

IMPACT OF ECOMMERCE AND DIGITIZATION ON ECONOMIC GROWTH OF INDIA

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Abstract

In recent years, the invention of faster internet connectivity and powerful online tools has resulted in a new commerce arena. An e-commerce solution for a business is the incorporation of all aspects of the business operations into an electronic format, thereby causing a reduction in operation cost and resulting in an increased profit. With e-commerce, business is no longer limited to geographical boundaries, rather it opens itself to the global on-line market.

Digitization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities. In simple terms, it is the process of changing from analog to digital form and to integrate the economy by creating digital markets. The study tries to investigate the impact of digitization and e-commerce on business. It also aims to explore the benefits of the E-commerce which can be leveraged for overall economic growth and global competitiveness. The objective of the paper is to find out how digitization and e-commerce are fostering economic growth, what type of employment opportunities are created by digitization and e-commerce in particular and how these opportunities could be harnessed in India.

Keywords: E-commerce, Digitization, Economic growth

INTRODUCTION

The objective of the paper is to seek answers to how digitization is fostering economic growth of the nation, what is the contribution of digitization and e-commerce towards the GDP of a country. To explore the types of employment opportunities that are created by digitization and e-commerce in particular and how these opportunities could be leveraged in India.

The focus on the two terms which are also used interchangeably are the digitization and digitalization. **Digitalization** can be defined as “the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business. Whereas **Digitization** is the process of changing from analog to digital form.

An e-commerce solution for a business is the incorporation of all aspects of the business operations into an electronic format. When a business incorporates an e-commerce solution, it experiences a reduction

in operation cost thereby resulting in an increase in profit. It promotes not just elimination of unnecessary paperwork, but also allows accessibility of records in a matter of seconds.

BENEFITS OF DIGITIZATION

The greatest feature of the internet is the absence of intermediaries. The manufacturers are able to sell their products relatively easily to buyers via the internet.

In order to build capacities, research and development should be encouraged. Critical digital infrastructure is required to be developed by the public bodies or through public – private partnership.

Adding to this the present government has taken up an initiative called “**Digital India**” for modernization of the society that will connect every corner of the country. Thus a push to the startup and ecommerce environment Indian economy is poised to witness a momentous change driven by online selling.

However the effect of digitization at macro level in Indian economy is yet to be revealed. With the enormous benefits of digitization come political challenges for the policymakers to set the stage for seamless digitization.

BENEFITS OF ECOMMERCE

With increasing demand for online purchasing, more and more businesses are moving to eCommerce as it delivers a comprehensive range of benefits to retailers and merchants.

For many people in the world, e-Commerce becomes one of the preferred ways of shopping as they enjoy their online because of its easiness and convenience. They are allowed to buy products or services from their home at any time of day or night.

The best thing about it is buying options that are quick, convenient and user-friendly with the ability to transfer funds online. Because of its convenience, consumers can save their lots of time as well as money by searching their products easily and making purchasing online.

- E-commerce allows for new products to be created and existing products to be customized in innovative ways thus paving way for **new product capabilities**.
- The internet can be employed as **a market penetration mechanism**. E-commerce enhances promotion of products and services through direct, information-rich, and interactive contact with customers by creating a new distribution channel for existing products.
- E-commerce has changed the face of retail, services, and other things that make our economy work. Undoubtedly, it will continue to influence how companies sell and market their products, as well as how people choose to make purchases and payments.

RESEARCH METHODOLOGY

This research is based on secondary data which are collected from various sources i.e. research papers, publications from Ministry Of Commerce, Government of India etc. which is available on the internet.

OBJECTIVES OF THE STUDY

1. To study the current digital market scenario.
2. To study the impact of digitization & e-commerce on economic growth.
3. To study the growth and contribution of ecommerce on Indian economy.

IMPACT OF E-COMMERCE ON ECONOMIC GROWTH

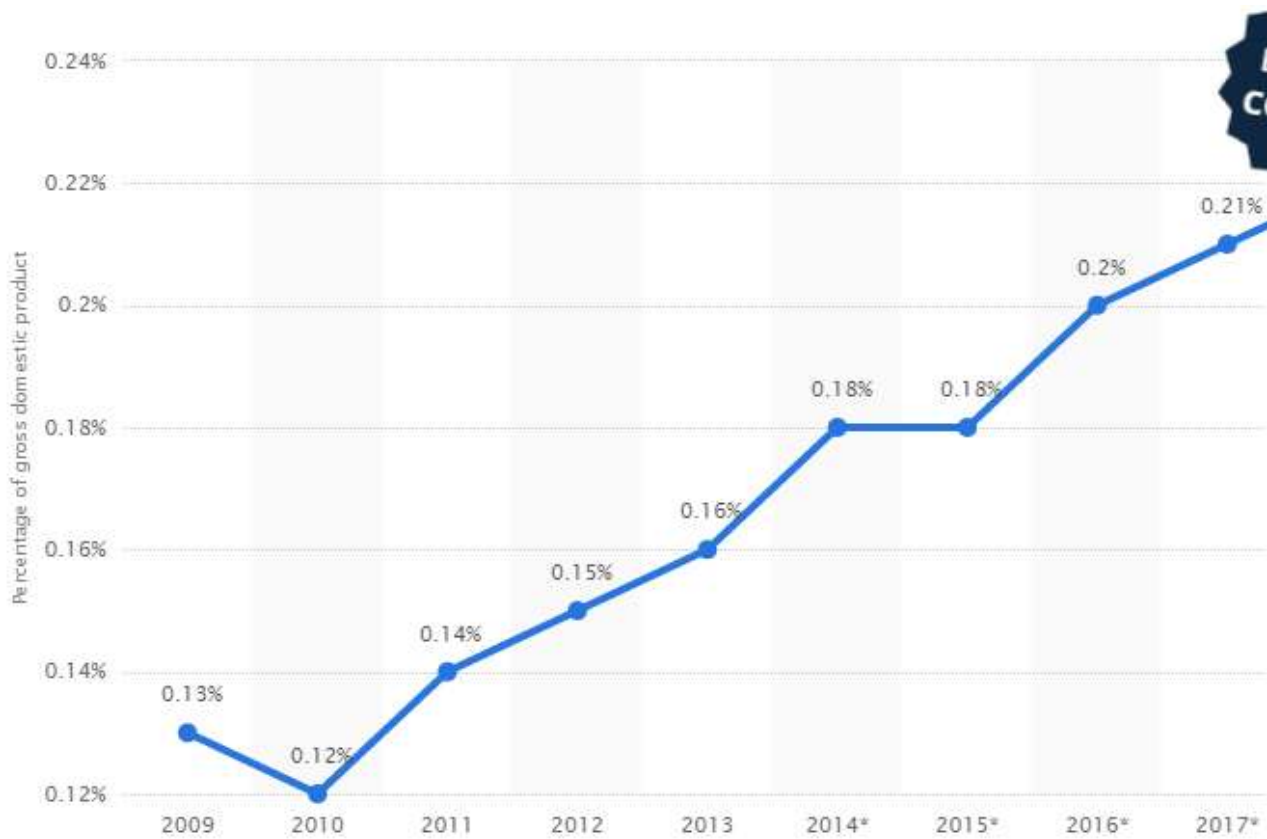
Studies reveal that use of internet by Indian SMEs would fetch 32% more revenue and 37% higher employment (FICCI & Nathan Associates Inc, 2013).

Digitalization of sectors related to manufacturing and services would lead to job creation and enhanced productivity. Manufacturing and financial sector faces job losses for digitization because productivity gains surpass output gains. Retail and hospitality sectors provide rising employment opportunities with output and productivity growth. Also, increased online shopping boosts logistic sectors recruitment. Thus key sectors are to be identified for digitization that would provide with maximum trade-off.

E-Commerce is the **India's** fastest evolving market with annual multifaceted growth rate (CAGR) 52% to touch USD 36.7 billion by 2020*.

The graph below predicts that by 2030 the contribution to GDP by E-Commerce is expected to reach to around 300 Billion Dollars which is around 20 Billion Dollars in its present state.**

With **34% CAGR Indian e-commerce** is expected to **multiply 6 folds in the next five years** and this growth is changing things for better in the Indian economy.



CONCLUSION & FINDINGS

- The reasons for the rapid growth of ecommerce in India can be attributed to the stable growth of Indian economy in last decade, considerable rising living standard of Indians. Wider internet access and adoption of latest technology, double income families, higher disposable income, fast paced lives, exposure to global markets, easy and safer online payment options and above all COD, contributed to the rapid growth of online commerce in India.
- World Economic Forum (2013) mentioned in its report that 10% increase in digitization score of any country would bring 0.75% growth in its GDP per capita. Other studies confirm that its impact is 4.7 times more than the average impact of 0.16% on the per capita GDP for broadband deployment (World Economic Forum, 2013).
- E-Commerce is a growing sector in India. Just like the growth of IT industry in India through the 1990s, the 2010s will be remembered for the growth in the E-Commerce industry. In its present state the contribution of E-Commerce to GDP is around 0.2% which is expected to grow 15 times to around 2.5% by 2030.**

- Boosts Faster Financial development- The e-commerce boom has given a boost to manufacturing, transport, sales and other related activities. This is fostering an overall environment for financial growth of various sectors.
- E-commerce is considered to be an important channel of job creation which is estimated to create 15-20 lakhs job by 2018 in India (BCG & IAMAI, 2015).***
- It's a boon in providing employment -Currently e-commerce is providing 1 million jobs to the Indian work force. **Indian ecommerce industry statistics**_forecast a massive growth in employment opportunities in this sector which would create 12 million new jobs in coming decade.
- SMEs operating from home or garage are able to sell on popular digital marketplaces and cater to global audience. This is contributed to increased exports even from the unorganized sectors.
- Retail market has been revolutionized by e-commerce. Online stores are offering better choices, deep discounts and convenience of shopping.
- Firms, prices and productivity are the three benefits derived by an economy. It is found in large economies internet accounts for about 3.4% of GDP on average along with stable employment generation.

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