



## E-COMMERCE GROWTH IN INDIA

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### Abstract

E-commerce is a boom in the modern business. E-commerce means electronic. E-commerce (Electronic commerce) involves buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, predominantly the Internet.

E-commerce (Electronic commerce) is a paradigm shift influencing both marketers and the customers. Rather e-commerce is more than just another way to boost the existing business practices. It is leading a complete change in traditional way of doing business. This significant change in business model is witnessing a tremendous growth around the globe and India is not an exception. A massive internet penetration has added to growth of E-commerce and more particularly start-ups have been increasingly using this option as a differentiating business model.

Moreover E-commerce has significant influences on the environment. Although the model is highly used in current business scenario but the option has not been explored at its fullest.

Ecommerce one of the highest growing business, with India having great market potential for investments. There has been huge surge in investment since last year and more is expected in coming years. The rapid growth in use of mobile and internet users has facilitated ecommerce business in both urban and rural cities. The topics covered include the terms study of commerce,

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key drivers of growth, market growth potential, investment, retail market, logistics infrastructure, internet regulations, key challenges and future of ecommerce.

**Keywords:** Market growth, E-commerce, Logistic Infrastructure, Internet Regulations.

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## **Introduction**

In recent years India has experienced a boom in internet and smartphone penetration. The number of internet connections in 2021 increased significantly to 830 million, driven by the 'Digital India' programme. Out of the total internet connections, ~55% of connections were in urban areas, of which 97% of connections were wireless. The smartphone base has also increased significantly and is expected to reach 1 billion by 2026. This has helped India's digital sector and it is expected to reach US\$ 1 trillion by 2030. This rapid rise in internet users and smartphone penetration coupled with rising incomes has assisted the growth of India's e-commerce sector. India's e-commerce sector has transformed the way business is done in India and has opened up various segments of commerce ranging from 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 immense growth in recent years. India's 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, and will experience 21.5% growth in 2022 and reach US\$ 74.8 billion.

## **What is E-commerce?**

E-commerce (electronic commerce) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer or consumer-to-business.

The terms e-commerce and e-business are often used interchangeably. The term e-tail is also sometimes used in reference to the transactional process that make up online retail shopping.

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## **How does E-commerce work?**

E-commerce is powered by the internet. Customers access an online store to browse through and place orders for products or services via their own devices.

As the order is placed, the customer's web browser will communicate back and forth with the server hosting the e-commerce website. Data pertaining to the order will be relayed to a central computer known as the order manager. It will then be forwarded to databases that manage inventory levels; a merchant system that manages payment information, using applications such as PayPal; and a bank computer. Finally, it will circle back to the order manager. This is to make sure that store inventory and customer funds are sufficient for the order to be processed.

After the order is validated, the order manager will notify the store's web server. It will display a message notifying the customer that their order has been successfully processed. The order manager will then send order data to the warehouse or fulfilment department, letting it know the product or service can be dispatched to the customer. At this point tangible or digital products may be shipped to a customer, or access to a service may be granted.

Platforms that host e-commerce transactions include online marketplaces that sellers sign up for, such as Amazon; software as a service (SaaS) tools that allow customers to "rent" online store infrastructures; or open source tools that companies manage using their in-house developers.

## **Types of E-commerce**

Business-to-business (B2B) e-commerce refers to the electronic exchange of products, services or information between businesses rather than between businesses and consumers. Examples include online directories and product and supply exchange websites that let businesses search for products, services and information and initiate transactions through e-procurement interfaces. A Forrester report published in 2018 predicted that by 2023, B2B e-commerce will reach \$1.8 trillion dollars and account for 17% of U.S. B2B sales.

Business-to-consumer (B2C) is the retail part of e-commerce on the internet. It is when businesses sell products, services or information directly to consumers. The term was popular during the dot-com boom of the late 1990s, when online retailers and sellers of goods were a novelty.

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Today, there are innumerable virtual stores and malls on the internet selling all types of consumer goods. Amazon is the most recognized example of these sites. It dominates the B2C market.

Consumer-to-consumer (C2C) is a type of e-commerce in which consumers trade products, services and information with each other online. These transactions are generally conducted through a third party that provides an online platform on which the transactions are carried out. Page | 4

Online auctions and classified advertisements are two examples of C2C platforms. EBay and Craigslist are two well-known examples of these platforms. Because eBay is a business, this form of e-commerce could also be called C2B2C -- consumer-to-business-to-consumer. Platforms like Facebook marketplace and Depop -- a fashion reselling platform -- also enable C2C transactions.

Consumer-to-business (C2B) is a type of e-commerce in which consumers make their products and services available online for companies to bid on and purchase. This is the opposite of the traditional commerce model of B2C.

A popular example of a C2B platform is a market that sells royalty-free photographs, images, media and design elements, such as iStock. Another example would be a job board.

Business-to-administration (B2A) refers to transactions conducted online between companies and public administration or government bodies. Many branches of government are dependent on various types of e-services or products. These products and services often pertain to legal documents, registers, social security, fiscal data and employment. Businesses can supply these electronically. B2A services have grown considerably in recent years as investments have been made in e-government capabilities.

Consumer-to-administration (C2A) refers to transactions conducted online between consumers and public administration or government bodies. The government rarely buys products or services from individuals, but individuals frequently use electronic means in the following areas:

Social security. Distributing information and making payments.

Taxes. Filing tax returns and making payments.

Health. Making appointments, providing test results and information about health conditions, and making health services payments.

Mobile e-commerce (m-commerce) refers to online sales transactions using mobile devices, such as smartphones and tablets. It includes mobile shopping, banking and payments. Mobile chatbots facilitate m-commerce, letting consumers complete transactions via voice or text conversations. Page | 5

### Market Size

In recent years India has experienced a boom in internet and smartphone penetration. The number of internet connections in 2021 increased significantly to 830 million, driven by the 'Digital India' programme. Out of the total internet connections, ~55% of connections were in urban areas, of which 97% of connections were wireless. The smartphone base has also increased significantly and is expected to reach 1 billion by 2026. This has helped India's digital sector and it is expected to reach US\$ 1 trillion by 2030. This rapid rise in internet users and smartphone penetration coupled with rising incomes has assisted the growth of India's e-commerce sector. India's e-commerce sector has transformed the way business is done in India and has opened up various segments of commerce ranging from 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 immense growth in recent years. India's 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, and will experience 21.5% growth in 2022 and reach US\$ 74.8 billion.



**Figure.1.** Indian E-commerce Market (US\$ billion)

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%. India's consumer digital economy is expected to become a US\$ 1 trillion market by 2030, growing from US\$ 537.5 billion in 2020, driven by the strong adoption of online services such as e-commerce and edtech in the country.

According to Grant Thornton, e-commerce in India is expected to be worth US\$ 188 billion by 2025.

With a turnover of \$50 billion in 2020, India became the eighth-largest market for e-commerce, trailing France and a position ahead of Canada.

Propelled by rising Smartphone penetration, the launch of 4G network and increasing consumer wealth, the Indian E-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017.

After China and the US, India had the third-largest online shopper base of 150 million in FY21 and is expected to be 350 million by FY26.

Indian consumers are increasingly adopting 5G smartphones even before the rollout of the next-gen mobile broadband technology in the country. Smartphone shipments reached 169 million in 2021 with 5G shipments registered a growth of 555% year on year 2021. Indian consumers are increasingly adopting 5G smartphones even before the rollout of the next-gen mobile broadband technology in the country. Smartphone shipments reached 150 million units and 5G smartphone shipments crossed 4 million in 2020, driven by high consumer demand post-lockdown. According to a report published by IAMAI and Kantar Research, India's internet users are expected to reach 900 million by 2025 from ~622 million internet users in 2020, increasing at a CAGR of 45% until 2025.

For the 2021 festive season, Indian e-commerce platforms generated sales with a Gross Merchandise Value (GMV) of US\$ 9.2 billion, a 23% increase from last year's US\$ 7.4 billion.

## **Investment**

Some of the major developments in the Indian e-commerce sector are as follows:

- In June 2022, Amazon India signed an MoU with Manipur Handloom & Handicrafts Development Corporation Limited (MHHDCL), a Government of Manipur Enterprise to support the growth of artisans and weavers across the state.
- India's eCommerce sector received US\$ 15 billion of PE/VC investments in 2021 which is a 5.4 times increase year on year. This is the highest investment value received by any sector ever in India.
- In February 2022 Xpressbees a logistics ecommerce platform become a unicorn valued at US\$ 1.2 billion in 2022. The firm raised US\$ 300 million in its Series F funding.
- In February 2022, Amazon India launched One district One product (ODOP) bazaar on its platform to support MSMEs.
- In February 2022, Flipkart launched the "sell back program" to enable trade in smartphones.
- In January 2022, Walmart invites Indian sellers to join its US market place with an aim of exporting US\$ 10 billion from India each year by 2027.
- In January 2022, Flipkart has announced expansion in its grocery services and will offer services to 1,800 Indian cities.
- In November 2021, XPDEL US- based ecommerce announced expansion in India.
- In September 2021, CARS24, India's leading used car e-commerce platform, has raised US\$ 450 million in funding, comprising a US\$ 340 million Series F equity round and US\$ 110 million in debt from various financial institutions.
- In September 2021, Amazon launched Prime Video Channels in India. Prime Video Channels will give Prime members a seamless experience and access to a variety of popular video streaming services.
- In September 2021, Bikayi, a mobile commerce enabler, raised US\$ 10.8 million in a Series A funding round, led by Sequoia Capital India.
- Flipkart, India's e-commerce powerhouse, 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).

## Conclusion

The e-commerce industry will be a leader with popularity in electronic business world in the upcoming years. The e-commerce revolution has fundamentally changed the business of transaction by giving new opportunities and breaking borders easily. In INDIA, it has strongly

impacted the traditional business system and changing the life of people by making it easier. While it gives benefits to customer and seller, e-commerce gives challenges to traditional business for competitive position. Developing countries face many obstacles that affect the successful implementation of e-commerce with the help of comparing with developed country. When the internet cost will be low then the e-commerce will flourish easily and will make many of traditional business to run out of their business. Convenience is one of the benefits that customer gets from the e-commerce and thus increasing customer satisfaction. This is due to customer can place a purchase an order from anywhere with internet connection. E-commerce business provider should give importance on every customer by giving smooth service and many options for payment and have more functions available online. Other benefits are expanded product offerings and expanded geographic reach. But e-commerce business faces a lot of challenges in flourishing their business.

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