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Perspectives on the Growth of Indian E-Commerce Industry

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Abstract

Online shopping is a very recent phenomenon in the field of e-commerce. It has grown from a very nascent stage and attained critical mass in the last five years. It seems quite certain that this segment of retail will experience high rates of growth in the coming years as well. It literally is the future of the retailing industry. Most of companies today are recognizing the importance of presence online. Though online shopping is very common outside India, its growth in Indian Market, which is a large and strategic consumer market, is still not in line with the global market. Basically, this paper studies the importance and growth of online shopping in India.

Keywords: Online Shopping, e-commerce, etail

Introduction

The e-commerce sector has seen unprecedented growth in recent years e-commerce or the electronic commerce deals with buying or selling of goods and services or transmitting the fund or data over the electronic platform primarily on internet. When you buy a product or a service over the internet instead of going to a traditional brick-and-mortar store, it is called online shopping. Online marketing/shopping in India is growing at a tremendous pace in recent times. Although, the size of the sector is still relatively small as compared to the total retail sector of the country, the growth rates are tremendous. According to CRISIL the online sector constituted only 0.5% of the total retail sector of the country in 2012-13.

The trend for online shopping has especially increased with the increase in the computer literacy of the population. The trend of online shopping is especially popular in the young generation. This is due to a variety of factors- convenience of shopping at home, benefits of discounts and deals, increasing choices online, saving of fuel, time and energy. Though online shopping is currently more popular in the urban areas especially the metropolitan areas, the rural sector holds huge potential for expansion of this sector.

The exclusive benefits of online shopping customers include- provision of round the clock shopping facilities, anywhere shopping facility like home, office, etc. the only thing required is a working internet connection. Nowadays with most online websites having their apps, one can shop on the go as well from their mobiles. Online websites offer more choices in terms of brands and sheer number of products. This greatly reduces the time and energy spent in scouring traditional brick and mortar stores.

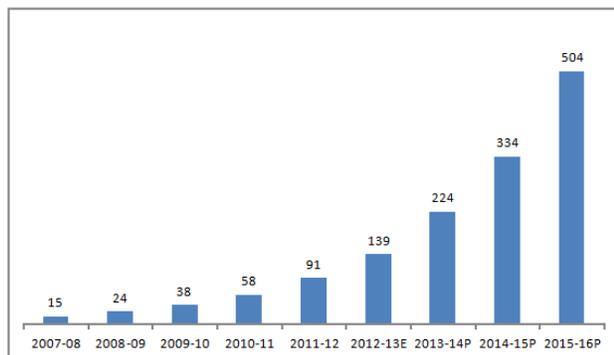
Indian Perspective

In India the e-commerce industry is still a very small component of the total retail industry of the country. Out of the Rs. 38 trillion (\$600 billion, roughly Rs. 38, 08,200 crores) overall retail trade industry, the e-commerce format accounted for about Rs. 1 trillion (\$16 billion, roughly Rs. 1, 01,552 crores) in India. Despite its size it has witnessed tremendous growth rates.

According to the CRISIL Research, India's online retail industry has grown at a swift pace in the last 5 years from around Rs 15 billion revenues in 2007-08 to Rs 139 billion in 2012-13, translating into a compounded annual growth rate (CAGR) of over 56 per cent.

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The 9-fold growth came on the back of increasing internet penetration and changing lifestyles, and was primarily driven by books, electronics and apparel. A significantly low (19%) but fast-growing internet population of 243 million in 2014 is an indicator of the sector's huge growth potential in India. India's internet users are short by only 36 million as compared with 279 million in the US and higher than that in Japan, Brazil and Russia. However, in comparison to the population, only 19% Indians use the internet. This clearly indicates the potential of internet use in India is going to rise as internet penetration increases. Hence, the possibility of growth for the e-Commerce industry will also increase.



Source: CRISIL Research

According to the Boston Consultancy Group report, Digital Influence Study 2013-14, online shopping is expected to rise to 14 per cent by 2016 from 6 per cent in 2013. This means a more than doubling of the size of the sector in about three years. 25 per cent of travel and tourism-related sales are digitally driven in the country currently. Digital influence is rapidly expanding to small urban towns and rural areas, as the number of mobile and internet user's increase. More than 34 per cent of total internet users in the country are from small towns, while 25 per cent are from rural areas. Of the total urban Internet users, around 57 percent are of 25 and above, and 45 per cent use only their mobile devices to access the Internet.

The study also said by 2016, the urban Internet user base would rise to 47 per cent from 28 percent in 2013. According to the report, discounts are not the only driving force for people to switch to online shopping, as was previously thought, but factors like convenience and access to wider assortment is also largely influencing shopping decisions. Another study shows that online shopping has risen by a massive 85 percent in 2013 as compared to last year's figure of \$8.5 billion on increasing Internet penetration, rising fuel prices and wider choices in the comfort of one's home. It is quite clear that this sector clearly is important and will be a force to reckon with in the future of India's retail industry.

In 2014 this sector has been in the news like never before-not just with mega promotions but also with mergers, acquisitions and some crazy valuations. Earlier in December, the Anil Ambani-led Reliance Group sold its 16-percent stake in Yatra.com, a leading consolidator of travel products, for a landslide 12-fold jump in initial investment made in 2006, to value the portal at \$500 million (roughly Rs. 3,173 crores).

This was followed by a \$700 million (roughly Rs. 4,442

crores) fundraiser by Flipkart, that came over and above the \$1 billion (roughly Rs. 6,347 crores) the company had raised in July - that had taken its valuation to a whopping \$6 billion (roughly Rs. 38,082 crores) overnight. Flipkart also decided to merge Myntra, another leading online retail firm, into it.

The financial service arm of the Japanese telecommunication and internet corporation, SoftBank Internet and Media, Inc. ('SIMI') to invest \$627 million (roughly Rs. 3,800 crores) in SnapDeal, a major player again in the Indian e-commerce space. Following the investment, SoftBank became the biggest stakeholder in the company and also pick a \$210-million (roughly Rs. 1,332 crores) stake in Ola that offers car rentals in 19 Indian cities through its mobile platform, web site and call centres.

Amazon has invested \$2 billion to its India focused marketplace, Amazon.in, in July 2014. Flipkart raised \$1 billion from Tiger Global Management and Naspers. Singapore's sovereign wealth fund, GIC, along with existing investors Accel Partners, DST Global, ICONIQ Capital, Morgan Stanley Investment Management and Sofina, also participated in this latest financing round.

Myntra secured \$50 million (about Rs.300 crore) investment led by Premji Invest along with existing investors Accel Partners and Tiger Global. Grocery and veggie e-retailer Bigbasket snapped up \$33 million from Helion Ventures, Ascent Capital, Zodius Capital and Lionrock Capital in September 2014.

Similarly, Fashion e-commerce major Jabong secured \$27.5 million (Rs 173 crore) from British development finance institution CDC in a deal in February 2014.

Furniture e-retailer Urbanladder closed \$21 million (approx Rs.120 crore) Series B funding from Steadview Capital along with the existing investors, SAIF Partners and Kalaari Capital, in January 2014.

Furniture and home products marketplace Pepperfry raised \$15 million funding led by Bertelsmann India Investments (BII), including Norwest Venture Partners (NVP).

Conclusion

In conclusion, the Indian e-Commerce Industry may currently be behind its counterparts in a number of developed countries and even some developing countries. But, with fast increasing GDP growth, e-commerce industries are expected to grow rapidly. Moreover, it has access to funds from within the country and international investors. It can be safely said that the internet retailing market or e-commerce sector in India is definitely on an upswing. The sector is going to witness huge rates of growth in the coming years as huge untapped potential exists for the growth of the market. With improvement in linkages and logistics chains this sector will expand into the rural sector of the country which will be a huge market for the retailers. Thus, this is a sector to watch out for in the next decade.

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