

# An Impact of Investment of E Commerce in India

KC Narayana, M. Ganesan Dean, J. Pavithra

**Abstract:** *The Ecommerce has been the vibrant industry as of today. Through the innovation of internet e commerce has gained a rapid momentum in 10 years period of time. The Ecommerce market in India has transformed the path of the business to a second phase from offline business to online business. The ecommerce industry in India is expected to grow US\$ 200 billion by 2026 which is a massive growth due to rapid usage of internet and smartphones. The digital India campaign is expected to flourish rapidly through the ecommerce industry. The investment of ecommerce has been captured through the big giants Flipkart and Amazon The market size of the flipkart after acquired by the giant Walmart*

*The study focuses on the foreign investment in ecommerce The study will be able to identify on the performance of ecommerce industry. The study shall assess the various models which elevated the growth of the industry.*

**Key words :** *Ecommerce, , FDI Policy, Business to Customer, Customer to Customer, Customer to Business*

## I. INTRODUCTION

The e commerce is the transformation of traditional business operations to online arena. Since the globalization period, Indian economy has undergone phased changes so as to grow in par with the emerging economies. The new economic policy provided a gateway to improve the productive efficiency and competitiveness of the domestic industrial sector. The ecommerce has led to a rapid growth to transform into digital economy. The usage of internet has emerged towards the online mode of buying and selling of goods and services into offline mode. The online e commerce segment has transformed the industry for India in the global arena.

### Definition

According to World Trade Organization “Electronic commerce involves the production distribution and marketing and sale or delivery of goods and services by electronic means”.

## II. MODELS OF ECOMMERCE

### a. Business to business

It is the exchange of services or information between business rather between business and consumers

### b. Business to Consumer

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**Mr. KC Narayana** Research Scholar Department of Management Studies, BIHER.

**Dr. M. Ganesan Dean** – Admin (Retd) Department of Management Studies BIHER

**Ms. J. Pavithra** Assistant Professor Department of Management Studies BIHER

This includes financial transactions or online sale between business to consumer

### c. Business to Government

It is the use of the internet for public procurement, licensing procedures and government – related operations

### d. Consumer to Consumer

It involves consumer selling products to other consumers

## Ecommerce Transformation

The technological development has made ecommerce sector growing to a rapid phase. The adoption of technology in terms of smart phones and tablet with high speed internet access is helping to increase the number of online customers. The banks and other institutions are providing a secured online platform to pay effortlessly through payment gateways.

## Indian E Commerce Industry

India had a very few e commerce industry in 2000 with only one ecommerce store baazee.com which was later acquired by American E commerce Industry with a giant ebay.com in 2004 and India received the first foreign investment in 2004. This scenario changed after 2008 through the entry of flipkart, company promoted by Indian. After 2004, Indian ecommerce industry travelled to witness a remarkable growth. This industry grew with 34% of annual CAGR from 2009 and 2014. This started to grow in rapid size through the entry of two rivals of flipkart and amazon. The total size of the industry was reported to be US\$ 14.5 billion in 2016 and is expected to grow to USD\$ 80 billion by 2030. The Global Payment Report suggests that India will become the second largest market overtaking the United States by 2034. The Indian market has grown through the revenues of the giants such as Amazon, Ebay and Alibaba. The ecommerce industry was estimated to contribute around 1% for the GDP in 2016-17.

## III. EVOLUTION OF E COMMERCE IN INDIA

The most common users were business to business and Micro Small Medium Enterprise which lacked financial resources to market the products to tap the potential clients through traditional media. India first launched its B2B directory was launched in 1996. This helped to increase the B2B directory to increase the viability of the financial market to help them overcome the barriers of time, communication and geography. The scope of B2B transaction has broadened over years which include promoting investments, trading in stocks and forging financial alliances.

The retail market in India was categorized in 92% in unorganized sector and 8 % in

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organized sector of which only 0.2% was online. In 2013, this composition stood at 9.1%, 8.7%, 0.3%. It is therefore evidently seen that the Indian retail sector has a increased market share in the online segment. This will enhance it into the digital India.

### OBJECTIVES OF THE STUDY

- To analyze the foreign investment in ecommerce
- To understand on the performance of ecommerce
- To evaluate on the impact of ecommerce sector

### LITERATURE REVIEW

**Mc Gaughey & Nebhwani (2002)** provides a broad outlook of ecommerce within organizational systems with reference to e trading and elaborating impact on operation management. **Mishra & Kotkar (2015)** gives the timeline and development of B2C ecommerce in A Study on current status of Ecommerce in India: A comparative analysis of flipkart and Amazon with its inception in 1990s through the advent of matrimonial and job portals. **Das & Ara (2015)** observes in growth of ecommerce in India that through online travel and hotel bookings still control the lion's share of e commerce market.

### NATIONAL POLICY FRAMEWORK

#### Scope and Objectives

The National ecommerce policy addresses six broad issues of the ecommerce ecosystem (i) data (ii) infrastructure development (iii) ecommerce market places (iv) regulatory issues (v) stimulating domestic digital economy (vi) export promotion through ecommerce. It identifies critical aspects of the strategies and issues in order to achieve the vision of the Government. The strategies are identified and are accounted with needs of the stakeholders and accords the interest of start-ups, small manufacturing trading and service enterprise high consideration.

According to estimates by 2020

### INDIA FDI POLICY FOR E COMMERCE

#### B2B Ecommerce

FDI is permitted under automatic route for wholesale trading business, inclusive of B2B ecommerce

#### B2C Ecommerce

FDI is allowed in single brand retailing upto 49% under the automatic route with prior approval of the government over and 51% in multibrand retailing trading. These relaxation have not been extended to the e-retail sector. The policy specifically prohibits any amount of FDI in retail trading by means of ecommerce, limiting the benefits of foreign investment in retail only to brick and mortal stores

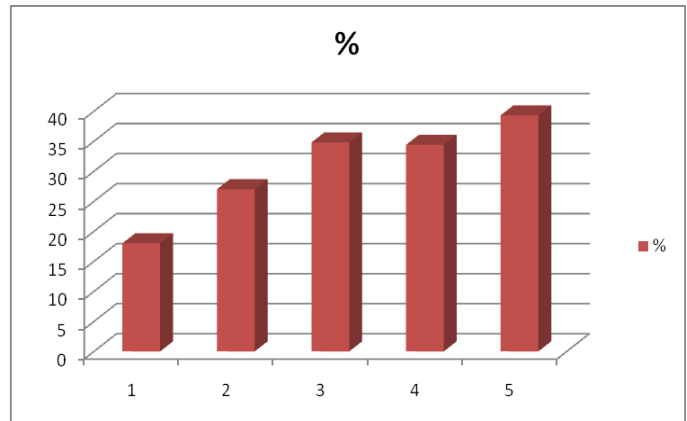
### DATA ANALYSIS

**Table 1 - Internet Penetration in India**

Year	%
2014	18
2015	27

2017	34.8
2018	34.4
2020	39.3

**Source – Ecommerce Industry update and outlooks**



**Chart 1 – Internet Usage of India**

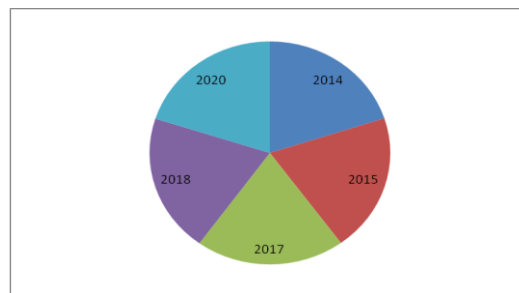
#### Inference

The usage of internet has gradually increased over the years

**Table 2 – Growth of Ecommerce industry in India**

Year	Growth in USD Billion
2014	14
2015	20
2017	39
2018	50
2020	64

**Source - IBEF**



**Source – IBEF**

**Chart 2 – Ecommerce Industry in India**

#### Inference

There is a gradual increase in the growth of ecommerce industry in India

**Table 3 - Private Equity Investments of ecommerce in india**

Sector	Funding (\$ M)	% of Funding	No of deals	% of deals
Hyper Local	1637	22,3	15	7
Travel and hospitality	1026	14	8	3.8
B2C	1002	13.6	32	15
Edtech	742	10.1	18	8.5
Wallets/Payments	564	7.7	8	3.8
B2B	540	7.3	16	7.5
Mobility	387	5.3	16	7.5
Fintech	340	4.7	23	10.8
Health Tech	260	3.5	22	10.3
Online Classifieds	236	3.2	11	5.2
Social	200	2.7	14	6.6
Gaming	104	1.4	4	1.9
Logistics Tech	78	1.1	10	4.7
Others	229	3.1	16	7.5
<b>Total</b>	<b>7354</b>	<b>100</b>	<b>213</b>	<b>100</b>

Source – IVCA Association

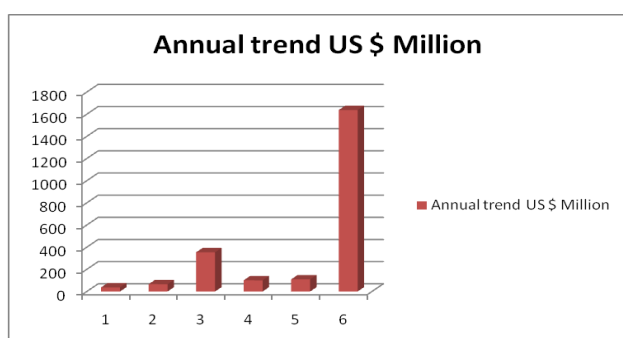
**Inference**

The major impact of ecommerce was evidently seen with a major deals for B2C and financial tech sector followed by health sector.

**Table 4 - Venture Capital investments in the hyperlocal markets**

Year	Annual trend US \$ Million
2013	36.8
2014	65.5
2015	353.5
2016	100.6
2017	109.3
2018	1637

Source – EY Analysis of data from VCC



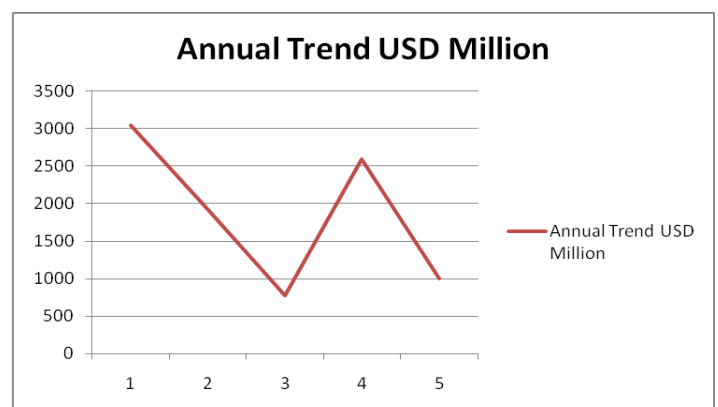
**Chart 3 - Venture capital investments in hyper markets**

**Inference**

It is inferred that there was a drastic increase in investment in hyper market in the year 2018.

**Table 5 - Private Equity Investment in B2C Sector**

Year	Annual Trend USD Million
2014	3041.2
2015	1914
2016	770.9
2017	2586.2
2018	1002.3



**Chart 4 - Private investment in B2C Sector**

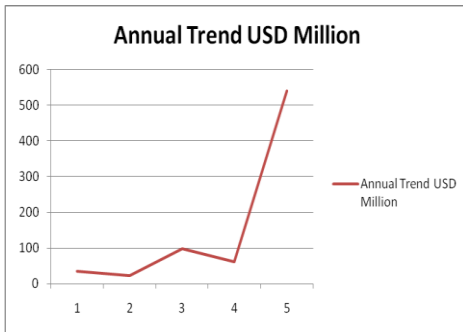
**Inference**

There was a declining trend of investment in 2018 along with varied fluctuations

**Table 5 - Private Equity Investments in B2B Sector**

Year	Annual Trend USD Million
2014	35.2
2015	22.7
2016	98
2017	60.8
2018	540.1

Source – EY Report



**Chart 5 - Private investment in B2B Sector**

### Inference

The annual trend has been dramatically increasing

### FINDINGS

- Ecommerce sector has seen a dramatic change in the recent times.
- The usage of internet in India has increased tremendously
- The B2B and B2C sector are the key players for the deals
- The investment in hyper markets are grown to a large extent
- There are fluctuations happening in B2C Sector
- The investment of B2B Sector is tremendous

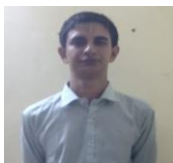
### CONCLUSION

The ecommerce industry has been increasingly growing in the recent past. The ecommerce sector is said to be one of the key playing sector for the development of the economy. The private equity investment especially in ecommerce industry is emerging constantly. However Indian ecommerce giants should tapped up in order bring in joint ventures for the country which will be effective in the contribution for the GDP.

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### AUTHOR'S PROFILE



**KC Narayana**, Research Scholar  
Department of Management Studies,  
BIHER

KC Narayana Research Scholar has a vast experience in teaching field. He has published various papers and presented at various conferences. He has also published various articles in reputed journals and has rich experience in teaching at various colleges in South India. He is currently pursuing doctorate in finance.



**Dr M Ganesan Dean** – Admin  
(Retd) Department of  
Management Studies, BIHER

Dr M Ganesan has a vast experience of 50 years of able service at pachaiyappa's college, Chennai. He also worked as professor in department of management studies and as dean administration at Bharath Institute of Higher Education and Research, Chennai. He has also published renowned textbooks and various papers and attended various conferences across India. He has produced many research scholars from various renowned universities with regard to doctorate and masters in Philosophy



**Ms J Pavithra**, Assistant  
Professor Department of  
Management Studies BIHER

Ms. J. Pavithra has rich experience of 11 years at Bharath Institute of Higher Education and Research. She is at the verge of completion of doctoral research degree in management studies. She has received two awards for young teacher award, teaching and research excellence award. She has published various papers in scopus indexed and referred journals. She has also presented various papers in conferences and seminars across India.