

To Analyze E-commerce Growth of India with Respect of Rising Internet

Effulgence

Vol. 22, No. 1

January - June 2024

Rukmini Devi Institute of Advanced Studies

E-mail : effulgence@rdias.ac.in, Website : www.rdias.ac.in<http://effulgence.rdias.ac.in/user/default.aspx><https://dx.doi.org/10.33601/effulgence.rdias/v22/i1/2024/48-56>**Ms. Kavita Balani¹** ✉

Abstract

India's e-commerce sector has transformed the way business is done in the country, opening up new segments of commerce such as business-to-business (B2B), direct-to-consumer (D2C), consumer-to-consumer (C2C), and consumer-to-business (C2B). Major segments such as D2C and B2B have experienced significant growth in recent years. The Indian D2C market is expected to reach US\$60 billion by FY27. The overall e-commerce market is also expected to reach US\$350 billion by 2030, growing at a rate of 21.5% in 2022 to reach US\$74.8 billion.

This rapid expansion of India's e-commerce sector can be attributed to a confluence of factors, with the rising internet penetration playing a pivotal role. Fueled by the 'Digital India' program, India's internet and smartphone penetration have grown at an unprecedented pace, significantly boosting the country's digital sector, expected to reach US\$1 trillion by 2030. This growth in internet users and smartphone penetration, coupled with rising incomes, has also been a primary driving force behind the expansion of India's e-commerce sector.

The COVID-19 pandemic further accelerated the adoption of e-commerce, as more individuals turned to online platforms for their shopping needs. This trend is likely to continue in the post-pandemic era. Additionally, the rapid growth of smartphone penetration in India is also contributing to the expansion of e-commerce, with India expected to have over 1 billion smartphone users by 2025, providing a vast potential customer base for e-commerce businesses.

Government initiatives have also played a crucial role in fostering the growth of India's e-commerce industry. The government's unwavering support for the sector is evident in its various programs, such as the Digital India initiative and the Startup India initiative, aimed at creating a conducive environment for e-commerce businesses to thrive.

Overall, India's e-commerce market is poised for continued growth in the coming years, driven by a combination of factors, including rising internet penetration, the post-pandemic shift towards online shopping, and government support.

Keywords: E-commerce, rising interest, growth.

1. Assistant Professor, RK University, Rajkot, Research scholar, BK School of Professional & Management Studies, Gujarat University, Ahmedabad, kavita.balani@rku.ac.in & kavitabalani1353.kb@gmail.com

INTRODUCTION

The digital age has seen the rise of the Internet and information and communication technology (ICT) as essential drivers of economic development and productivity. Internet-based technologies and networks can boost productivity, reduce costs, and open up new market opportunities. However, the lack of technical and managerial skills in ICT remains a significant barrier to the adoption of internet and email-based business practices. Nevertheless, there are numerous resources available to help businesses and individuals overcome this challenge.

The rapid adoption of enterprise resource planning (ERP) systems has transformed the information systems of businesses worldwide. However, many businesses still struggle to obtain timely and accurate data for effective decision-making and sustainable growth.

The prefix “e-” covers many digital technologies, such as e-business and e-delivery. The Internet is a common way to transmit data and access information. It has changed both business and personal life, and it is vital for e-commerce. E-commerce is the online exchange of goods and services, without paper documents. It makes shopping easier and faster.

E-commerce has allowed businesses to establish a presence in new markets and reach a wider customer base. It has also enabled businesses to reduce their costs and improve their efficiency by streamlining their distribution chains.

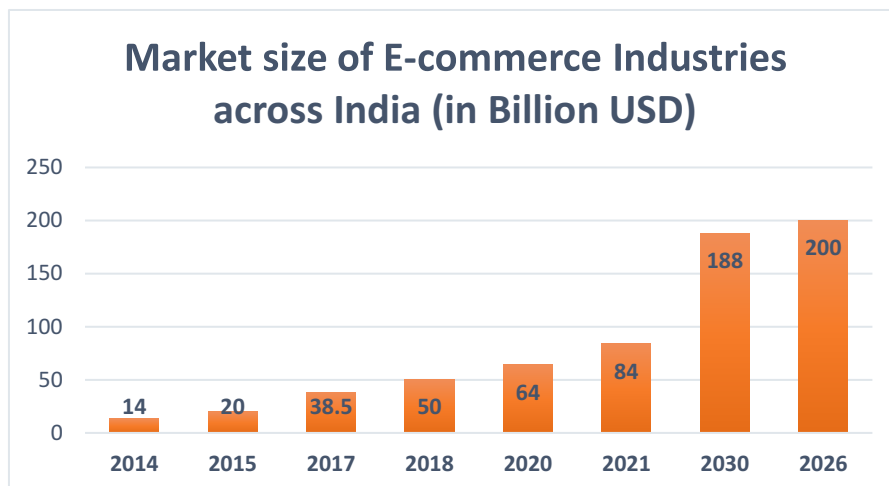
Types of E-Commerce: -

There are four main types of e-commerce:

- Business-to-business (B2B): B2B e-commerce is the exchange of goods and services between businesses. It is the largest and fastest-growing type of e-commerce.
- Consumer-to-business (C2B): C2B e-commerce is the exchange of goods and services from consumers to businesses. It is a relatively new type of e-commerce, but it is growing rapidly.
- Consumer-to-consumer (C2C): C2C e-commerce is the exchange of goods and services between consumers. It is the most common type of e-commerce for individual consumers.
- Business-to-government (B2G): B2G e-commerce is the exchange of goods and services between businesses and the government. It is a growing type of e-commerce, as governments increasingly move to online procurement.

Market share of E-commerce in India: -

- The market size of e-commerce industry across India increased from 14 billion USD in 2014 to 84 billion USD in 2021, showing a growth of 500% in seven years.
- The market size of e-commerce industry across India is projected to reach 188 billion USD by 2030, according to your data. This means that the market size will more than double in the next nine years.
- The market size of e-commerce industry across India is expected to peak at 200 billion USD in 2026, according to your data. This implies that the growth rate of the market size will slow down after 2026.



Market Size of E.- Commerce Industries across India (in Billion USD).

Data from Statista. Retrieved from <https://www.statista.com/statistics/792047/india-E-commerce-market-size/>

Key ways in which rinsing internet has fueled the growth of E-commerce in India: -

1. **Increased Reach:** The internet has made it possible for e-commerce businesses to reach a much wider audience than traditional brick-and-mortar stores. This has allowed e-commerce businesses to tap into new markets and expand their customer base significantly.
2. **Convenience and Accessibility:** Online shopping offers a level of convenience and accessibility that is unmatched by traditional shopping. Consumers can shop from the comfort of their homes, 24/7, and they can easily compare prices and products from different retailers.
3. **Wider Variety:** E-commerce platforms offer a much wider variety of products than traditional brick-and-mortar stores. This is because e-commerce businesses are not limited by physical space and can offer a much larger inventory of products.
4. **Competitive Prices:** E-commerce businesses often have lower overhead costs than traditional brick-and-mortar stores, which allows them to offer more competitive prices on products. This is another reason why consumers are increasingly turning to e-commerce for their shopping needs.
5. **Easy Returns and Refunds:** Many e-commerce

platforms have easy return and refund policies, which makes it less risky for consumers to shop online. This has helped to boost consumer confidence in e-commerce and has contributed to its growth.

The rising internet has also led to the development of new e-commerce trends in India, such as:

1. **Mobile Commerce:** The majority of e-commerce transactions in India now take place on mobile phones. This is due to the widespread adoption of smartphones and the increasing affordability of data plans.
2. **Social Commerce:** Social media platforms are playing an increasingly important role in e-commerce in India. Consumers are increasingly using social media to discover new products and to shop from their favorite brands.
3. **Hyperlocal Delivery:** Hyperlocal delivery services are becoming increasingly popular in India. These services allow e-commerce businesses to deliver products to consumers within a few hours of placing an order.
4. **Voice Commerce:** Voice commerce is an emerging trend in India that allows consumers to shop using voice commands. This is making it even easier for people to shop online, especially those who are not comfortable using traditional methods.

Advantage for India: -**1. Attractive Opportunities: -**

- Indian e-commerce is expected to grow at a compound annual growth rate (CAGR) of 27% to reach US\$ 163 billion by 2026.
- India's e-commerce market experienced strong sales growth in 2021 and is expected to grow by 21.5% in 2022.
- India's e-commerce market is expected to reach US\$ 99 billion by 2024 and US\$ 350 billion by 2030.

2. Growing demand:-

- India's Business-to-Business (B2B) online marketplace would be a US\$ 200 billion opportunity by 2030.
- India's social commerce has a potential to expand to US\$ 16-20 billion in FY25, implying a CAGR of 55-60%.
- Driven by beauty and personal care (BPC), India's live commerce market is expected to reach a gross merchandise value (GMV) of US\$ 4-5 billion by 2025.
- Due to a surge in e-commerce, annual warehousing space absorption in the top eight Indian cities will increase to 76.2 million sq. ft. by March 2026, up from 31.7 million sq. ft. in 2021.
- India has gained 125 million online shoppers in the past three years, with another 80 million expected to join by 2025, according to a report by Kantar

3. Increasing Investment: -

- Amazon CEO Mr. Andy Jassy announced that the company is committed to invest US\$ 26 billion in India by 2030, out of which US\$ 11 billion has already been invested.
- In the first quarter of the calendar year 2022, PE/VC investments in the Indian e-commerce sector stood at US\$ 2.66 billion with 47 total deals.
- In February 2022 Xpress bees a logistics e-commerce platform became a unicorn with

a US\$ 1.2 billion valuation after raising US\$ 300 million in its Series F funding.

- In September 2021, CARS24, India's leading used car e-commerce platform, has raised US\$ 450 million in funding, Series F.
- Flipkart announced in July 2021 that it has raised US\$ 3.6 billion in new funding from various sources including sovereign funds, private equities and Walmart (parent company).
- Walmart is preparing to spend over US\$ 2.5 billion in India as the retailer doubles down on the opportunities it sees in India's e-commerce and payments markets.

4. Policy Support

- In India, 100% FDI is permitted in the B2B E-commerce.
- As per the new guidelines on FDI in E-commerce, 100% FDI under automatic route is permitted in the marketplace model of E-commerce. Heavy investment made by the
- Government of India in rolling out fibre network for 5G will help boost E-commerce in India.

Objective of the study: -

- 1) To Identify Growth of Ecommerce with Respect of Rise of Internet in India
- 2) To Analyze Various Sectors of Ecommerce in India
- 3) To Evaluate Smartphone Users with Respect of Smartphone Shipments in India

Literature Review: -

1. (A.K. Gupta e. a., 2023) The study discovered that e-commerce adoption is significantly positively impacted by internet access, and this influence varies across different geographic and temporal contexts. Using a spatiotemporal approach, this study examines the effects of internet penetration and demographic characteristics on the adoption of e-commerce in India. The study also discovered that e-commerce adoption is

significantly influenced by demographic variables including age, income, and education.

2. (S. Gupta, 2023) This paper offers a thorough analysis of the research on the contribution of e-commerce to India's economic development. According to the study, e-commerce has been crucial in fostering India's economic development. The study also found that e-commerce has boosted economic growth in a number of ways, including greater productivity, more jobs, and a wider market reach.
3. (A.K. Gupta e. a., 2022), This meta-analysis investigated at how India's adoption of e-commerce was impacted by internet penetration. The study discovered a significant correlation between e-commerce adoption and internet penetration. The study also found that age, education, and income levels are some of the variables that modify this link.
4. (S. Sharma, 2021) The paper explores the influence of internet infrastructure on the rise of e-commerce in India. According to the findings of the study, internet infrastructure, such as broadband penetration and internet speed, has a strong beneficial influence on e-commerce growth. The survey also noted various internet infrastructure concerns in India, such as restricted access to broadband internet and slow internet speeds in rural regions.
5. (P. Sharma, 2020) This study investigated at how increased internet penetration affects consumer behavior in e-commerce in India. According to the study, the expanding internet penetration has raised e-commerce awareness, increased online purchasing frequency, and modified customer expectations. The study also discovered various characteristics that impact e-commerce consumer behavior, such as product variety, price, and convenience.
6. (A.K. Singh e. a., 2019) The paper

investigated the geographical influence of internet penetration on e-commerce growth in India. The study discovered that the influence of internet access on e-commerce growth differs across India. The study revealed various factors that contribute to regional differences, including wealth, education, and infrastructure.

- **Research Methodology: -**

This research paper is based on the secondary data and the data has been collected from secondary source like Published articles, websites, government report etc. Researcher has reviewed various literature and published government reports to reach the findings and conclusion.

The study period of this research is from 2014-2026.

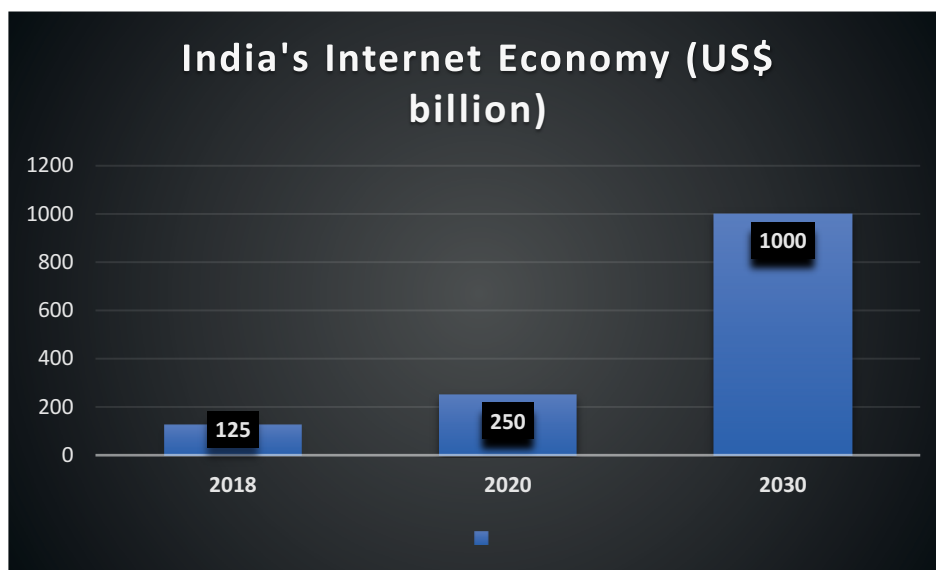
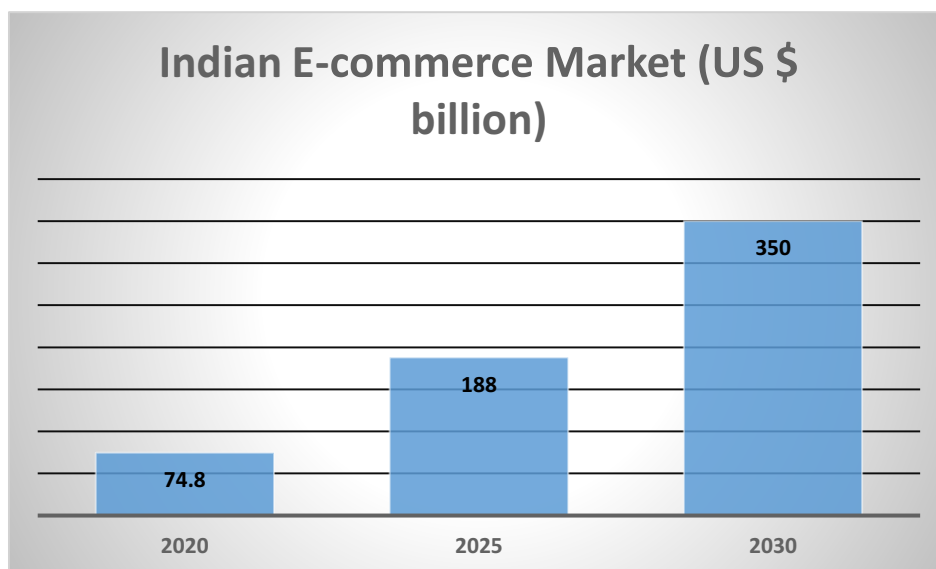
- **Findings: -**

1. To Identify Growth of Ecommerce with Respect of Rise of Internet in India: -
 - Indian e-commerce is expected to grow at a compound annual growth rate (CAGR) of 27% to reach US\$ 163 billion by 2026.
 - In FY23, the Gross Merchandise Value (GMV) of e-commerce reached US\$ 60 billion, increasing 22% over the previous year. In FY22, the GMV of e-commerce stood at US\$ 49 billion.
 - India's e-commerce will reach US\$ 99 billion by 2024, growing at a 27% CAGR over 2019-24, with grocery and fashion/apparel likely to be the key drivers of incremental growth.
 - In 2022, the Indian e-commerce market is predicted to increase by 21.5%, reaching US\$ 74.8 billion.
 - India's e-commerce market is expected to reach US\$ 350 billion by 2030, with grocery and fashion/apparel likely to be its key growth drivers.
 - For the 2021 festive season, Indian e-commerce platforms generated sales worth

US\$ 9.2 billion gross GMV (Gross Merchandise Value).

- E-commerce sales are expected to increase at a CAGR of 18.2% between 2021-2025 to reach Rs. 8.8 trillion (US\$120.1 billion).
- Online penetration of retail is expected to reach 10.7% by 2024, versus 4.7% in 2019.
- The retail market in India is projected to reach US\$ 2 trillion by 2032 from US\$ 690 billion in 2021.
- India had the third-largest online shopper base of 190 million in FY21, which is expected to be 350 million in FY26.
- India’s digital sector is expected to increase multi-fold and reach US\$ 1 trillion by 2030.

- Through its ‘Digital India’ campaign, the Government of India is aiming to create a trillion- dollar online economy by 2025.
- The Indian online grocery market is estimated to reach US\$ 26.93 billion in 2027 from US\$ 3.95 billion in FY21, expanding at a CAGR of 33%.
- With a turnover of US\$ 50 billion in 2020, India became the eighth-largest market for e-commerce, trailing France and a position ahead of Canada.
- The B2C E-commerce is expected to grow steadily over the forecast period, recording a CAGR of 8.68% during 2023-27.

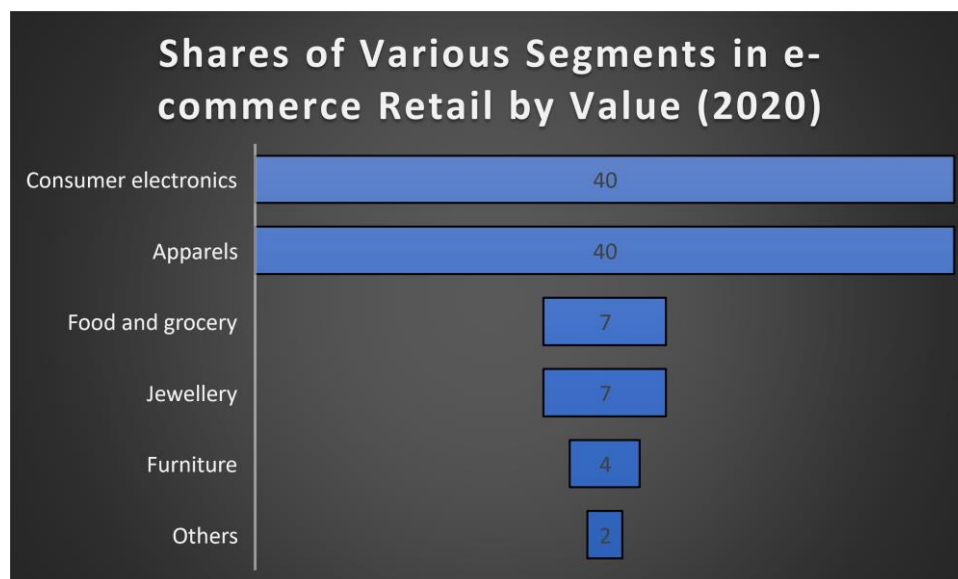


2. To Analyze Various Sectors of Ecommerce in India: -

- According to a Deloitte India Report, As India advances nearer to becoming the world's third- largest consumer market, the country's online retail market is predicted to grow from US\$ 70 billion in 2022 to US\$ 325 billion by 2030, primarily because of the quick rise in e-commerce in tier-2 and tier-3 cities.
- A survey states that during the past five years, private equity and venture capital investments totaling US\$ 23 billion have been invested in the online retail industry.
- By 2030, the online retail sector in India is projected to account for 37% of the country's overall organized retail market, up from 25% in estimates.
- It is anticipated that the e-retail industry would keep expanding rapidly, reaching

US\$ 120–140 billion by Fy26.

- In 2021, India had the third-largest online shopping base, after only China and the United States. The Indian e-retail market is expected to grow to around ~300-350 million customers over the next five years, bringing up the online Gross Merchandise Value (GMV) to US\$ 100-120 billion by 2025.
- As online platforms innovate to enroll the next billion customers, Indian e-retail experienced a significant growth in shopper penetration, driven by decreasing data rates and investments to better customer experience.
- India's e-commerce sector is expected to grow seven times to US\$ 300 billion during the next ten years (2021–2025). JP Morgan analysts predict that smaller communities and e-grocery will drive the next stage of growth.



3. To Evaluate Smartphone Users with Respect of Smartphone Shipments in India:-

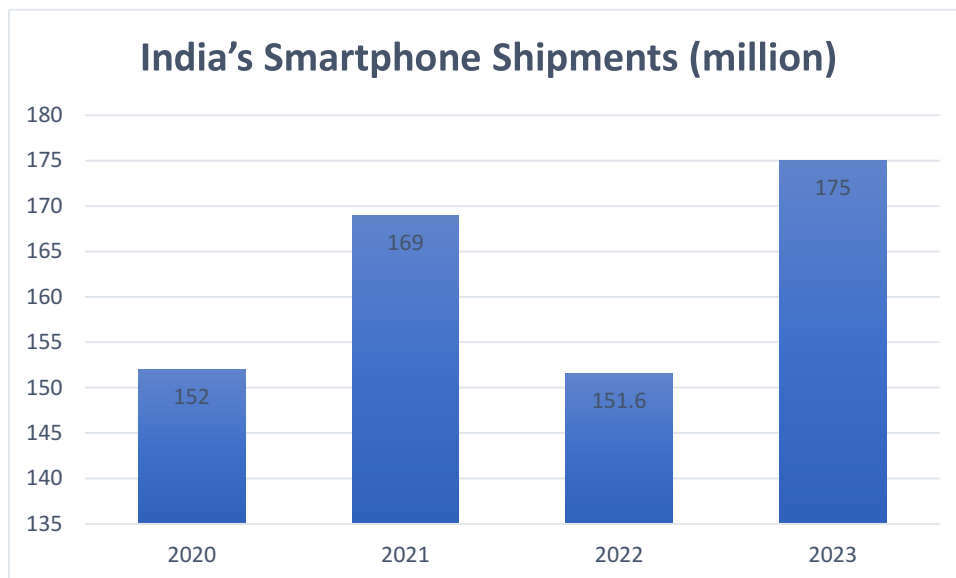
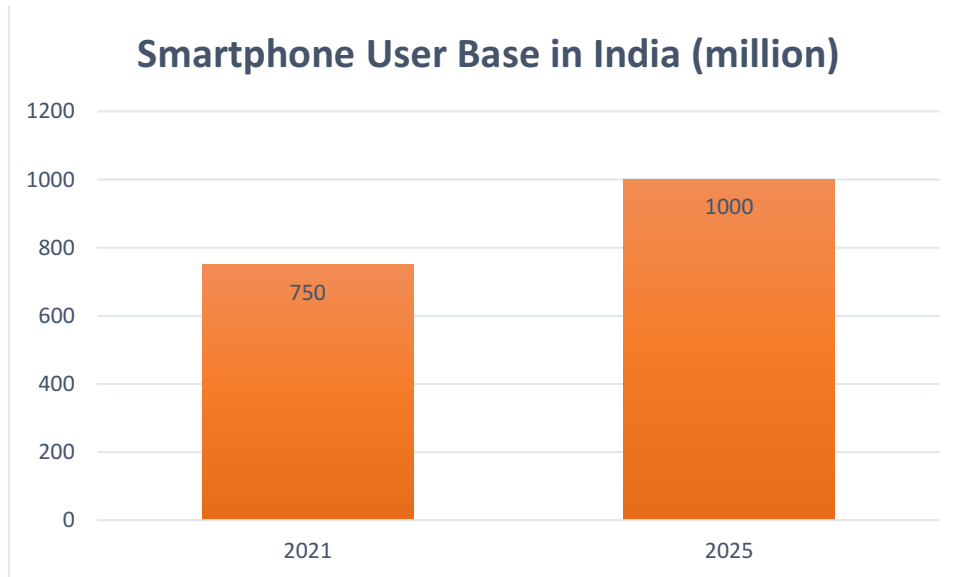
- The rapid expansion of India's e-commerce industry is largely due to the widespread use of mobile devices, internet access through reasonably priced broadband plans, and mobile data.
- India's smartphone user base is projected to

grown to one billion by 2022.

- Even before the country's next-generation mobile broadband technology is implemented, Indian customers are steadily embracing 5G devices.
- Shipments of smartphones were 169 million in 2021, with 5G shipments showing a 555% year- over-year increase.

- In terms of manufacturing, the Indian government is placing a strong emphasis on boosting local value addition. It is anticipated that the production of mobile phones would rise in the upcoming years as government initiatives, such as the Production Related Incentive (PLI), gain

traction and influence the entire ecosystem of electronic manufacturing. It is anticipated that companies like Micromax and Lava would plan their resurgence and capitalize on the 'Atmanirbhar Bharat' campaign.



CONCLUSION

The COVID-19 epidemic, rising smartphone penetration, and government efforts are all contributing to the explosive rise of India's e-commerce industry. The Digital India program and the Startup India initiative are only two examples of the government's numerous efforts that demonstrate support for the e-commerce industry. The goal of these programs is to foster an atmosphere that will enable e-commerce companies to prosper. E-commerce has also become more popular as a result of the COVID-19 epidemic, since more individuals are turning to internet retailers for their requirements. The post-pandemic period is probably going to see this tendency persist. Lastly, the quick rise in smartphone adoption in India is also fostering an expansion in e-commerce. India is predicted to have more than 1 billion smartphone users by 2025, offering e-commerce companies a sizable prospective consumer base. All things considered; India's e-commerce market is expected to keep expanding in the years to come.

BIBLIOGRAPHY

- A.K. Gupta, e. a. (2022). The Impact of Internet Penetration on E-commerce Adoption in India: A Meta-Analysis. *Journal of Global Business and Management Studies*, 6(1), 1-13.
- A.K. Gupta, e. a. (2023). The Impact of Internet Penetration and Demography on E-commerce Adoption in India: A Spatio-Temporal Analysis. *Journal of Retailing and Consumer Services*, 68.
- A.K. Singh, e. a. (2019). The Impact of Internet Penetration on E-commerce Growth in India: A Regional Analysis. *International Journal of Business and Economics*, 7(2), 1-15.
- A.K. Singh, e. a. (2023). The Impact of E-commerce on Consumer Well-being in India: An Empirical Analysis. *Journal of Consumer Policy*, 26(1).
- Basheer. (2020). AN ANALYTICAL STUDY OF E-COMMERCE IN. *International Journal of Creative Research Thoughts (IJCRT)*, 8(7), 4733-4741. Retrieved from www.ijcrt.org
- P. Sharma, e. a. (2020). The Impact of Rising Internet Penetration on Consumer Behavior in E-commerce: A Study of Indian Consumers. *Journal of Consumer Behavior Research*, 5(2), 1-10.
- S. Gupta, e. a. (2023). The Role of E-commerce in Promoting Economic Growth in India: A Review of Literature. *Journal of Economic Literature*, 61(1).
- S. Sharma, e. a. (2021). The Role of Internet Infrastructure in E-commerce Growth in India. *International Journal of Business and Management Research*, 8(1), 1-10.
- <https://www.ibef.org/industry/ecommerce>