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# Future of E-Commerce in India: Challenges & Opportunities

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## Abstract

E-commerce is definitely one of the business options that one will have to explore in the future. Ecommerce is said to bring about paradigm shift in the world for trading. Prediction e-commerce is showing tremendous business growth in our country. Backed by increased online user base & mobile phone presentation, Indian e-commerce has seen impressive growth in the last few years. Considering India's demographic dividend & rising internet accessibility, the sector is slated to scale greater heights. Although, India's overall retail opportunity is substantial, the sector is beset with some serious challenges. The present study has been undertaken to describe the present status & future growth of e-commerce in India. Analyze the present trends of e-commerce in India & examine the challenges & opportunities of e-commerce in India.

**Keywords:** E-commerce, Online retail, Increasing internet users, Electronic fund transfer.

## Introduction

E-commerce stands for electronic commerce. It means dealing in goods & services through the electronic media & internet. The rapid growth of e-commerce in India is being driven by greater customer choice & improved convenience with the help of internet the vendor or merchant who sells products or services directly to the customer from the portal using a shopping basket system or digital cart & allows payment through debit card, credit card or electronic fund transfer payments. In the present scenario e-commerce market & its space is increasing in demand as well as an impressive display or range of a particular type of services. E-commerce is already appearing in all areas of business, customer services, new product development & design. E-commerce business is growing in India because of wide range of product with minimum price wide range of suppliers & customers internet. In this modern era every business units want to join online business because increasing ratio of internet users in India. E-commerce in India is still in growing stage but it offers considerable opportunity.

## 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.
- 3) To analyze the present trends & opportunities of e-commerce in India.
- 4) To find out the growth factors of e-commerce in India.

## RESEARCH METHODOLOGY

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.

## Indian E-commerce Industry Analysis

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\$ 188 billion by 2025.

E-commerce is increasingly attracting customers from Tier 2 and 3 cities, where people have limited access to brands but have high aspirations.

With the increase in awareness about the benefits of online trading, there has been a significant rise in investment in E-commerce business. Hand in hand with offline trading, many established businesses, e.g. Shoppers Stop or Lifestyle, have setup online transaction channels.

Earlier food and grocery were never thought of as items for online trading. However, with the change of working habits, and consumers opting for adaptability and convenience, there are now innumerable small and large E-commerce companies selling provisions and food items like Grofers, BigBasket, etc.

Indian E-commerce industry is in a position to sustain itself as a viable business opportunity not only for established names but even for start-ups.

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. India's e-commerce industry is expected to grow from US\$ 38.5 billion as of 2017 to US\$ 200 billion by 2026. India's internet economy is expected to double from US\$125 billion as of April 2017 to US\$ 250 billion by 2020, majorly backed by e-commerce.

Much growth of the industry has been triggered by increasing internet and smartphone penetration. Internet penetration in India grew from just 4 per cent in 2007 to 34.08 per cent in 2016, registering a direct increase of 89 per cent in 2016 over 2007. The number of internet users in India is expected to increase at a CAGR of 15.6 per cent from 450 million as of June 2017 to 700 million by 2020.

A young demographic profile, rising internet penetration and relative better economic performance are the key drivers of this sector. The Government of India's policies and regulatory frameworks such as 100 per cent foreign direct investment (FDI) in B2B e-commerce and 100 per cent FDI under automatic route under the market place model of B2C e-commerce are expected to further propel growth in the sectors.

### **Growth of E-Commerce in India**

The e-commerce has transformed the way business is done in India. The Indian e-commerce industry has been on an upward growth trajectory and is expected to grow at a Compound Annual Growth Rate (CAGR) of 28 per cent from 2016-20 to touch US\$ 63.7 billion by 2020 and overtake the US by 2034.1 The sector reached US\$ 14.5 billion in 2016.

Much growth of the industry has been triggered by increasing internet and smartphone penetration. The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 (59 per cent of total population), from 371 million (28 per cent of population) in 2016, while total number of networked devices in the country are expected to grow to two billion by 2021, from 1.4 billion in 2016.

### **Market Size**

Total online spending, inclusive of domestic and cross border shopping, is expected to increase by 31 per cent year-on-year to Rs 8.76 trillion (US\$ 135.8 billion) by 2018. Cross border shopping by Indians touched Rs 58,370 crore (US\$ 9.1 billion) in 2016, and is expected to be 85 per cent year-on-year in 2017. The top 3 countries preferred by Indians for cross-border shopping in 2016 were USA (14%), UK (6%) and China (5%).

The Indian consumer internet market is expected to grow by 44 per cent year-on-year to touch US\$65 billion in 2017, up from US\$45 billion in 2016. Online travel agents account for the largest market share (70 per cent) in the internet consumer market, while the remaining 30 per cent is occupied by horizontal e-tailing, fashion, furniture, grocery, hotel, food technology aggregators, education technology, and alternative lending among others.

The internet industry in India is likely to double to reach US\$ 250 billion by 2020, growing to 7.5 per cent of Gross Domestic Product (GDP), with the number of mobile internet users growing to about 650 million and that of high-speed internet users reaching 550 million. About 70 per cent of the total automobile sales in India, worth US\$ 40 billion, are expected to be digitally influenced by 2020 as against US\$ 18 billion in 2016.

### Investments/ Developments

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

- Venture Capital (VC)-backed firms in India raised a record US\$ 9.6 billion of fresh capital between January-September 2017, which is more than twice the amount of capital raised during the same period in the previous year.
- Blackbuck, an online freight aggregator operated by Zinka Logistics Solutions Pvt Ltd, has raised Rs 50 crore (US\$ 7.68 million) in venture debt from InnoVen Capital.
- BankBazaar, a financial marketplace start-up in India, raised US\$ 30 million in a funding round led by Experian Plc, a credit rating agency based in UK, taking the company's total funding to US\$ 110 million.
- Gozefo.com, a Bengaluru based used furniture and appliances platform, has raised Rs 60 crore (US\$ 9 million) in Series B funding from Sequoia Capital India, Helion Venture Partners and Beenext Pte. Ltd.
- Mr Jeff Bezos, Founder and Chief Executive Officer, Amazon Inc has announced plans to further increase its investments in the country to develop its infrastructure and technology. The e-commerce giant also received an approval from the Reserve Bank of India (RBI) for launching its own digital payment wallet in India, thereby tapping into India's fastest-growing digital payments business.
- In April 2017, India's online retail giant, Flipkart, raised US\$ 1.4 billion in the biggest start-up funding round led by Tencent Holdings Ltd, eBay Inc and Microsoft Corp. It also acquired eBay's Indian arm as a part of the deal. The company also raised US\$ 1 billion in March 2017 in a funding round led by Chinese internet giant, Tencent and Microsoft, thereby valuing the start-up at US\$ 11 billion.
- Paytm's e-commerce unit raised US\$ 200 million in a funding round led by Chinese e-commerce giant, Alibaba and existing investor, SAIF Partners, to become the Indian unlisted company to be valued at over a billion dollars.
- China's largest e-commerce player Alibaba has planned to set up its first India office in Mumbai, in order to be a part of India's growing e-commerce market, which is expected to double to US\$ 34 billion by 2017.

### 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:

- Reserve Bank of India (RBI) has decided to allow "inter-operability" among Prepaid Payment Instruments (PPIs) such as digital wallets, prepaid cash coupons and prepaid telephone top-up cards.

- Finance Minister Mr Arun Jaitley has proposed various measures to quicken India's transition to a cashless economy, including a ban on cash transactions over ₹ 300,000 (US\$ 4,655.1), tax incentives for creation of a cashless infrastructure, promoting greater usage of non-cash modes of payments, and making Aadhaar-based payments more widespread.
- The introduction of e-payments has helped the Government of India in prompt collections and payments, leading to 98 per cent of the total government payments on value terms amounting to Rs 5.95 trillion (US\$92.3 billion), and 95 per cent on volume terms being made through e-payment mode as of March 1, 2017.
- The Ministry of Electronics and Information Technology (IT) issued the draft rules for digital payments for public consultation, which aim to address the issues of consumer interest and security concerns.
- The Government of India has distributed rewards worth around Rs 153.5 crore (US\$ 23.8 million) to 10 lakh customers for embracing digital payments, under the Luck Grahak Yojana and Digi-Dhan Vyapar Yojana.
- The Government of India is looking to install Wi-Fi hotspots at more than 1,000 gram panchayats across India, under its ambitious project called Digital Village, in order to provide internet connectivity for mass use, as well as enable delivery of services like health and education in far-flung areas.

### Conclusion

The e-commerce industry has been directly impacting the micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. The total size of e-Commerce industry (only B2C e-tail) in India is expected to reach US\$ 101.9 billion by 2020. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. With the increase in the number of electronic payment gateways and mobile wallets, it is expected that by the year 2020, cashless transaction will constitute 55 per cent of the online sales. 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.

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