

E-COMMERCE AND IT'S IMPACT ON INDIAN ECONOMY

Varkha Khanchi,

Assistant Professor

Department of Economics ,C.I.S.K.M.V., Dhand Dadwana, District Kaithal

Email-id -www.khanchivarkha@gmail.com

Abstract: E-commerce is quite popular in day today world. It is an effective tool for International Trade. It eliminates the geographical barriers, allowing business to access international market with ease. Small and medium enterprises (SMES) get new opportunities to expand their business with the help of e-commerce, otherwise it faces scarce resources and limited distribution networks. Earlier international trade involves complicated supply chains, huge paperwork and lengthy processes. Now e-commerce manages all the transactions and custom procedure online which helps to boost up the international trade. Indian international trade is expanding day by day with the help of e-commerce. It reduces the time and costs associated with cross border trade. E-commerce has a huge potential to transform International foreign trade. E-commerce industry of India has also experienced an exponential growth over the last decade and is poised for rapid progress in the year ahead with increasing internet penetration and availability of affordable smart phones. The Indian e-commerce industry has been on an upward path and is requisite to surpass the U.S.A. and become the 2nd largest e-commerce market by 2034. Indian government has also taken many initiatives to expand E-commerce industry especially for small and medium enterprises. For this in 2023 Foreign Trade Policy (FTP) , govt. plans to create India an E-commerce Export Hubs (ECEHs). Government provides e-commerce platform to small venders, MSMEs and local artisan so that they can easily access international markets for their products and earn more profit. This policy highlights the inclusive approach and emphasis on “local goes global”. In this paper benefits, objectives, types, history, impact on Indian economy, government initiatives, impact on Indian MSMEs, advantages and disadvantages of E-commerce will be discussed.

Keywords: E-Commerce, Indian Economy, E-Commerce Exports, FTP2023

1.0 Introduction

As per digital India, E-commerce industry plays a vital role to make India a digital country. Due to increasing internet users and affordable smart phones, e-commerce industry is growing very fast. It has experienced an exponential growth over the last decade and is poised for rapid progress in the years ahead. The Indian e-commerce industry has been an upward trend and is expected to surpass the USA and become the second largest e-commerce market in the world by 2034. It is expected that Indian e-commerce market is to grow US \$ 325 billion by 2030 from US \$ 38.5 billion in 2017. India is the second largest internet market in the world after China. As of January 2024, China had 1009 million internet users (77.5% of its population), while India had 751.5 million (49.15% of its population almost half of Indian population). As internet users grow e-commerce market also grows in the same pace. Indian govt. also took various initiatives to promote e-commerce industry.

1. Govt. released a draft national e-commerce policy in year 2019 to regulate this sector.
2. Govt. allows 100% FDI in B2B e-commerce firms and 100% FDI in B2C e-commerce under the “Automatic route”.
3. Open network for digital commerce (ONDC) was launched by government of India in 2022, to provide open, inclusive and user friendly e-commerce platform.
4. Government E-market Place (GEM) was launched in 2016 for online public procurement.
5. Consumer Protection (E-commerce Rules 2020) direct E-commerce industry to display the country origin alongside the product listing.
6. Government of India investing heavily on 5G network, which ultimately helps to boost up e-commerce market in India.
7. Government organize skill India program to help entrepreneurs to build skills for their respective businesses. India’s Foreign Trade Policy (FTP)2023 plans to increase India’s E-commerce exports by enabling venders to access the international market. For this it is proposed to create E-commerce exports hub (ECEHs) which would provide the favorable business infrastructure and facilities for businessmen to promote cross border E-commerce activities.

2.0 Definition of E-commerce:

“E-commerce refers to an electronics exchange of goods and services. It helps the companies and individuals to sell and buy their product over the internet. It is an easiest and convenient way of transaction which can be made over smart phones, computers, tablets etc”.

2.1 Types Of E-Commerce

2.1.1 Main types of E-commerce are:

- i. **B2B (Business to Business):-** In this type of e-commerce, transaction of goods and services takes place between companies, producers and traditional commerce wholesalers. e.g. sales force, slack.
- ii. **B2C (Business to Consumers):-** In this type of e-commerce, businessman sells products or services to the consumers online. No middlemen or retailer is required for this type of transaction. They often use digital marketing strategies like social media advertising and e-mail marketing to attract customers, e.g.- Amazon, Flipkart, Myntra etc.
- iii. **B2G (Business to Government):-** In this type of e-commerce, companies sells products, services and information to the government or government agencies like Union, state or local agencies.
- iv. **C2C (Consumer to Consumer):-** In this type of e-commerce, transactions of goods and services takes place between consumers. Generally these transactions are conducted through a third party which provide the online platform where transactions are actually carried out. e.g. OLX etc.
- v. **C2B (Consumer to Business):-** In this type of e-commerce, consumers (individuals) make their product or services available for purchase for companies. When designers present several proposals for a company logo and one of them is selected and effectively purchased.
- vi. **C2G (Consumer to Government):-** In this type of e-commerce, consumers directly sells goods or services to government agencies. It is mostly seen in health care industry where medical equipment or services are purchased by government hospitals from individuals.
- vii. **B2B2C (Business to Business to Consumer):-** In this type of e-commerce modal, initially businesses sells their product to other businesses, who then resell them to end customer. It is mostly seen in retail sector. It involves third party distributor or wholesaler. e.g. Walmart.
- viii. **History of E- commerce:** E-commerce was observed since 1960s when companies used an electronic system called Electronic data Interchange (EDI), which paved the way for electronic commerce. In 1979 the American National Standards Institute developed Asc *12 as a universal standard for business to share documents through electronic networks. In 1980s sharing of electronic documents between the individual users grew.
- ix. Actually e-commerce started when online transaction took place between two friends in 1994 , when they sale CD between them through net market. Actual revolutionize the e-commerce when Amazon and e-bay rise in 1990’s. Consumers can now buy various items online. A significant grown in e-commerce transactions can be seen after covid-19 pandemic. Now Indian e-commerce market is expected to grow to US\$325 billion by 2030.

3.0 Review of literature:

various studies we found following research work on E-commerce:

- i. Sharma and Mittal (2009) studied ‘Prospects of E-commerce in India’. In it they mentioned how India achieved a tremendous growth in the E-commerce. Today, E-commerce has become an integral part of individual daily life. With the middle of 282 million people, online shopping shows unlimited potential in India. The E-commerce portals like Amazon, Flipkart, Myntra, Snapdeal, Zomato etc. provides verities of goods like apparel and accessories for men and women, health and beauty products, books and

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magazines, computers, electronics items, household appliances, jewelry, audio, video, entertainment, goods, gift articles, real estate and services.

- ii. Abhijit Mitra. (2013) in his work “E-commerce in India a review” international journal of marketing, financial services and management research. He concluded that E-commerce eliminates the geographical barriers and will grow tremendously in India in the next five years.
- iii. Vijay Govinda Rajan a core distinguished professor at Dartmouth college Tuck school of business and Marvin Bower fellow at Harvard business school. He is the best-selling author. He focused on three main factor which derives the E-commerce industry in India.
- iv. Mobile phone penetration.
- v. Youth population which is used to mobile platform for ordering things.
- vi. Growth of consumerism with more Indian’s with higher disposable income.
- vii. Raven et al. Examined the India and China’s approaches in adoption of e-business. Based on the literature survey and secondary data, there study focus on various factors affecting the growth of e-business in both countries. Factors include govt. Policy and focus, existing technology, infrastructure regulatory environment, experience and understand of business operations and culture among others. This study concludes that China is ahead in infrastructure base of E-commerce and India is ahead of e-readiness. Both countries focus on the growth of e-business. However, problems of poverty and inequality between urban rural areas of both countries can be resolved by taking the advantages of e-business.

4.0 Objectives:

1. To study the impact of E-commerce in Indian economy.
2. To study the government initiatives to boost up E-commerce exports.
3. To study the impact of E-commerce on MSMEs.
4. To study the impact of E-commerce on international trade.

4.1 Impact of E-Commerce In Indian Economy: E-commerce has a significant impact on Indian economy.

- **Economic growth:** E-commerce’s contribution to the global GDP was 2.5% in 2021. In India its contribution to GDP is expected to grow from 0.2% to 2.5% by 2030. It helps the country moves to a digital economy.
- **Employment:** It generates over 16 million jobs in warehouse, logistics, marketing, management, customer services and delivery.
- **Skill development:** Skill development in new areas is created by e-commerce such as digital marketing, block chain, data analysis, Artificial Intelligence (AI) and Augmented Realities (AR).
- **Exports:** Indian e-commerce industry has a significant contribution to exports. In 2023 Indian e-commerce exports are between \$4 and \$5 billion, which is about 0.9% to 1.1% of the country’s total merchandised exports. It is expected that India’s e-commerce exports could reach \$ 200 to \$ 300 billion by 2030.
- **Growth of MSME’s:** Integration of MSMEs with e-commerce platforms experienced an increase in sales, turnover and profits. growth of MSMEs is required for country’s development and employment. E-commerce helps the MSMEs to grow very fast.

4.2 To Study The Government Initiatives To Boost Up E-Commerce Exports

Government has taken the following export promotion initiatives: -

1. New foreign trade policy was launched on 31st March 2023 and it came into effect from 1st April 2023.
2. Interest equalization scheme on pre and post shipment rupee export credit has also been extended upto 30.06.2024 with additional allocation of Rs. 2500 crores.
3. Assistant provided through several schemes to promote exports, namely Trade Infrastructure for Export Scheme (TIES) and Market Access Initiatives (MAI) scheme.
4. Rebate of State and Central Levies and Taxes (RoSCTL) Scheme to promote labour-oriented sector export has been implemented since 07.03.2019.
5. Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme has been implemented since

01.01.2021 with effect from 15.12.2022 uncovered sectors like pharmaceuticals, organic and inorganic chemicals and article of iron and steel have been covered under RoDTEP. Similarly anomalies in 432 tariff lines have been addressed and the corrected rates have been implemented with effect from 16.01.2023.

6. Common digital platform for certificate of origin has been launched to facilitate trade and increase Free Trade Agreement (FTA) utilization by exporters.
7. Districts as export hubs initiative has been launched by identifying products with export potential in each district addressing bottlenecks for exporting these products and supporting local exporter/manufacturers to generate employment in the district.
8. Active role of Indian missions abroad towards promoting India's trade, tourism, technology and investment goals has been enhanced.
9. Regular monitoring of export performance with commercial missions abroad, export promotion councils, commodity boards/authorities and industry associations and taking corrective measures from time to time.
10. Following measures have been taken by the government to maximize the growth of domestic markets and to expand its reach globally:
 - Pradhanmantri Gati Shakti.
 - National Logistics Policy.
 - National Industrial Corridor Development Programme.
 - GIS enabled Land Bank- India Industrial Land Bank (IILB).
 - Industrial Park Rating System (IPRS).
 - Productivity Linked Incentive (PLI).
 - Make in India.
 - Startup India.
 - One District One Product.
 - National single window system.

A new chapter has been introduced within the Foreign Trade Policy (FTP) 2023 that aims to promote e-commerce exports by bringing such exporters under the ambit of various export promotion schemes of the government. In line with the special emphasis laid in the FTP 2023 on e-commerce exports the outreach events are being held in the districts under districts as export hubs initiative with focus on promotion e-commerce exports of the identified goods from the districts in collaboration with various stakeholders including the e-commerce platforms various concerned central and state government departments such as the department of posts, Central Board of Indirect Taxes and Customs (CBIC), Banks, Ministry of Micro, small and Medium Enterprises (MSMEs), export promotion councils, local trade associations/chambers of commerce, District Industries Centers etc.

4.3 To Study the Impact Of E-Commerce On Indian Msms

FTP 2023 recognizes the significant role of e-commerce plays in global trade and aims to intend to help Indian MSMEs tap into international markets, opening up new avenues for growth and diversification. In fact, as of now, over 70,000 MSMEs are already exporting through Amazon, showcasing the immense potential of e-commerce in driving export growth for businesses.

4.3.1 Key E-commerce Export Initiatives in FTP 2023:

1. **Integration with ICEGATE:** FTP 2023 aims to facilitate cross-border e-commerce trade by integrating courier and postal exports with ICEGATE (Indian customs electronic gateway). This integration will simplify export procedures and reduce paper work, making it easier for MSMEs to engage in e-commerce exports.
2. **Raising the consignment cap:** The policy seeks to raise the consignment cap for e-commerce exports, thereby enabling small businesses to participate in the global market without being burdened by excessive regulation.
3. **Streamlining regulatory processes:** FTP 2023 aims to streamline regulatory processes for e-commerce exports, ensuring that MSMEs can navigate the complex export environment with relative ease. This includes simplifying documentation, compliance, and licensing requirements.
4. **Encouraging MSMEs Participation:** The policy focuses on creating a conducive environment for MSMEs to participate in e-commerce exports. This involves promoting awareness about e-commerce export opportunities, providing support and incentives, and facilitating access to global e-commerce

platforms.

By prioritizing e-commerce exports, FTP 2023 is helping Indian MSMEs overcome traditional barriers to international trade and opening up new growth opportunities. This focus on e-commerce will not only enhance India's global competitiveness but also contribute significantly to achieving the ambitious export targets set forth in the policy.

4.4 Impact of India's growing E-Commerce market on international trade: India's e-commerce market has experienced rapid growth driven by increased internet penetration, Smartphone usage and a rising middle class population. This expansion has had a substantial impact on international trade creating new opportunities for businesses and fostering global connections.

- **Export opportunities for SMEs:** India's e-commerce boom has provided small and medium-sized enterprises with increased export opportunities. Platforms like Amazon, eBay and Alibaba have simplified the export process and connected Indian businesses with global audiences. This development has enabled SMEs to participate more actively in international trade.
- **Cross border e-commerce growth:** India's cross border e-commerce market has flourished valued at approximately US\$ 2.8 billion in 2020. This growth has spurred demand for efficient logistics, warehousing and payment solutions attracting foreign investment and fostering international partnerships.
- **Global interest in Niche Indian products:** E-commerce has piqued global interest in niche Indian products such as handicrafts, textiles and Ayurvedic items. The increased visibility of these goods on international platforms has boosted exports and benefited both the Indian economy and international trade.
- **Foreign Investment Attraction:** India's e-commerce market has attracted significant foreign direct investment with global giants like Amazon and Walmart investing in Indian e-commerce ventures. These investments have not only boosted the domestic e-commerce ecosystem but also strengthened trade ties between India and other countries.

5.0 Advantages of E-commerce

There are various advantages of e-commerce which businessman realizes for their businesses.

1. **Reduction of overhead cost:** - Operating cost of physical store is more than e-commerce store. In e-commerce store typical cost include domain name, web hosting and cost of building website. But in case of physical store, a huge investment is made by businessman like pay rent to commercial real estate, invest in security for commercial property and paying rent for warehouse or hiring employees. So e-commerce store is more cost effective than physical store.
2. **E-commerce access broader audience:** - The main advantage of e-commerce is to access broader audience. Physical store accomplish the need of local people those who visit the store only. But with the help of e-commerce website we can reach potential consumer all throughout the world. E-commerce facility is available to the customer 24/7 without any geographical boundaries. Due to its ability to reach a broader audience, E-commerce can help to increase brand awareness among the consumer and increase the customer base.
3. **No requirement of physical store:** - Running a physical store is very expensive. Renting a commercial property, cost of water, electricity, and internet bills regularly, investment on cameras and other surveillance equipment for business security. There are so many difficult aspects to running a physical store. But in case of E-commerce store, we simply builds our websites and start selling our products online without any worrying about setting up physical store front which require huge investment.
4. **Convenience:** - E-commerce shopping is more convenient than physical store front. Customer can do shopping at any time without going to market. Different varieties (grades) of goods available at online which sometimes may not be available at physical storefront. E-commerce market is available to customer 24/7, so consumer can buy as per their convenience and seller can make sales while they sleep.
5. **Scalability:** - Scalability is one of the main advantage of E-commerce business for long term growth. In case of physical storefront when business grows than businessman have to move a larger storefront. It is difficult for them to scale the store with the growth of business. But in case of E-commerce business website and store can grow as business does. There is no need to move inventory and equipment from

one location to another.

6.0 Disadvantages of E-commerce

E-commerce has some disadvantages also. To operate E-commerce website is a difficult and challenging task for the people who are not familiar with technology and computer. Followings are some disadvantages of E-commerce:

1. **Strong competition:** - There is a strong competition among the online sellers. It is easy for anyone to create online store. It is biggest challenge for online sellers to attract customers. Some buyers may prefer offline shopping particularly for goods that need to be tried and tested. So sometimes many sellers competing for the same customer and lower price to attract them can lead to fewer sale and reduce profit.
2. **Limited connectivity with customers:** - When business is doing online then shopkeeper don't get connect with their customers personally. Some people prefer face to face interactions while doing shopping. But they do not get personal touch when sale is online. So it is also a main disadvantage of E-commerce business.
3. **Security threats:** - when business is doing online there are always some way of security threats. Online retailers possess sensitive data of their customer like home address, credit card etc. Poor website security can allow unauthorized users to gain access to the websites and look at sensitive data. If data breach occur, it could harm the brand image. So it is required to hire professional to handle the website.
4. **Difficulties with returns:** - There can be some difficulties faced by producer while returning the products that have been bought online. It is so because businessman often require the product to be returned in its original form. But sometime customer used that product for their own purpose and then return it after its use. So the producer dose not receive the product in its original form. There may also be shipping costs involved in returning the product which is to be maximum time bear by the producers.
5. **Complex taxation, regulations and compliance:** - it is essential for the E-commerce to compliance the local, national and international rules and regulations while selling product to customer in different regions and nations. This means keeping track of and adhering to complex compliance requirements regarding financial accounting and taxation. Sometime businessmen require permit or licenses for online business in certain regions or countries.

7.0 Conclusion

India's e-commerce growth is expected to play a critical role in doubling the country's economy to \$7 trillion by 2030. As e-commerce continue to expand in India. It could help counterbalance the predicted slowdown in global trade growth by fostering stronger trade ties and increasing the flow of goods and services between nations. India's e-commerce boom has had a far reaching impact on international trade creating new opportunities and strengthening global connections. As the market continues to grow it is essential for businesses, policymakers and stakeholders to collaborate and maximize the benefits of e-commerce for international trade.

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