 21 private equity and venture capital deals worth US\$ 2.1 billion in 2017 and 40 deals worth US\$ 1,129 million in the first half of 2018.

- Google and Tata Trust have collaborated for the project 'Internet Saathi' to improve internet penetration among rural women in India

Major 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:

- In order to increase the participation of foreign players in the e-commerce field, the Indian Government hiked the limit of foreign direct investment (FDI) in the E-commerce marketplace model for up to 100 per cent (in B2B models).
- In the Union Budget of 2018-19, government has allocated Rs 8,000 crore (US\$ 1.24 billion) to BharatNet Project, to provide broadband services to 150,000 gram panchayats
- As of August 2018, the government is working on the second draft of e-commerce policy, incorporating inputs from various industry stakeholders.

Some of the major achievements of Government in the fast four years to enhance E-commerce

- Under the Digital India movement, government launched various initiatives like Udaan, Umang and Start-up India Portal etc.
- Under the project 'Internet Saathi', the government has influenced over 16 million women in India and reached 166,000 villages
- Udaan, a B2B online trade platform that connect small and medium size manufacturers and wholesalers with online retailers and also provide them logistics, payments and technology support, has sellers in over 80 cities of India and delivers to over 500 cities.
- According to the UN's e Governance index, India has jumped 11 positions to 107 in 2016 from 2014.
- The government introduced Bharat Interface for Money (BHIM), a simple mobile based platform for digital payments.

It is observed that mobile commerce (m-commerce) is growing rapidly as a stable and secure supplement to the e-commerce industry. Shopping online through smart phones is proving to be a game changer, and industry leaders believe that m-commerce could contribute up to 70 per cent of their total revenues. In India roughly 60-65 per cent of the total e-commerce sales are being generated by mobile devices and tablets, increased by 50 per cent than in year 2015 and also likely to continue upwards. It noted that the browsing trends, which have broadly shifted from the desktop to mobile devices in India, online shopping is also expected to follow suit, as one out of three customers currently makes transactions through mobiles in tier-1 and tier-2 cities. In 2015, 78 per cent of shopping queries were made through mobile devices, compared to 46 per cent in 2013. In 2015, the highest growth rate was seen in the apparel segment almost 69.5 per cent over last year, followed by electronic items by 62 percent, baby care

products at 53 per cent, beauty and personal care products at 52 per cent and home furnishings at 49 per cent. It revealed that Mumbai ranks first in online shopping followed by Delhi, Ahmadabad, Bangalore and Kolkata. On the mode of payment, almost 45 per cent of online shoppers reportedly preferred cash on delivery mode of payment over credit cards (16 per cent) and debit cards (21 per cent).

Analyzing the major trends in the last few years it is found out that only 10 per cent opted for internet banking and a scanty 7 per cent preferred cash cards, mobile wallets, and other such modes of payment, it said. Among the above age segments, 18-25 years of age group has been the fastest growing age segment online with user growth being contributed by both male and female segments. The survey revealed that 38 per cent of regular shoppers are in 18-25 age group, 52 per cent in 26-35, 8 per cent in 36-45 and 2 per cent in the age group of 45-60.

Major challenges of E-Commerce in India

Compared to developed countries, India has less credit card population, lack of fast postal services in rural India. Also accessing the internet is currently hindered and bogged down by slow transmission speeds, frequent disconnects, cost of wireless connection and also overall wireless communication standards over which data is transmitted. High-speed-bandwidth Internet connection not available to most citizens of the nation at an affordable rate which should be addressed soon. In India, mostly people are not aware about the English language or not so good in English language. So that for the transaction over internet through electronic devices, language becomes one of the major factors to purchases, hire and sell a particular product or services. Multiple issues of trust in e-commerce technology and lack of widely accepted standards, lack of payment gateways, privacy of personal and business data connected over the Internet not assured security and confidentiality of data not in place to deploy ubiquitous IT Infrastructure and its maintenance.

Road Ahead

The e-commerce industry been directly impacting the micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favorable cascading effect on other industries as well. The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in e-commerce sector will also boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term.

CONCLUSION

To a greater extent growth of e-commerce depends on effective IT security systems for which necessary technological and legal provisions need to be put exactly in place and also strengthened constantly. While it is observed that many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce, critical challenges remain to be overcome before e-

commerce would become an asset for common people. With the explosion of internet connectivity through mobile devices like Smartphone and tablets, millions of consumers are making decisions online and in this way enterprises can build the brand digitally and enhance productivity but government policies must ensure the cost effective methods/solutions. Governments should offer a level field to its E-commerce firms to allow the country's significant development. The thrust on E-Commerce should be to offer a legal framework so that while domestic and international trade are allowed to expand their horizons, basic rights such as consumer protection, privacy, intellectual property, prevention of fraud, etc are highly protected. The banks also need to select suitable security tools and policy to protect itself and its customers. E Commerce in India is destined to grow both in revenue and geographic reach. The challenge of establishing consumer trust in e-commerce poses problems and issues that need further research.

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