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A study on E- Commerce Industry in India: Growth in pandemic phase and future challenges

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Abstract

Use of Information technology and computers in our life has also transformed the way of doing business. Continuous increase in internet users is also an important factor for growth of E-commerce. Increase in internet connections and smartphone penetration has created a huge scope for E-commerce in rural areas also. The COVID-19 epidemic has exacerbated many forms of uncertainty, but on the other hand one trend has clearly been to accelerate digital discovery. The COVID-19 disaster has accelerated the expansion of E-commerce to new businesses, customers and product types. It has provided customers with access to a huge variety of products and services from the convenience and safety of their homes, and has enabled firms to continue operation. This study focuses on the key factors which supported E-commerce development in the pandemic phase and the future challenges in the success path of E-commerce firms. This Study is Exploratory in nature and Secondary Data has been used for the study which is collected from Media reports, News papers and Government department publications.

Key words: COVID-19, E- commerce, Digital India, Indian Economy, Online b2c business, Digital Payments.

Methodology: The proposed study is an attempt of descriptive research, based on the secondary data sourced from News Papers, Articles, Media reports and Government department publications.

Overview

Since a decade, Indian Government initiatives such as Digital India, Start-up India, Make in India and Skill development encouraged entrepreneurs to launch numerous digital initiatives and helped them to sustain. Driven by the adoption of online services in day-to-day purposes such as booking tickets, Recharge and bill payment, shopping grocery and the education sector, India's E-commerce contributed as almost half of smartphones that were sold and about a fifth of clothes purchased in the first half of 2021. After China and the US, India had the third-largest online shopper base of 140 million and Indian E-commerce entities logged more than USD 8 billion in private equity and venture capital

across 400 deals. India's E-commerce orders volume increased significantly in the last quarter of 2020, with the personal care, beauty and wellness segment being the largest beneficiary. E-commerce has transformed the way business is done in India.

Future prospects

- Online penetration of retail will increase; it is expected to reach 10.7% by 2024, from 4.7% in 2019.
- India's digital sector is expected to increase multi-fold and reach to the expected mark of US\$ 800 billion by 2030.
- The Government of India is aiming to create a trillion-dollar online economy by 2025 through its 'Digital India' campaign.
- The Indian E-commerce market is expected to grow to US \$ 110 billion by 2025 from US\$ 46.2 billion as of 2020. By 2030, it is expected to reach US\$ 350 billion.



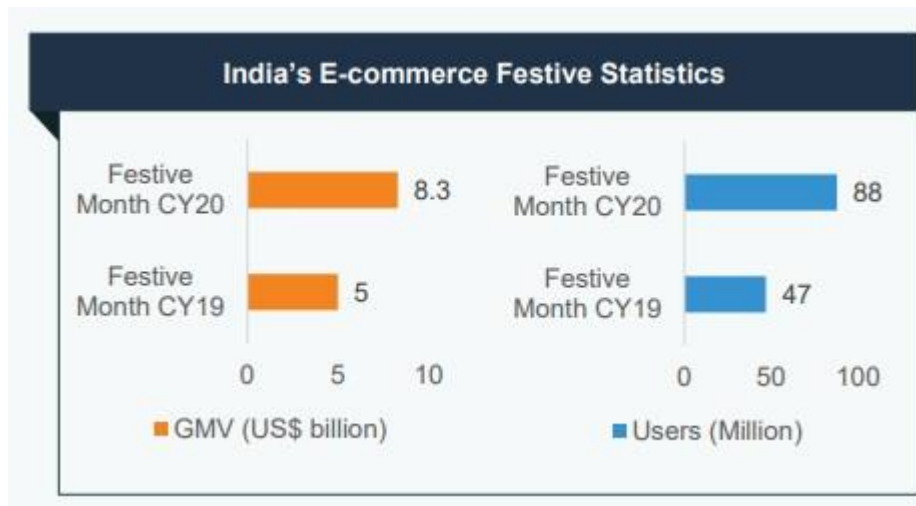
Technology based innovations like digital payments, hyper-local logistics, analytics driven customer engagement and vast digital advertisements will likely support the growth in the sector. The growth in E-commerce sector will be helpful in Indian growth story, it will not only boost employment but also support exports, tax collection will increase and better products and services will be available to Indian consumers.

Industry performance during covid-19 pandemic phase

According to NASSCOM, despite COVID-19 disruptions, Indian 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 income, 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 is expected to grow by 30%, led by Indian E-Commerce giants Flipkart, Amazon India and Paytm, Indiamart and Myntra.

For the 2021 festive season, Indian E-commerce platforms are anticipated to generate over US\$ 9 billion gross GMV (Gross Merchandise Value), a 23% increase from last year's GMV of US\$ 7.4 billion. With a turnover of \$ 50 billion in 2020, India has become the eighth largest market for E-commerce, trailing France and a position ahead of Canada.

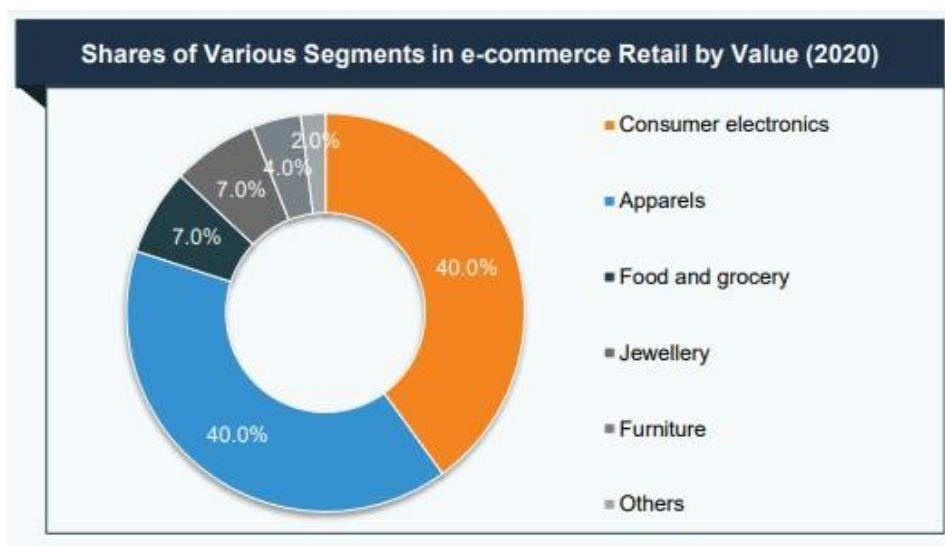
According to NASSCOM, despite COVID-19 challenges/disruptions, India's E-commerce market continues to grow.



After China and the US, India was having the third-largest online shopper base of 140 million in 2020. Indian consumers are rapidly adopting the new technology and with revolutionary 5G technology, internet surfing experience will be greatly enhanced. According to a report published by IMAI and Kantar Research, India internet users are expected to reach 900 million by 2025 from 620 million internet users in 2020, increasing at a growth rate of 45% until 2025.

In October 2021, E-commerce sales reached US \$ 4.6 billion, supporting the festive season in India. India's E-commerce sales season from 15 Oct. to 15 Nov. (2020) recorded sales of a sum of Rs. 58,000 crore (US \$ 8.3 billion) of products and retailers, an increase of 65% from Rs. 35,000 crore (US \$ 5 billion) last year.

The Indian E-commerce sector is ranked 9th in cross-border growth in the world, according to Payoneer report. Currently Consumer Electronics and apparels industry is having largest share in online sales whereas food and grocery, Jewellery and furniture segments also showing remarkable growth.



Key supporting factors for the growth of E-Commerce in India

Policy support

As per the new guidelines on FDI in E-commerce, 100% FDI under automatic route is permitted in the marketplace model of E-commerce in India. Huge investment is made by the Government of India in rolling out fibre network for 5G will indirectly boost E-commerce industry in India. The government, under the leadership of PM Narendra Modi, has continually stated the need to prioritise digital upliftment and willingness in a bid to attract more home-grown, indigenous and local businesses as producers and not only consumers in the E-commerce and retail industry. Some of the key initiatives taken by the Government to encourage E-commerce in India are :

- Government e-Marketplace
- Open Network for Digital Commerce (ONDC)
- Ease of doing business
- Start-up India Portal
- FDI in E-commerce marketplace
- The Consumer Protection (E-commerce) Rules 2020
- Fibre network for 5G

Opportunity

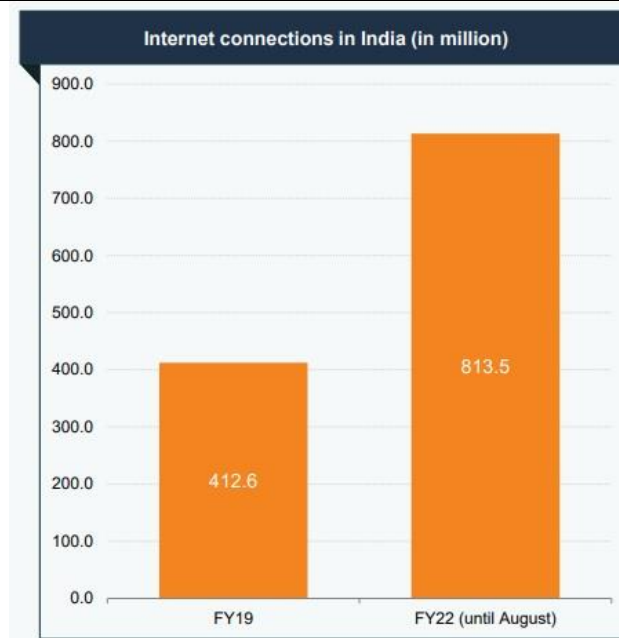
In addition to low consumer spending, the economic downturn and the uncertain environment created as a result of the COVID -19 epidemic, E-commerce firms are benefiting and with a growing base of consumers expect strong sales growth in the future. As people embraced social cuts, they turned to online shopping more than ever and customer information was much simpler.

The need

India's E-commerce order volume increased by 36% in the last quarter of 2020, with personal, beauty and health share being the largest beneficiary. India is the second most populous country in the world with a population of 1.3 billion. It has one of the smallest figures in the world. This census creates an important need for all affordable sectors. This number of young people making unexpected online purchases.

Internet connection

By 2020, the number of internet connections in India increased dramatically to 747.5 million, driven by the 'Digital India' program. In all internet connections, 97% of wireless connections. Internet penetration in India has increased from 4% in 2007 to 45% in 2021. India has the highest rate of data usage worldwide with 12 GB per person per month. As of August 2021, the total number of online subscribers stood at 813.5 million.

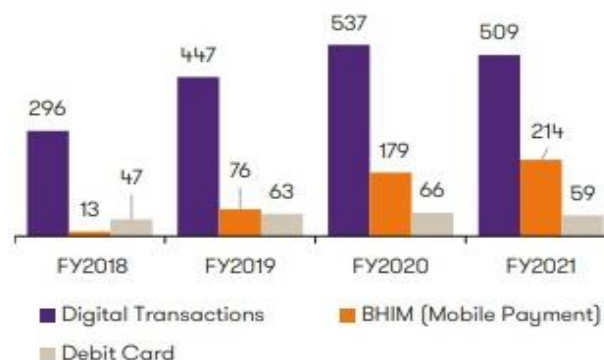


Digital Payments

The Indian payments industry sees a significant change with the share of digital payments gaining a formidable size of the pie in the past few years after demonetization. Internet wallets like PayTM and Mobikwik and digital payment modes like Google Pay, Phone Pay etc. have propelled India into one of the fastest growing and largest markets in the world for digital payments.



Total value of digital payments in India from 2018 to 2021, by transaction type (USD million)¹⁴



Start-ups boom

The number of Indian start-ups that have reached unicorn status a value of over \$1 billion (unicorn status) has expanded since the start of the pandemic. Many of these are in the E-commerce logistics sector.

- Food delivery start-up : Zomato
- Restaurant and food delivery platform : Swiggy
- Logistics: Delhivery
- Fashion, travel, and groceries online retailer: Flipkart
- online beauty cosmetic product store: Nykaa and Purple

Road Ahead

The E-commerce industry has had a direct impact on small, medium and micro enterprises (MSME) across India by providing financial, technical and consulting mechanisms and has had a positive impact on other major industries as well. The Indian E-commerce industry is on the rise and is expected to overtake the US to become the second largest E-commerce market in the world. If you look at customer preferences on the new regular and repetitive waves of the epidemic with new varieties, there is no doubt that E-commerce will continue to exist, beyond Covid-19. Customers now use omni-channel or mixed marketing, compare prices and products online and choose to shop online or in brick and mortar stores, develop online websites and in-house delivery, both competing for better prices as well. fast delivery, all good with competitive consumer choice. Both are switching to new ways of attracting customers, traditional stores also want to be digitized, often with the help of E-commerce that builds connections at will. There are also new features, such as customer performance information based on artificial intelligence to allow remote comparisons in the area, etc. Digital integration and integration with the omni-channel E-commerce ecosystem may provide significant interdisciplinary support for sustainable economic growth, job creation, gender equality, better access to health care, medicine, food, education for the poor and disadvantaged, and access to a wide range of government programs and services, especially in rural and remote areas. It also supports agritech and offers new marketing strategies to our farming community.

Challenges faced by E-commerce in India are

E-commerce despite the opportunities, also has a definition of challenges at the same time. Therefore, we list the major E-commerce challenges small businesses face and also submit remedial measures to address these challenges.

1. Infrastructure Issues:

The Internet is the backbone of E-commerce. Unfortunately, Internet access in India to date is very low at 0.5 percent of the population compared to 50 percent in Singapore. Similarly, the influx of personal computer (PC) in India is as low as 3.5 per thousand people compared to 6 per thousand in China and 500 per thousand in the US. The Internet is still available through PCs with the help of telephone cables.

Considering phone access by only 2.1 percent of people, E-commerce stays away from the average person. It is difficult for E-commerce to reach 1,000 million people spread across 37 million homes in 6,04,374 unique villages and 5,000 towns and cities. Besides, both the cost of PCs and internet access in India are very high.

2. Lack of Cyber Laws:

Another major challenge associated with the E-commerce market is the lack of close proximity to online transaction rules. The WTO is expected to enact online rules soon. India's Information Technology (IT) Bill passed by the Indian Parliament on May 17, 2000 aims to officially address the growing areas of online commerce.

The Bill also aims to facilitate online commerce by eliminating legal uncertainties created by new technologies. As it stands today, the Bill only addresses the legal areas of trade and crime. However, it does not take into account issues such as individual rights, privacy control and strict data protection law.

3. Privacy and Security:

As of today, the most serious problems associated with E-commerce are privacy and security. To date, no protection provided by the Website or to third parties from the risks posed by the abuse of personal privacy.

4. Payment and Tax Related Issues:

Problems with paying taxes are another ongoing issue for e-traders. Electronic payments are made by credit card or plastic money, however, which is not yet popular in India mainly for two reasons. First, credit card inflows in India are very low (2 percent of the population).

Second, Indian customers have no hesitation in paying with a credit card and increasing the risk of fraud played by criminals. As elsewhere, the credit card has not been able to grow in India mainly due to the problems of verification and recognition of electronic signatures

Similarly, tax administration is another complex problem in this global internet trade. As setting up tax incentives in the event of E-commerce is difficult, this, in turn, provides ample space for tax evasion.

5. Digital Literacy and Consumer Psyche:

Currently, digital literacy is one of the major E-commerce problems facing India. On the other hand, the continued emergence of skilled computer engineers abroad has eliminated India's software engineers. This has been a real threat to the Indian IT industry. Obviously, the solution to this problem lies in blocking the computer brain - drain the water and use the same in the world.

The Indian consumer is also reflected in his unique mindset. Usually, a buyer in India does not have to travel long distances to find something good to choose from when a nearby store offers him whatever he wants.

That is why the consumer who does not browse the Net knows the resulting problems with the connection and other troubles. Adding to this is that building trust communication takes a long time especially when the seller is in a very remote area.

6. Language specification:

Finally, the software to date in the country is English-speaking. However, in order for E-commerce to reach small businesses, it needs to be available in the (regional) languages of small business owners so that they can become familiar with E-commerce processes in their operations. As soon as it is done, it will be better for small businesses to adapt.

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