ABSTRACT

The retail e-commerce sales in 2015 as a percentage of total retail sales in India accounted for approximately 0.9 percent of all retail sales in India. However, this figure is expected to grow in the near future and is estimated to reach 1.4 percent in 2018. The research paper attempts to analyze the growth of e-commerce in India over the past few years and to evaluate the effect of the growth of the e-commerce on the Indian economy.

Keywords: E-Commerce, online shopping

INTRODUCTION

The fast paced development of technology in telecommunications in the past few years has been changing many aspects of our lives such as how we search for information, how we travel and also how we buy products or services. Till date retail shops are preferred for buying due to various reasons such as touch and feel the product, bargaining, personal touch. However, Electronic commerce known as e-commerce, which involves buying and selling of products and services exclusively through electronic channels, is gaining ground in India. One of the most well-known forms of e-commerce or electronic commerce is online shopping, also known as business to consumer e-commerce (B2C), whereby private customers can order various products of their choice which they then receive by courier or postal mail.

Another form of e-commerce focuses on transactions between companies, such as manufacturers and wholesalers or wholesalers and retailers and is called business to business e-commerce (B2B).

The third and final form of e-commerce involves transactions from one consumer to another and is called consumer to consumer (C2C) e-commerce such as eBay, OLX, Quickr and other such websites.

Recent statistics indicate that retail e-commerce sales in India have grown tremendously from 2.3 billion U.S. Dollars in 2012 to an estimated 17.5 billion U.S. Dollars in 2015 which represent an almost eight-fold growth. The retail e-commerce sales in 2015 as a percentage of total retail sales in India accounted for approximately 0.9 percent of all retail sales in India. However, this figure is expected to grow in the near future and is estimated to reach 1.4 percent in 2018. The research paper attempts to analyze the growth of e-commerce in India over the past few years and to evaluate the effect of the growth of the e-commerce on the Indian economy.

OBJECTIVES OF STUDY

1) To analyze the growth of e-commerce in India over the past few years.

2) To evaluate the effect of the growth of e-commerce on the Indian economy.
The research paper is based on the secondary data collected from various magazines, articles, newspapers and various websites on the various aspects of the growth of E-Commerce in India and its impact on the Indian economy.

REVIEW OF LITERATURE

Commerce and Industry Minister, Mrs. Nirmala Sitharaman had said that the new guidelines for E-commerce will be able to provide a level playing field to both online and offline stores by bringing in greater clarity. It is necessary to ensure that the Indian players and Indian market situation does not get unnecessarily skewed to distort any free trade practices. The clarification issued will result in bringing in level playing field to those in the bricks and mortar bracket of the commerce. E-commerce has to be encouraged but obviously it's not going to restrict the consumer.

Subho Roy, The President of Internet & Mobile Association of India (IAMAI) welcomed the DIPP clarification on the marketplace model and said that the industry has been waiting for this clarification and allowing 100% FDI under automatic route in online marketplace model will usher in considerable investments and will immensely benefit the consumers and the small and medium industries, and will also open up avenues for employment generation. IAMAI recognize the intermediary role played by such technological platforms. IAMAI hopes that going forward; the Government will also allow 100% FDI in inventory based B2C E-commerce activities.

Morgan Stanley, an American multinational financial services company has said that India received $6.6 billion in venture capital and private equity investment in 2015, a 50% increase from the previous year, which probably contributed to a steep growth in the gross merchandise value for e-commerce companies. The GMV (Gross Merchandise Value) of the country's top three e-commerce companies exceeded that of the top 10 offline retailers last year. Since the Indian market has huge potential, the opportunities are making ‘the story compelling for global investors’. By 2020, India's e-commerce market is expected to grow from $102 billion to $119 billion. This takes the total Indian Internet market size from $137 billion to $159 billion including online food aggregation business. A global macroeconomic slowdown could affect the flow of VC/PE money into India, thereby slowing GMV growth and lowering valuations.

Growth of E-Commerce in India

Although the use of the internet in India is lower than many poorer countries, India's e-commerce sector tripled or rather grew by 209 percent over a period of five years – from 4.4 billion U.S Dollars (Rs.20,020 crore) in 2010 to 13.6 billion U.S Dollars (Rs.83,096 crore) in 2014. According to an Associated Chambers of Commerce & Industry of India (Assocham) report which was released in January 2016, it is estimated that India's e-commerce market will reach 38 billion U.S Dollars (Rs.252,700 crore) in 2016. According to a recent report by the Confederation of Indian Industry (CII) and Deloitte, a consultancy; the online retail sector in India is expected to be a $1 trillion (Rs.660,000 crore) market by 2020. It is indicated by the study that e-commerce will trigger big innovations in India. According to CII-Deloitte report, once The Goods and Services Tax is implemented, it is expected to boost the growth of e-commerce by simplifying taxation and logistics. As per September 2015 report, the internet penetration across the country is rising with as many as 354 million users. Also, the number of online shoppers in India has increased from 20 million in 2013 to 39 million in 2015, indicating a remarkable increase of 95 percent over three years. India’s e-commerce market has been rising despite low internet use.

India Spend reported that India's internet penetration - the percentage of Indians who use the internet is low-19 percent in 2014, as compared to Australia (90 percent), the US (87 percent), Japan (86 percent), Brazil (53 percent) and China (46 percent). According to a Mint report, in 2014, only 18 of 100 Indians used the internet, against 49.3 for China and 48.5 for Vietnam. Poorer countries such as Ghana also had greater internet penetration - 18.9 users per 100 people. The mobile subscriptions in India
were 74 per 100 people in 2014, lower than Bangladesh (80), China (92), Indonesia (129) and Vietnam (147). However, there has been an increase in mobile internet spending from 54 percent to 64 percent from 2014 to 2015 respectively, which is largely attributed to high-speed 3G and 4G internet connectivity at some of the world's lowest prices which in turn has fuelled e-commerce growth. Speed remains a major constraint despite of the rise in broadband and mobile internet users. According to an India Spend report, the average broadband speed in India is 2 mega bits per second (mbps), thus globally ranking 115. Similarly, the average mobile internet speed is 1.7 mbps which rank below Thailand, China, Hong Kong and Singapore. This year in March, the government allowed 100 percent foreign direct investment in online retail marketplaces i.e. electronic platforms that connect buyers and sellers. There is a battle of survival of the fittest among India’s e-commerce giants. Experts predict that as competition grows and international competitors step in, domestic online retailers will struggle, to keep up with the competition.

In April 2016, US retailer Amazon became the second-largest online marketplace by shipments in India, after domestic rival Flipkart, pushing former number two, Snapdeal to the third place. According to the Morgan Stanley report dated February 12, 2016; India is adding three Internet users every second and is already the second-largest Internet market globally in terms of users. It is expected that Internet penetration will increase from 32% in 2015 to 59% in 2020, thus translating to a near-doubling of the Internet user base. Also, it estimated that India will have almost 320 million online shoppers by 2020 compared with 50 million in 2015.

**Impact of E-Commerce on Indian Economy**

In 2014, India's consumer spending on merchandise and hence the size of India's retail market was about 525 billion U.S Dollars. It has been estimated that if India sees a real compound annual growth rate (CAGR) in the next 10 years, and the consumer price inflation remains around 6% CAGR in the same period, then India's merchandise retail spending is likely to touch about 1,100 billion U.S Dollars by 2020, and 2,100 billion U.S Dollars by 2025. Some factors that have led to this strong growth in retail consumption are a relatively young population, convergence in lifestyle aspirations across urban and rural India and rise of dual (or multiple) income households especially in urban India. In order to understand better the current and future impact of e-tail on India's physical retailers, it is important to gain a measure of what India is currently consuming and how that consumption is split between rural and urban populations.

The following table shows India’s retail consumption pattern and its estimated increase from 2014 to 2020 to 2025 respectively in key categories.

<table>
<thead>
<tr>
<th>CATEGORIES</th>
<th>2014 ($ BILLIONS)</th>
<th>2020 ($ BILLIONS)</th>
<th>2025 ($ BILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food And Grocery</td>
<td>350</td>
<td>729</td>
<td>1343</td>
</tr>
<tr>
<td>Apparel</td>
<td>46</td>
<td>96</td>
<td>176</td>
</tr>
<tr>
<td>Jewellery And Watches</td>
<td>40</td>
<td>88</td>
<td>169</td>
</tr>
<tr>
<td>Consumer Electronics</td>
<td>26</td>
<td>57</td>
<td>110</td>
</tr>
<tr>
<td>Pharmacy And Wellness</td>
<td>15</td>
<td>30</td>
<td>52</td>
</tr>
<tr>
<td>Furnishings And Furniture</td>
<td>19</td>
<td>40</td>
<td>73</td>
</tr>
<tr>
<td>Footwear</td>
<td>6</td>
<td>13</td>
<td>75</td>
</tr>
<tr>
<td>Food And Beverages</td>
<td>11</td>
<td>27</td>
<td>56</td>
</tr>
<tr>
<td>Beauty Services</td>
<td>2</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Health/ Fitness Services</td>
<td>3</td>
<td>8</td>
<td>17</td>
</tr>
<tr>
<td>Others</td>
<td>9</td>
<td>19</td>
<td>35</td>
</tr>
</tbody>
</table>

The above table indicates that even 10 years from now, almost two-thirds of India's retail spending (not total consumer spending because that also includes services such as housing, healthcare, transportation, education etc) is on food, followed by about 9% on apparel, then jewellery, and then consumer electronics, including mobile handsets. Rural India (spread across over 6,60,000 villages) accounts for almost 52% of this retail spending. Thus, it is estimated that India will see a very strong growth in all channels of retail: the traditional independents, the modern corporatized chains and e-tailing not only in the coming 10 years but also far beyond that. Thus, it can be seen that e-commerce has greatly impacted the business of physical retailers especially small retailers. Apart from them, the international e-tailers are giving a strong competition to domestic ones. However, physical retailers still have a very good standing in the Indian market as Indian consumers generally like to inspect the goods before making any purchase.

RECOMMENDATIONS

1. It is important for physical retailers, especially located in metro cities to make a serious effort to upgrade themselves with new technology and constantly innovate in order to delight their customers and establish customer loyalty.

2. Physical retailers should also put more effort in knowing their consumer better in order to provide products of their preference. Also, they can inform customers of any new variety of products in the market through the medium of mobile phones.

REFERENCES