

A Study on Growth of E-Commerce in India

Basheer K.T,

Department of Economics Sullamussalam Science College, Areekode, Kerala,

Date of Submission: 26-07-2020

Date of Acceptance: 07-08-2020

ABSTRACT: 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. The E-commerce market is expected to reach US \$ 200 billion by 2026 from US \$38.5 billion in 2017. It is the India's fastest evolving market with annual multifaceted growth rate (CAGR). 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.

Key-Terms: E-commerce, Digital transaction, conventional trade, snapdeal, SME, s

I. INTRODUCTION

The E-commerce business in India has seen exponential growth over the last decade. This growth is due to many contributory factors, including rapid adoption of technology by Indian consumers, large increases in the number of internet users, new enabling technologies, innovative business models and alternative payment options offered by E-commerce companies. Moreover, the high growth in E-commerce continues unabated, with the sector expecting to witness a steep increase in revenues in the coming years. The emergence of e-commerce has impacted the way business is done across the world. The information technology (IT) revolution has had the greatest impact on tourism, an information-intensive industry, and has been applied to some sectors and some countries in the industry. Ecommerce has introduced new ways of performing tasks, interacting with customers, and conducting business (Quaddus & Achjari, 2005). In this regard, e-commerce is considered to be a key driver of tourism firms in terms of facilitating global marketing, expanding the customer base, and improving productivity.

E-commerce influences demand patterns

As technology, e-commerce, and globalization become more intertwined, buyers and sellers are increasing their connectivity and the speed with which they conduct sales transactions. As we saw during the recent turmoil in the financial markets and some supply chain networks, speeding up sales transactions can be a very positive attribute when small market corrections are taking place. However, during a major economic correction like the one we witnessed during the Great Recession, a quicker response to sales transactions can have cascading impacts on supply chains, resulting in large contractions or expansions in orders, production, shipments, and inventory. That's because years ago, it might have taken two years for events in one country to affect another's economy. Now, thanks to technology and instant communication, the impact can be almost immediate. Thus, there are some potentially negative consequences to the rapid growth of e-commerce. In this volatile business environment, supply chain managers should consider developing strategies for dealing with the rapid swings that can result from increasing use of e-commerce in a globalized market.

Advantages of E commerce over conventional trade

- Ecommerce is a composite of technologies process and business strategies that foster the instant exchange of information within between organizations.
- Ecommerce strengthens relationship with buyers make it easier to attract new customer.
- It Improves customer responsiveness and open new markets on a global scale.
- Ecommerce provides the automated exchange of business information with internal and external customer, suppliers and financial institutions.
- Expanded Customer Base: The new market could be accessed through the online and extending the service offerings to customers globally.

- Expanded geographical reach: Internet shrinks the globe and broadens the current geographical parameters to operate globally
- Reduction of Marketing and Advertising costs: Marketing and promotional campaigns can be done globally at the reduced cost.
- Retaining information of customer and customer services improves drastically
- Strengthens relationship with customers and suppliers
- Streamlines business process and administrative functions
- Provide customer's valuable information about your business
- Increase visibility through Search engine Marketing

II. GROWTH OF E-COMMERCE IN INDIA

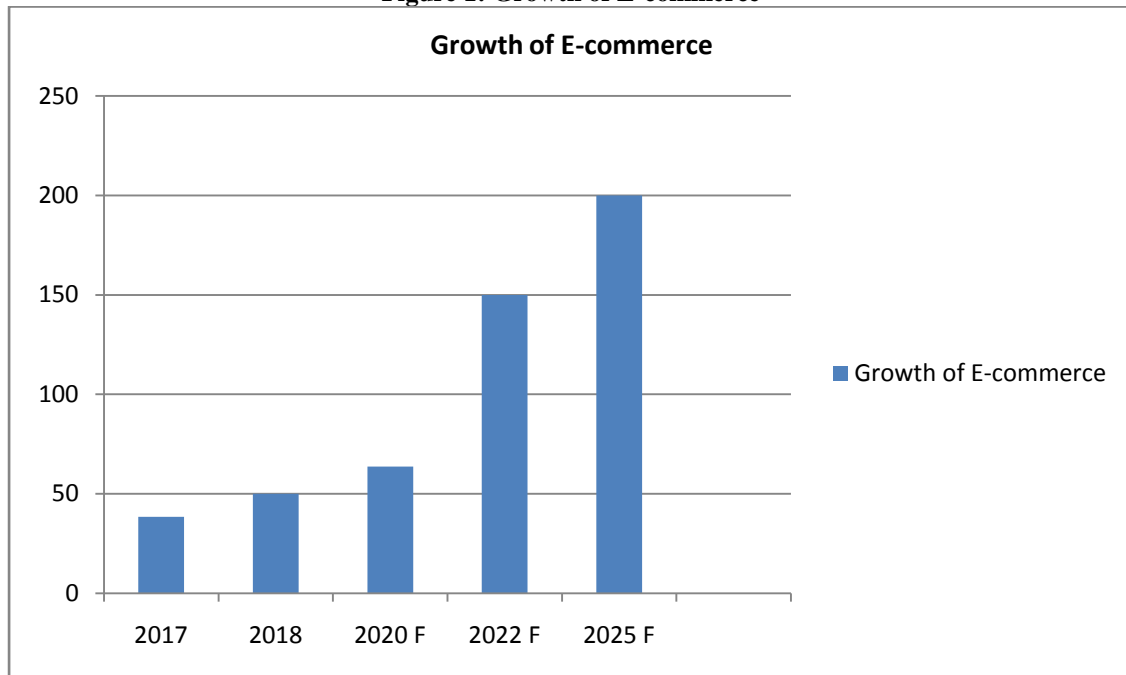
India's ecommerce market has the potential to growth four folds to US\$ 150 billion by 2022 supported by rising incomes and surge in internet users

Table 1: Growth of E-commerce

Year	Growth rate of E-Commerce(USD Bn)
2017	38.50
2018	50.00
2020F	63.70
2022F	150.00
2025F	200.00

Source: Statista 2020

Figure 1: Growth of E-commerce



With growing internet penetration, internet users in India are expected to increase from 445.96 million in 2017 to 829 million by 2021. As of June 2019, internet subscribers in India stood at 665.31 million. Each month, India is adding approximately 10 million daily active internet users to the internet community supporting the ecommerce industry which is the highest rate in the world. Online shoppers in India are expected to reach 220 million by 2025. India's internet economy is expected to double from US\$ 125 billion as April 2017 to US\$ 250 billion by 2020, majorly backed by E-commerce. Digital transactions are expected to reach

US\$100 billion by 2020, through its 'Digital India' campaign the Government of India is aiming to create a trillion dollar online economy by 2025. Propelled by rising Smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian E-commerce market is expected to grow to US\$ 200 billion by 2027 from US\$ 38.5 billion in 2017. E-commerce is increasingly attracting customers from Tier 2 and 3 cities, where people have limited access to brands but have high aspirations. Average online retail spending in India was US\$ 224 per user in 2017. The Government e-market place (GeM), three years

after its inauguration saw accumulative procurement by the central and state governments of Rs24,183 crore (US\$3.46billion) in FY19 and has a target of Rs 50,000 (US\$7.15billion) crore in FY20. By 2022, Smartphone users are expected to reach 476 million and E-commerce sector expected to grow 1,200 percent by 2026. Government e-Market place (GeM) signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless and transparent payment system for an array of services in October r2019

India's E-Commerce Consumers

Current estimates indicate that India has more than 90 million online shoppers. They are more likely to be male than female, though this imbalance is changing and expected to change further. In some traditional families, women can be discouraged from accessing the internet as it may be seen as a source of “negative influences”. While current internet users are generally younger (aged 25 to 34), and found in metropolitan and tier-1 cities, this too is changing. A consumer market of women in Tier 2 and 3 cities is emerging as they discover a range of products that had previously been unavailable in their area. Nykaa, the beauty and cosmetics retailer, has attracted a large number of women to its online platform on this basis. The online shopper in India continues to be more urban, better educated and more modern in their tastes than the average consumer. They are part of India's rapidly growing middle class. These factors can be seen influencing the growing appetite for international brands and better-quality foreign and imported products among digitally connected shoppers. While consumer electronics and fashion apparel are the major e-

commerce retail categories in the market, food and grocery, baby products, personal care and home furnishings are significant categories that are also growing quickly.

Rising Internet Penetration In India

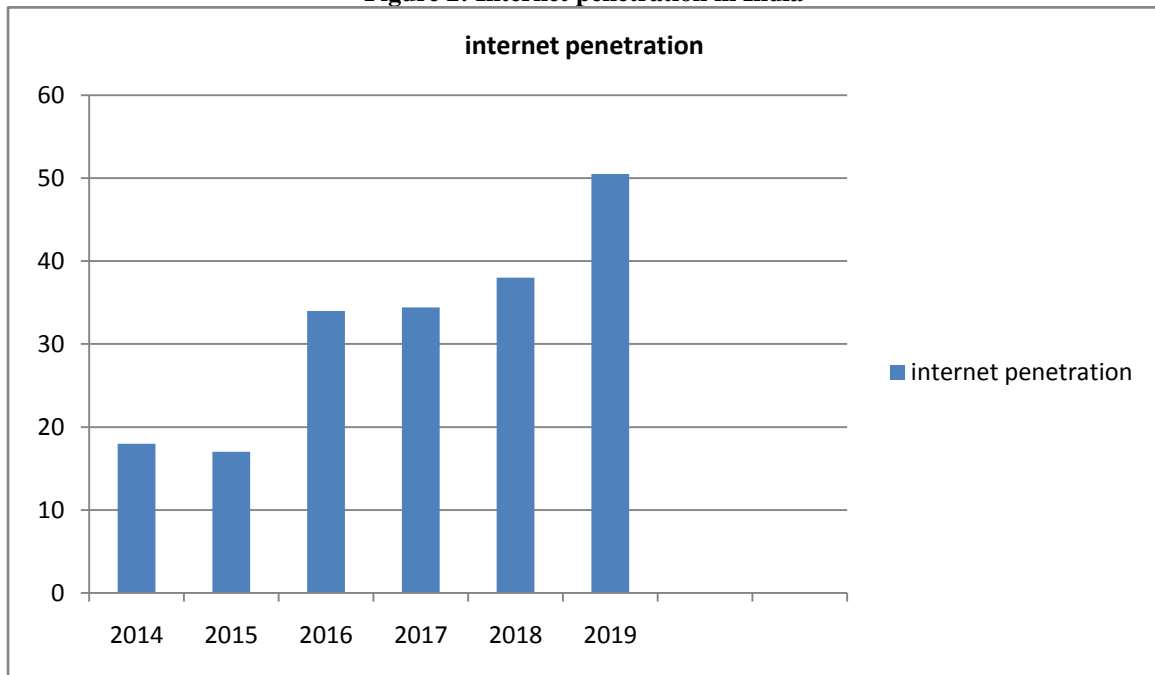
Internet penetration in India grew from just 4 percent in 2007 to 50.52 percent in 2019, registering a CAGR of 24 percent between 2007 and 2017. Urban India with an estimated population of 444 million as per 2011 census. Urban internet subscriber base stood at 427.05 million and its penetration was 101.63 percent in FY20. Rural India, with an estimated population of 906 million as per 2011 census. Rural internet subscriber base stood at 238.26 million and rural India penetration was 26.57 percent in FY20. Internet penetration in rural India is expected to grow as high as 45 percent by 2021 compared to the current rate of 21.76 percent. Number of active internet users in the country is the second highest globally and data usage of 8GB /subscriber /month is comparable to developed countries. India is also one of the largest data consumers globally .It has highest data usage per Smartphone at an average of 9.8 GB per month

Table 2: Internet penetration in India

Year	Internet penetration (%)
2014	18
2015	27
2016	34
2017	34.42
2018	38.02
2019	50.52

Source: www.ibef.org

Figure 2: Internet penetration in India



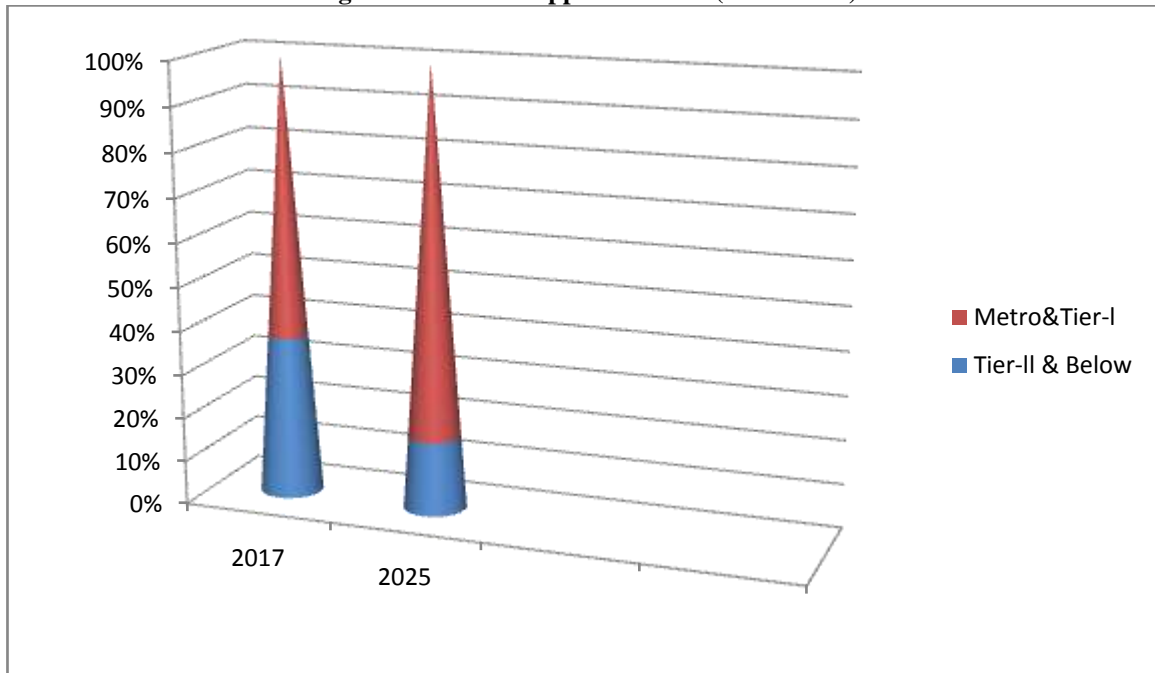
Online Retail Market

The online retail market in India is estimated to be worth US\$17.8billion in terms of gross merchandise value (GMV) as of 2017. India has secured the highest CAGR among major economies in online sales at 70 percent in the online retail market over the years 2012-17. Online retail sales in India are expected to grow by 31 percent to touch US\$ 32.70billion in 2018, led by Flip kart, Amazon India and Pay tm Mal. E-retail market is expected to continue its strong growth, by registering a CAGR of over 35 percent and to reach Rs1.8 trillion(US\$25.75billion) by FY20

Table 3: Online shoppers in India (In Millions)

Year	Tier-II and Below	Metro & Tier-I
2017	55	95
2025	25	125

Figure 3: Online shoppers in India (In Millions)

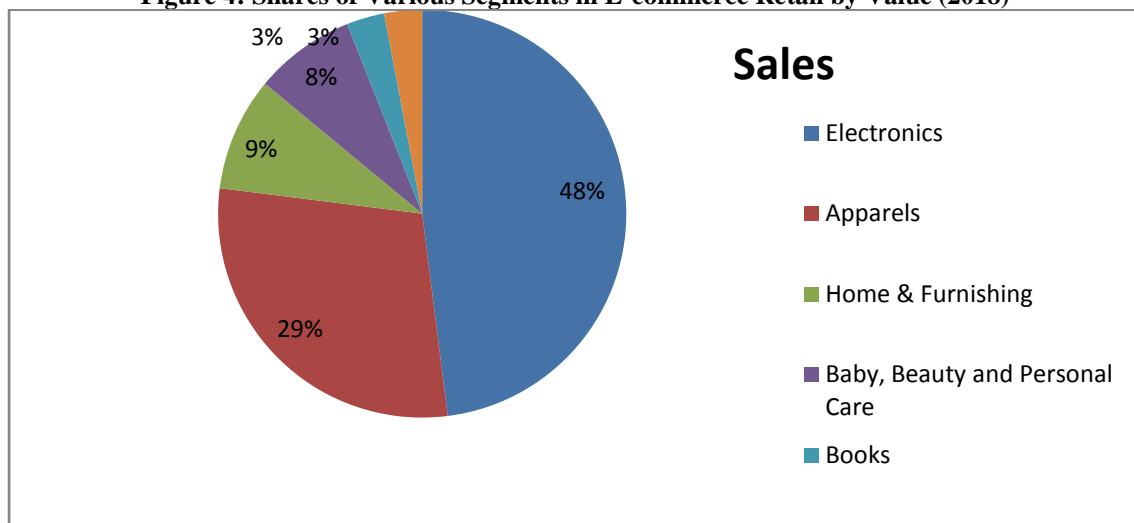


. Source: www.ibef.org

Electronics is currently the biggest contributor to online retail sales in India with a share of 48 percent, followed closely by apparel at 29 percent. By 2025, non-electronics categories are expected to take 80 percent share in online retail in India. As of July 2018, the number of transactions in E-commerce retailing are 1-1.2 million per day and on E-commerce

platforms is 55-60 million per month. With cost of servicing tier-II and other smaller cities going down, most of e-retail's growth in the country is going to come from there. Overall, online shoppers in India are expected to cross 120 million in 2018 and eventually 220 million by 2025.

Figure 4: Shares of Various Segments in E-commerce Retail by Value (2018)



. Source: www.ibef.org

Online Retail Versus Total Retail In India

Figure 5: Online Retail out of Total Retail in India (2018E)

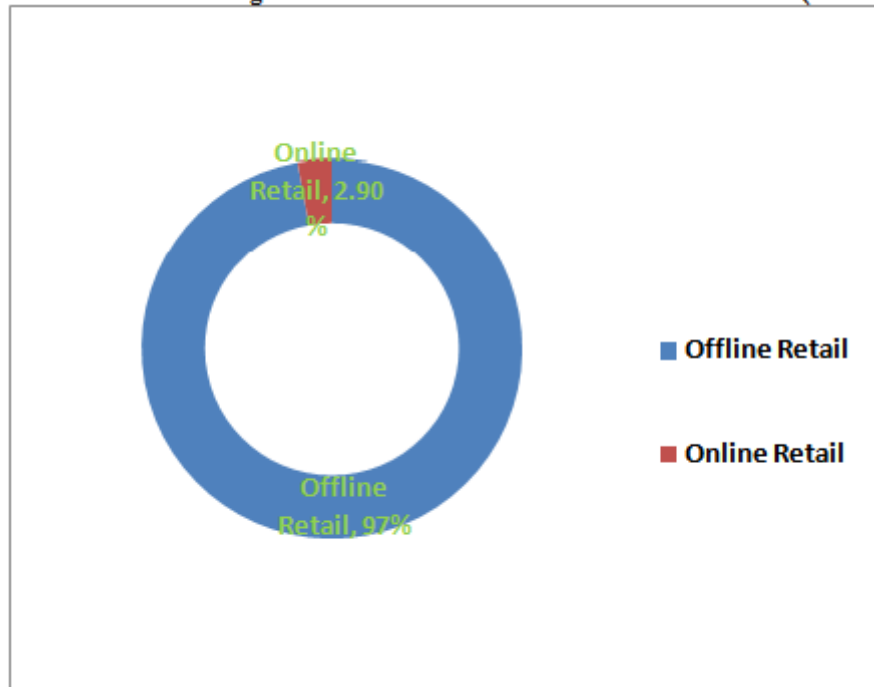
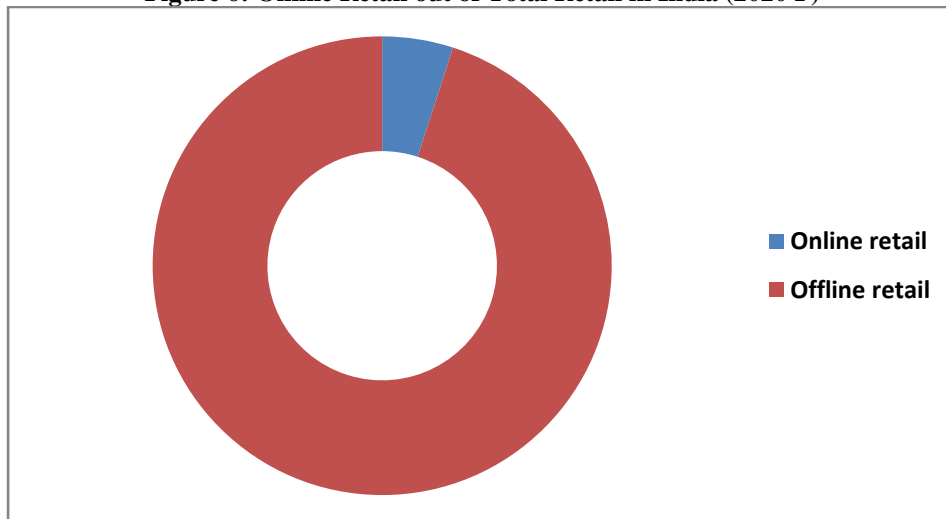


Figure 6: Online Retail out of Total Retail in India (2020 F)



Source: Redseer crisil Report 2020

Note—F-Forecasted, E-estimated

There are a lot of opportunities for e-retailers in India to capitalize upon with the gradually growing internet penetration in India. As of 2016-17, online retail made up 1.5 percent of overall retail market in India and is expected to contribute 2.9 percent in 2018. 20 percent of organized retail market. The online retail market

in India increased from US\$ 14.5 billion in 2016 to US\$17.8 billion in 2017 and is expected to grow to US\$73 billion by 2022 at a CAGR (Compound Annual Growth Rate) of 29.2 percent

Digital Marketing And Media In India

As of 2019, Indian consumers still spend the majority of their media time in traditional channels compared to digital channels. Television takes the largest share of total time spent (at 59 per cent), while digital is now the second most popular media source, representing 30 per cent of total media time. While digital may still lag behind television in terms of media hours per consumer, online advertising expenditure increased by 30 per cent from 2018 to hit US\$1.98 billion in 2019. It is estimated that ad spending in digital channels will increase by an average of 20 per cent in each of the next five years, according to a November 2019 eMarketer analysis.

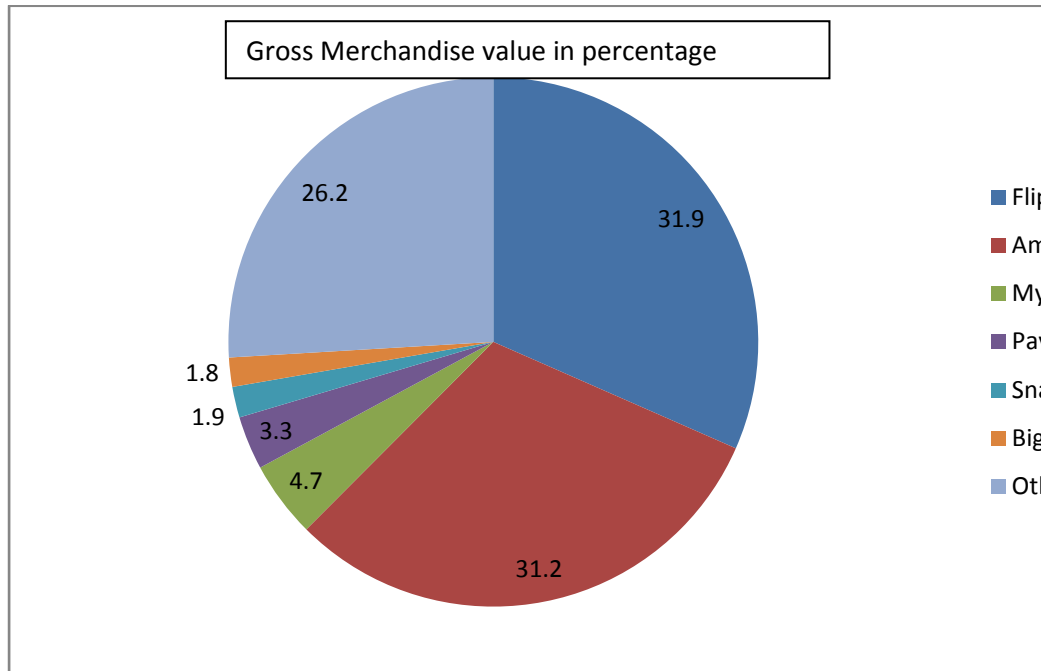
Digital Payment In India

The Government of India has been taking several measures to promote and encourage digital payments in the country. As part of the “Digital India “campaign, the government aims to create a digitally empowered economy that is Faceless, Paperless, Cashless. There are various types and modes of digital payments. Some of these include the use of debit/credit cards, internet banking, mobile wallets, digital payment apps, Unified Payments Interface (UPI) service, Unstructured Supplementary Service Data (USSD), Bank prepaid cards, mobile banking etc

Key Players In E-Tailing Market



Figure 7: Online retail market share by players in India’s E-commerce market 2019



Source: Forrester Analytics Online retail Forecast, 2018 to 2023

Others includes urban ladder, Gofers, Pepper fry, ShopClues.com, Jaborg.com, Movie and event tickets etc

III. FACTORS DRIVING E-COMMERCE GROWTH

1. Internet content in local languages

Online retailers see this emergent segment as a new growth driver as the incremental growth in mobile Subscribers can be credited mainly to people who are comfortable with languages other than English .Indian language users on the internet are expected to reach 540 million by 2021.In August 2018,Flipkart acquired an artificial intelligence company Liv.ai which converts speech to text in 10 Indian languages. Reverie Language Technologies is expected to raise US\$ 20 million to achieve its vision to create language equality on the internet.

2. Growth in non-metro cities

Consumer demand can be seen increasing even in small towns and cities .Less densely populated regions generated a larger proportion of online sales. Nearly 60 percent of Snapdeal’s purchases came from cities classified as tier II and III

3. Mobile Commerce

Online retailers ’growing reach in town and cities beyond metros is driven by an increasing in usage of mobile internet in the country. Increased ownership of Smartphone’s is

helping more Indians access hopping websites easily. Number of Smartphone users in India expected to rise by 84 percent to 859 million by 2022 from 468 million in 2017. In FY2019, Out of total internet subscribers, 93.39 percent of subscribers used internet service through mobiles

4. Growth of logistics and warehouses

Online retailers now deliver to 15,000-20,000 pin codes out of nearly100, 000 pin codes in the country. With logistics and warehouses attracting an estimated investment of nearly US\$ 2billion by 2020, the reach of online retailers to remote locations is set to increase. Indian warehousing sector is expected to grow by at least 100 percent by2021 .In August 2019, Amazon setup its biggest global office in Hyderabad and plans to have 50 warehouses across the country

5. Cashless Transactions

A net addition of nearly 140 million debit cards has been recorded in the country in the past few years. Usage of debit cards at points of sale terminal has increased by 86 percent during the same period. This clearly reflects that people are getting comfortable with using debit cards for activities other than withdrawals at ATM Value of Unified Payments Interface (UPI)

transactions stood at Rs1.91 trillion (US\$27billion) in October r2019 recording 1.15 billion transactions. Paytm has launched India's first bank "Paytm Payment Bank" with zero charges on online transactions PhonePe achieved an annual 'total payment volume' (TPV) run-rate of US\$ 95 billion while clocking 335 million transactions in July 2019. Paytm logs 400 million plus transactions in a month.

6. B2B E-commerce

Amazon has launched an online Business-to-Business (B2B) market place in India where small and medium enterprises (SMEs) can buy products. Power 2 SME, one of the largest B2B online market places in India that provides raw materials to small and medium enterprises (SMEs), has raised US\$ 36 million from Inventus Capital , Accel Partners and others in September 2017, which will be used towards technology, sales, marketing and geographic expansion. DesiClik a US based company has entered into strategic partnership with Indian GiftsPortal (IGP) which will offer range of B2B solutions.

7. Increasing Investments

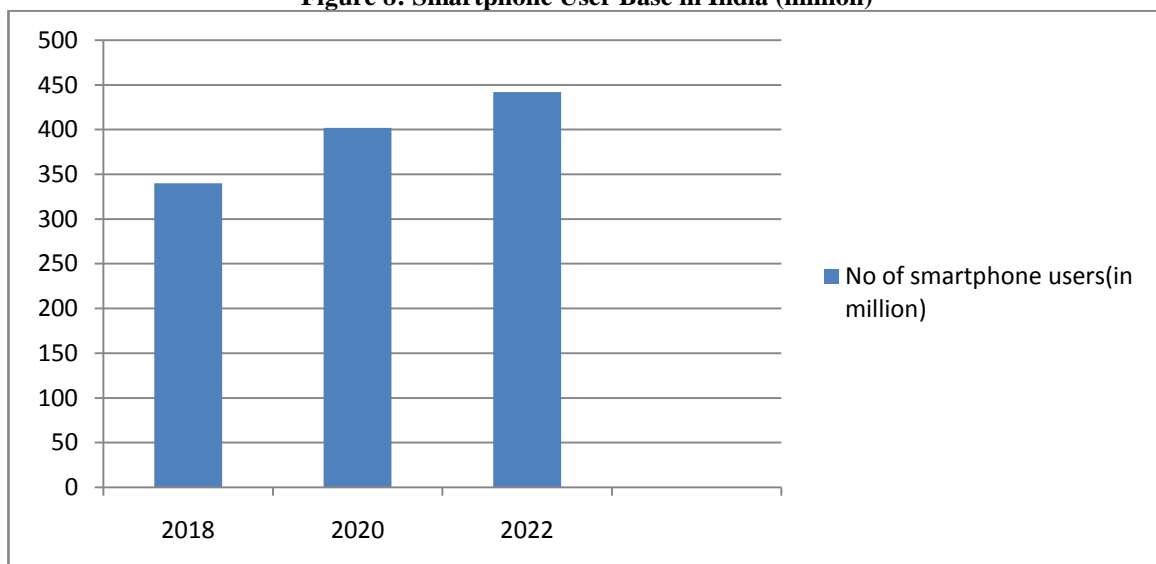
Chinese phone manufacturer ,Xiaomi Corporation, is planning to invest about US\$1billionin 100 Indian start-ups over the

coming five years, with an aim to make an ecosystem of apps surrounding its Smartphone brand .In December 2018, Flipkart's parent company invested Rs1,431crore (US\$201million) in its wholesale entity in India.US\$ 6.25billion have been invested in logistics sector in 2019. In March2019, Paytm is about to raise US\$1.5-2 billion from its existing investors SoftBank Vision Fund and Alibaba's financial affiliate Ant Financial

7.1. Increase In Smartphones Driving E-Commerce Growth

The proliferation of mobile devices combined with internet access via affordable broadband solutions and mobile data is a key factor driving the tremendous growth in India's E-commerce sector. Smartphone users in India is expected to reach at 859 million by 2022.□ Smartphone shipments in India increased 14.50 percent year -on- year to reach 142.30 million units in 2018, thereby making it the fastest growing market of the top 20 Smartphone markets in the world. During April-June quarter 2019, Smartphone shipment in India grew 9.9 percent year-on-year to 36.9 million shipments .It is expected to reach 160 million in 2019. Currently, mobile phones account for about 40 percent of Gross Merchandise Value (GMV).

Figure 8: Smartphone User Base in India (million)



Source: IMF, World Bank, International Data Corporation (IDC), Counterpoint Research, Media Sources, Q2-from April-June

Private Investments In Commerce

E-commerce industry in India witnessed 21 private equity and venture capital deals worth US\$ 2.1 billion in 2017 .E-commerce and consumer internet companies in India received more than US\$ 7 billion in private equity and venture capital in 2018 with approximately 200 deals.

Table 4: Private Investment in E-Commerce

Company	Investor	Funding (USDMillion)
Delhivery	SoftBank	413
Flipkart	SoftBank	2,500
BigBasket	Alibaba Group Holding Ltd, Sands Capital, International Finance Corp, Abraaj Capital	300
Paytm	Berkshire Hathaway	356
CarDekho	Sequoia India, Hillhouse Capital, Capital G and Axis Bank	110
Udaan	Lightspeed Venture Partners US and other	50
Capital Float	Ribbit Capital, SAIF Partners, Sequoia India	45
Bank Bazaar	Experian Plc	30
Droom	Asset Management (Asia) Ltd, Digital Garage Inc	20
1 mg	HBM Healthcare Investments, Maverick Capital Ventures, Sequoia India, Omidyar Network and Kae Capital	15
Gozefo	Sequoia Capital India, Helion Venture Partners and Beenext Pte Ltd	9
Jumbotail	Kalaari Capital, Nexus India Capital	8.5

Glossary

CAGR: Compound Annual Growth Rate
 GMV –Gross Merchandise Value
 FDI: Foreign Direct Investment
 FY: Indian Financial Year (April to March)
 GOI: Government of India

IV. CONCLUSION

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. With a rapidly growing internet penetration e-commerce offers an attractive option for the retailers to expand.

REFERENCE

- [1]. Almeida de Almeida, A.G., Avila, A. & Boncanoska, V. 2007. ‘Promoting e-commerce in developing countries’, Internet Governance and Policy Working Papers. Available [online] <http://www.euromed.net/poolbin.asp?IDPool=454>.
- [2]. Bresnahan, T.F., Brynjolfsson, E. & Hitt, M.L. 2002. ‘Information technology, workplace organization, and the demand of skilled labor: Firm-level evidence’, Quarterly Journal of Economics, **117**: 339–76.
- [3]. Zhuang, Y. & Lederer, A.L. 2006. ‘A resource-based view of electronic commerce’, Information & Management, **43**: 251-61.

-
- [5]. Ministry of Micro, Small and Medium Enterprises, Govt. of India site: msme.gov.in <http://msme.gov.in/>.
- [6]. Rebirth of E-commercial in India, report by Ernst & Young LLP available at www.ey.com
- [7]. E-Commence Evolution in India: Creating the bricks behind the clicks, Designed by Corporate Communications, India available at www.pwc.in
- [8]. Future of e-Commerce: Uncovering Innovation, available at www.deloitte.com/in
- [9]. www.ibef.org
- [10]. www.statista.org
- [11]. <http://www.itcportal.com/ruraldevp-philosophy/transforming-htm>
- [12]. <http://www.itcportal.com/newsroom/press-ian!8-04.htm>
- [13]. www.digitaldividend.org/pdfrechoupal-case.pdf



**International Journal of Advances in
Engineering and Management**
ISSN: 2395-5252



IJAEM

Volume: 02

Issue: 01

DOI: 10.35629/5252

www.ijaem.net

Email id: ijaem.paper@gmail.com