



# Effect of E-Commerce on Indian Economy

Mr. P. Durgaprasad<sup>1</sup>, Dr. Sanjay Kumar Padhy<sup>2</sup>

<sup>1</sup>Assistant Professor, Aurora's PG College, Hyderabad

<sup>2</sup>Professor, Aurora's PG College, Hyderabad

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## ABSTRACT

India's economy is one of the world's fastest growing, as we all know, so it is crucial to having a government intervention and a significant increase in investment flow foreign investment in a developed country like India will maintain and accelerate the development of its e-commerce sector. According to statistics data, internet usage in India has climbed to 429.23 million users and is anticipated to reach over 950 million by the year 2025 as a result of the country's strong expansion in digital penetration. E-commerce has the potential to help developing rural areas in nations like India leapfrog into the knowledge paradigm, which is one of the most significant benefits of the industry. "E-Commerce is great platform not only to develop infrastructure but also increase employment rates in India and thus overall impact in increasing economic and social growth in Indian economy." One of the most significant benefits of e-commerce for a developing nation like India is its ability to assist rural areas to advance into the information paradigm. E-commerce is a terrific way to build infrastructure as well as raise employment rates in India, which will have a positive overall impact on the country's economic and social development.

**Keywords:** E-commerce, Foreign investment, Indian economy, Employments, Social developments

## INTRODUCTION

E-commerce (electronic commerce) is the activity of electronically buying or selling products on online services or over the Internet. E-commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. E-commerce is the largest sector of the electronics industry and is in turn driven by the technological advances of the semiconductor industry.

### Defining E-Commerce

The term was coined and first employed by Robert Jacobson, Principal Consultant to the California State Assembly's Utilities & Commerce Committee, in the title and text of California's Electronic Commerce Act, carried by the late Committee Chairwoman Gwen Moore (D-L.A.) and enacted in 1984.

E-commerce typically uses the web for at least a part of a transaction's life cycle although it may also use other technologies such as e-mail. Typical e-commerce transactions include the purchase of products (such as books from Amazon) or services (such as music downloads in the form of digital distribution such as the iTunes Store). There are three areas of e-commerce: online retailing, electronic markets, and online auctions. E-commerce is supported by electronic business. The existence value of e-commerce is to allow consumers to shop online and pay online through the Internet, saving the time and space of customers and enterprises, greatly improving transaction efficiency, especially for busy office workers, and also saving a lot of valuable time.

### Advantages:

The many benefits of e-commerce include:

- Global access, 24 hours a day, 7 days a week
- Improved client service through greater flexibility
- Cost savings
- Faster delivery of products
- Increased professionalism
- Less paper waste



- Opportunities to manage your business from anywhere in the world.
- Disadvantages:
- Impersonal
- Technology Gap
- Competition
- Customer Service
- Internet Connectivity

#### **Effect of e-commerce on Indian Economy:**

The Indian online grocery market is estimated to reach US\$ 18.2 billion in 2024 from US \$1.9 billion in 2019, expanding at a CAGR of 57%. India's e-commerce orders volume increased by 36% in the last quarter of 2020, with the personal care, beauty and wellness (PCB&W) segment being the largest beneficiary. India's consumer digital economy is expected to become a US\$ 800 billion market by 2030, growing from US\$ 537.5 billion in 2020, driven by strong adoption of online services such as e-commerce in the country. According to Grant Thornton, e-commerce in India is expected to be worth US\$ 188 billion by 2025. With a turnover of \$50 billion in 2020, India became the eighth-largest market for e-commerce, trailing France and a position ahead of Canada. According to NASSCOM, despite COVID-19 challenges/disruptions, India's e-commerce market continues to grow at 5%, with expected sales of US\$ 56.6 billion in 2021.

Propelled by rising smartphone penetration, launch of 4G network and increasing consumer wealth, the Indian E-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017. Online retail sales in India are expected to grow 31% to touch US\$ 32.70 billion in 2018, led by Flipkart, Amazon India. After China and the US, India had the third-largest online shopper base of 140 million in 2020.

Indian consumers are increasingly adopting 5G smartphones even before roll out of the next-gen mobile broadband technology in the country. Smartphone shipments reached 150 million units and 5G smartphone shipments crossed 4 million in 2020, driven by high consumer demand post-lockdown. According to a report published by IAMAI and Kantar Research, India internet users are expected to reach 950 million by 2025 from 622 million internet users in 2020.

E-commerce has transformed the way business is done in India. The Indian E-commerce market is expected to grow to US\$ 111.40 billion by 2025 from US\$ 46.2 billion as of 2020. By 2030, it is expected to reach US\$ 350 billion. By 2021, total e-commerce sales are expected to reach US\$ 67-84 billion from the US\$ 52.57 billion recorded in 2020.

Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration. As of July 2021, the number of internet connections in India significantly increased to 784.59 million, driven by the 'Digital India' programmed. Out of the total internet connections, ~61% connections were in urban areas, of which 97% connections were wireless.

#### **CONCLUSION**

E-Commerce has become an important part of many multilateral negotiations such as Regional Comprehensive Economic Partnership (RCEP), WTO, BRICS etc. E-Commerce still faces various issues like international trade, domestic trade, competition policy, consumer protection, information technology etc. As a growing sector with huge interest from both domestic and international players, it becomes pertinent to regulate it keeping in mind the interest of both entrepreneurs and consumers. A conducive environment and a level playing field should be encouraged. Policymakers should also be mindful of shaping a vibrant domestic industry. A comprehensive policy is of utmost importance to reflect India's position in both domestic and international or multilateral forums. 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.

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