



ISSN: 2230-9926

Available online at <http://www.journalijdr.com>

IJDR

International Journal of
DEVELOPMENT RESEARCH

International Journal of Development Research
Vol. 6, Issue, 03, pp. 7253-7256, March, 2016

Full Length Research Article

A STUDY ON IMPACT OF E-COMMERCE ON INDIA's COMMERCE

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ARTICLE INFO

Article History:

Received 22nd December, 2015
Received in revised form
24th January, 2016
Accepted 17th February, 2016
Published online 31st March, 2016

Key Words:

E-commerce,
E-finance,
E-Merchandise,
M- Commerce.

ABSTRACT

E-commerce 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 ecommerce 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 inflection point. 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

E-COMMERCE

E-commerce is a paradigm shift. It is a "disruptive" innovation that is radically changing the traditional way of doing business.

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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 ecommerce 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

Historical Development of E-Commerce

A timeline for the development of e-commerce:

- 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 Télécom 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, WorldWideWeb, 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 AppWrapper
- 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: Ipswich IMail Server becomes the first software available online for sale and immediate download via a partnership between Ipswitch, Inc. and OpenMarket.
- 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 AuctionWeb.
- 1996: IndiaMART 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 eCompanies, which was purchased in 1997 for US \$149,000. The peer-to-peer filesharing 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 NetShops 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 eCommerce 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 ecommerce growth, selling almost 500 Million SKU's in the US.

KEY DRIVERS IN INDIAN E-COMMERCE ARE

- Large percentage of population subscribed to broadband Internet, burgeoning 3G internet users, and a recent introduction of 4G across the country.

- Explosive growth of Smartphone users, soon to be world's second largest Smartphone user base.
- Rising standards of living as result of fast decline in poverty rate.
- Availability of much wider product range (including long tail and Direct Imports) compared to what is available at brick and mortar retailers.
- Competitive prices compared to brick and mortar retail driven by disintermediation and reduced inventory and real estate costs.
- Increased usage of online classified sites, with more consumer buying and selling second-hand goods
- Evolution of Million-Dollar startup like Jabong.com, Saavn, Makemytrip, Bookmyshow, Zomato Etc.

India's *retail market* is estimated at \$470 billion in 2011 and is expected to grow to \$675 billion by 2016 and \$850 billion by 2020, – estimated CAGR of 10%. According to Forrester, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012 –2016. India has an internet user base of about 354 million as of June of 2015. 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 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.

Growth and Prospects of E-Commerce in India:

Increasing internet and mobile penetration, growing acceptability of online payments and favourable demographics has provided the e-commerce sector in India the unique opportunity to companies connect with their customers, it said. There would be over a five to seven fold increase in revenue generated through e-commerce as compared to last year with all branded apparel, accessories, jewellery, gifts, footwear are available at a cheaper rates and delivered at the doorstep, (as per industry body Assocham). It is noted that the buying trends during 2016 will witness a significant upward movement due to aggressive online discounts, rising fuel price and wider and abundant choice will hit the e-commerce industry in 2016.

It observed 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, Ahmedabad, 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).

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.

Challenges of E-commerce in India

India has less credit card population, lack of fast postal services in rural India. Accessing the Internet is currently hindered down by slow transmission speeds, frequent disconnects, cost of Wireless connection and 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. 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

Conclusion

Growth of e-commerce depend to a great extent on effective IT security systems for which necessary technological and legal provisions need to be put in place and strengthened constantly. While 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. 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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