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GRT CONTEMPORARY ISSUE OF E-COMMERCE AND ITS IMPLICATIONS IN INDIAN ECONOMY

Kadam Santosh N¹ and Suryawanshi Santosh .D,²

¹ Assistant Prof. S.B. Patil College, Mandrup, District- Solapur, (Maharashtra)
² Research Student (PhD IN Economics),

Abstract:-Over the last two decades, rising internet and mobile phone diffusion has changed the way we communicate and do business. E-commerce is relatively an innovative concept. Electronic commerce (e-commerce) as part of the information technology revolution became widely used in the world trade in general and Indian economy in particular. With innovations in technology, there have been changes in the methodology for commercial dealings. India is one of the speedy adopter of technology. In quick with the current scenario of electronic data exchanges and has taken to e-commerce. *In view of this, this research paper tries to express the idea of E-commerce and E-commerce implication in the Indian economy and its Contemporary issue.*

Keywords: E-commerce, Indian Economy, growth, implication, FDI policy

INTRODUCTION

E-commerce in contemporary eras has been growing rapidly across the globe. According to Report of Digital-Commerce, IAMAI-IMRB (2013), e-commerce industry in India has witnessed a growth of US\$ 3.8 billion in the year 2009 to US\$ 9.5 billion in 2012.

Internet was introduced in India in 1995 and the first wave of e-commerce started soon thereafter. Total number of internet users in India was 250.2 million in June 2014. The diffusion of e-commerce is very low compared to developed countries. However, it is developing at a much faster rate. The e-commerce industry consensus is that growth is at a modulation point. Exclusive in India cash on delivery is a preferred payment method. India has a vibrant cash economy because of which 80% of Indian e-commerce tends to be Cash on Delivery. In this context, there is a need to make a shift towards online payment mechanisms.

By the end of 2011, the e-commerce market in India had clocked close to Rs 50,000 cores. It is interesting to consider whether the global economic downturn may have negatively affected the growth of e-commerce or possibly accelerated it as consumers look to new online channels, which can often deliver greater value than traditional stores. Today, even though there are less than 10 million internet users who are actually engaging in e-commerce activities, about 150 million internet users in India or around 75 million households are ready for e-commerce.

The growing reach in terms of internet connectivity to the interiors of India coupled with the positive experiences of end consumers when buying online beyond the metros and big cities are key drivers of the e-commerce boom in India.

Objectives of the paper

This research paper tries to express the idea of E-commerce and E-commerce implication in the Indian economy and its Contemporary issue.

Notion of E-commerce

In broad-spectrum, terms e-commerce is serious deal of goods and services over internet. E-commerce is the use of information and communication technologies to advertise and to sell wide range of goods and services. E-commerce is the online buying and selling of goods and service.

Lower search costs in digital markets will make it easier for buyers to find low-cost sellers, and thus will promote price competition among sellers.²

According to International Fiscal Association (IFA), e-commerce means commercial transaction in which order is placed electronically and goods or services are derived in tangible or electronic form and there is an ongoing commercial relationship.³

The National Association of software and service companies (NASSCOM) defines e-commerce to include all transactions where both the offer for sale and the acceptance of the offer are made electronically.⁴

Components of E-commerce

E-commerce integrates e-market, e-data inter-change and internet buying and selling of goods and services. The E-commerce also involves using all round electronic methods and procedures to conduct business activities to achieve the organizational goal. It uses different technologies and hugs a wide range of financial forms such as electronic banking, electronic trading, electronic cataloguing, Video conferencing, and multi-media communications, electronic data interchange (EDI), electronic mail (E-mail), facsimile (fax) and all forms of messaging between enterprises. It combines technologies (Internet, EDI, electronic forms, electronic cash, Barcodes), information technology standards (such as EDIACT, EAN/UPC), strategies (Just-in-time inventory management, efficient consumer response).

Kinds of e-commerce

The bookings done through electronic communication could be Business-to-Business (B2B) or Business to Consumer (B2C). Business to Business i.e. B2B is e-commerce between businesses such as between a manufacturer and a wholesaler or between a wholesaler and a retailer.

India's first online B2B directory has launched in 1996. The liberalization of the country's international trade policies was the key factor that accelerated the growth of B2B online portals. It enabled buyers and sellers to easily connect with their global counterparts.⁵

The bookings done electronically between Business to Consumer for purchase or sale of goods and services is known as B2C e-commerce. Although B2C e-commerce receives a lot of attention, B2B transactions far exceed B2C transactions.⁶

| Box.1 Kinds Of E-Commerce | |
|----------------------------|--|
| B2C—Business-to-Consumer | Amazon.com is a general merchandiser that sells consumer products to retail consumers. |
| B2B—Business-to-Business | ChemConnect.com is a chemical industry exchange that creates an electronic market for chemical producers and users. |
| C2C—Consumer-to-Consumer | eBay.com creates a market space where Consumers can auction or sell goods directly to other consumers. |
| P2P—Peer-to-Peer | Gnutella is a software application that permits consumers to share music with one another directly, without the intervention of a market maker as in C2C e-commerce. |
| M-commerce—Mobile commerce | Wireless mobile devices such as PDAs (personal digital assistants) or cell phones can be used to conduct commercial transactions. |

Eminence of e-commerce in India

During the year 2000-2001, two major Industry Associations formed isolated reports on e-commerce in India. The National Committee on Ecommerce set up the Confederation of Indian Industry (CII), while the other has commissioned by the NASSCOM. Both the reports are hopeful about the growth of e-commerce in India.

The Confederation of Indian Industry (CII) report estimates the volume of e commerce to grow to Rs 500

billion (US\$ 10.6 billion) in the year 2003. The NASSCOM-BCG Report, on the other hand, estimates for the same year that the total volume of e-commerce will be Rs 1,950 billion (US\$ 41.5 billion).⁷

India's e-commerce market was worth about \$3.8 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail market was worth US\$ 2.3 billion. About 70% of India's e-commerce market is travel related. India has close to 10 million online shoppers. It is growing at an estimated 30% CAGR vis-à-vis a global growth rate of 8-10%. Electronics and Apparel are the biggest categories in terms of sales.

The second wave of e-Commerce has witnessed the introduction of new business models and the rapid growth of players in the domain. Most e-Commerce players in this wave are startups that are on a steep growth curve. However, these players need additional capital to scale up and maintain the pace of this growth. The need for capital, coupled with the growth potential of the sector, has made it a favorite among VCs. India's e-Commerce sector attracted US\$305 million (in 37 deals) from January 2011 to November 2011 (454% more than US\$55 million raised from 12 deals in 2010). Investments in the sector accounted for more than 20% of total VC investments in the country in 2011.¹¹

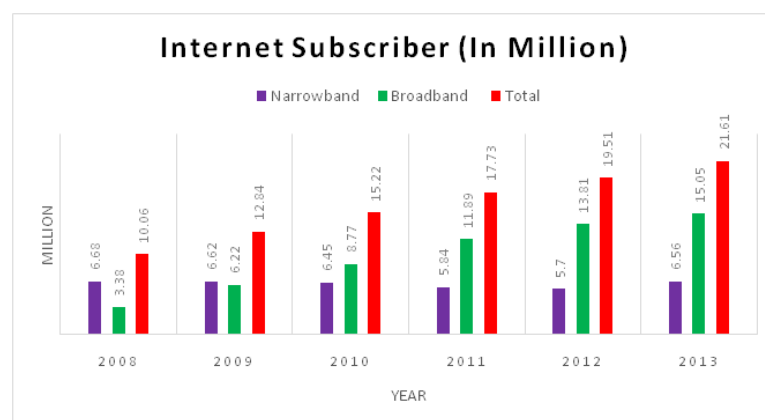
| Year | Total E-Commerce Transactions (in Million \$) | % of change |
|-----------|---|-------------|
| 1998-99 | 31.38 | - |
| 1999-00 | 103.84 | 230.91 |
| 2007-08 | 1750.00 | 1585.29 |
| 2008-09 | 3015.00 | 72.29 |
| 2009-10 | 4230.00 | 40.30 |
| 2010-11 | 6790.00 | 60.52 |
| 2011-2012 | 10000.00 | 47.28 |

(Ref: A report of Internet and Mobile Association of India)

Table 1 show the growth of e commerce in India. Total E-Commerce Transactions in was 31.38 Million \$ in 1998-1999. It was increased 10000 in 2011.2012.

Internet Subscribers

The Internet subscriber base (excluding internet access by wireless phone subscribers) in the country as on 31st March 2013 stood at 21.61 million (216,06,681) as compared to 19.51 million (195,05,916) as on 31st March 2012, registering an annual growth rate of about 10.77%. The total broadband subscriber base has reached 15.05million (150, 50,023) as on 31st March 2013 as compared to 13.81 million (138, 10,362) as on 31stMarch 2012 thereby registering a net addition of 1.24 million broadband subscribers during the financial year 2012-13 with growth of 8.98%.



Sources: TRAI

Implication of e-commerce in India

The implication of e-commerce includes various issues such as economic, legislative, technological and social. E-commerce has outstanding growth prospective and it contributes directly to economic development of the country. Actually, e-commerce has created a phenomenon in almost all economic activities. It is one of the most important technological breakthroughs of the new millennium.

As under WTO responsibilities, member countries are providing tariff-free access to their markets resulting in greater competition. Transactions through e-commerce take less time and are economically viable too. This would help increase the growth and for this a strong and a stable legal system is required. It is a fact that in liberal and open markets, e-commerce would dominate. The other important essential features of electronic commerce are privacy and security. There should be suitable guidelines to establish them to ensure confidence among the players who transact through e-commerce.

Emergence and growth of E-commerce in India recently, is the effect of liberalization and globalization actually this is the impact of transition from close network system to an open network platform like internet. India has made significant efforts in modernizing the area of E-commerce.

In May 1997 ministry of information and technology, Government of India prepared an Action Plan to setup a National Information Infrastructure component of this Action Plan among others are setting up of the National High speed back born network and inter connection of networks. Several studies designate that ICT has a Positive and Considerable Impact on Capital Deepening, Labour productivity and total factor productivity this promotes productivity growth in Economy.

Growth of ICT as a basic infrastructure for E-commerce is the growth of E-commerce in India. ICT has achieved remarkable success in last ten years.

Key reasons for the success of e-commerce in India

Research studies have indicated several Key reasons for the success of e-commerce in India such as:

- i. Growing broadband Internet, 3G diffusion and smartphone
- ii. Upward trend of standards Living in middleclass
- iii. Obtainability of much wider product range
- iv. Busy lifestyles and lack of time for offline shopping
- v. Increased usage of online categorized sites
- vi. Lower prices related to brick and mortar retail, driven by disintermediation and reduced inventory and real estate costs.
- vii. Increased customer service
- viii. Increased information transparency and Knowledge
- ix. Increased usage of online classified sites, with more consumer buying and selling second-hand goods
- x. Evolution of the online marketplace model with sites like Jabong.com, Flipkart, Snapdeal, and Infibeam.

Existing regulations on e-commerce in the country:

As per extant FDI policy, FDI, up to 100%, under the automatic route has permitted in B2B „e-commerce activities.

Information Technology Act, 2000 provides legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce", which involve the use of alternatives to paper-based methods of communication and storage of information, to facilitate electronic filing of documents with the Government agencies.

India has the **Consumer Protection Act 1986**. However, nothing in the Act refers explicitly to e-commerce consumers. It provides for regulation of trade practices, creation of national and state level Consumer Protection Councils, consumer disputes redress forums at the National, State and District level to redress disputes, class actions and for recognized consumer associations to act on behalf of the consumers.

FDI in B2C e-commerce:

In India, foreign direct investment (FDI) within the business-to-consumer (B2C) e-commerce segment is not allowed where as foreign investment in the business-to-business (B2B) e-commerce segment is allowed.

In September 2012, the government made a milestone announcement allowing 51% FDI in multi-brand retail, subject to certain conditions. Initially, e-Commerce players celebrated this announcement, since it was assumed that this would attract foreign investments in B2C e-Commerce.

Players' opinion about the government's decision on not allowing FDI in B2C e-Commerce retail is mixed. Some players are indifferent and maintain that this new directive does not change anything for them; others have

expressed their disappointment. However, consensus is that this may prevent foreign e-Commerce companies from entering India. They could have brought in the much-needed investments in the ecosystem, e.g., in logistics, payments, to drive market growth.

To access foreign capital, some players have set up a separate entity for activities where 100% FDI is allowed. This covers back-end operations such as logistics, inventory and technology, which enables 100% Indian-owned and controlled front-end entities to leverage on the capabilities of these back-end operations. With this new directive, future investments would be routed through the same path as earlier.

CONCLUSION

There is no unique universally definition of e-commerce. Therefore, there is a need to clarify terms and explain the context of being applied. E-commerce has influence on Indian economy and customers. A number of advantages of e-commerce such as cost savings, increased efficiency, customization and global marketplaces. Internet was introduced in India in 1995 and the first wave of e-commerce started soon thereafter. The diffusion of e-commerce is very low compared to developed countries. However, it is developing at a much faster rate.

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Suryawanshi Santosh .D

Assistant Prof. S.B. Patil College, Mandrup, District- Solapur, (Maharashtra)
²Research Student (PhD IN Economics),

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