

COVID 19 IMPACT ON E- COMMERCE INDUSTRY IN INDIA

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ABSTRACT

A difficult period for the overall economy was Covid-19. However, it also turned out to be a boon for the e-commerce sector. Due to the epidemic, consumers are now obliged to shop via internet portals rather than brick-and-mortar stores, supermarkets, and shopping centres for anything from necessities to name-brand merchandise. Let's first update the definition of e-commerce before moving on to the article's main point. E-commerce refers to a business strategy that enables organisations and people to purchase and resell goods and services online. A few examples of the various forms of e-commerce transactions include business-to-business (B2B) transactions (Alibaba), business-to-consumer (B2C) transactions (Walmart), and consumer-to-consumer (C2C) transactions (Ebay). E-commerce was the only option available for individuals during the epidemic because it does not require any physical structures to offer products or services. With more people and businesses turning to online shopping as a result of the epidemic, there has been a noticeable shift in consumer behaviour. Due to the need for social isolation during the pandemic and the priority placed on safety, millions of people have adapted to e-commerce platforms.

INTRODUCTION

India has seen a growth in the use of smartphones and the internet in recent years. Due in large part to the "Digital India" plan, there were 830 million internet connections worldwide in 2021. 55% of all connections to the internet were in metropolitan areas, and 97% of those connections were wireless. The number of smartphones has also greatly grown, and by 2026, that number is anticipated to be 1 billion. India's digital economy has benefited from this, and by 2030, it is predicted to be worth US\$1 trillion. This quick increase in smartphone and internet users, together with growing affluence, has aided in the expansion of India's e-commerce business.

The e-commerce industry in India has completely changed how business is conducted there and opened up a variety of market niches, including business-to-business (B2B), direct-to-consumer (D2C), consumer-to-consumer (C2C), and consumer-to-business (C2B). Significant markets like D2C and B2B have grown tremendously in recent years. By FY27, the D2C

market in India is anticipated to grow to \$60 billion. The global e-commerce sector is anticipated to expand by 21.5% in 2022 to reach US\$ 74.8 billion and reach US\$ 350 billion by 2030.

Statistics

* The US\$14 billion Indian e-commerce market, which started as a niche industry a few years ago, is expanding quickly and is up more than 25%, according to NASSCOM.

* Due to growing analytics, transactions, and internet penetration, India's e-commerce business is anticipated to surpass US\$200 billion by 2030.

* The world's e-commerce economy is thought to be most appealing and growing the fastest in India. IBEF estimates that India's retail sector is worth over US\$ 883 billion, ranks fifth internationally, and will surpass US\$ 1.3 trillion in 2024. Of this, it is predicted that e-commerce will reach US\$ 111 billion by 2024.

Social media – A boon for E-Commerce

* Social media, which offers a platform for advertising and getting comments, developing a brand's image, and promoting new launches, is helping e-commerce reach a wider audience.

Retailers may track first-time and returning customers of a product by using social media.

* Social media is crucial for understanding consumer expenditures and spending habits.

Consequences of Increased Reliance on E-commerce

* Consumer opportunities

Consumers have a vast array of options thanks to e-commerce, which is fueled by digitalisation and internet penetration in rural markets. The purchasing process has undergone a radical transformation as a result of competitive pricing, offers, and efficient delivery as well as the ease of skipping huge lines.

*Moment for New Businesses

The expansion of start-ups in the e-commerce business was fueled by the ongoing transformation of Indian consumers' purchasing habits. By offering choices for payment upon delivery and return policies with alluring offers and discounts, online retailers have maintained and expanded their base of online customers.

***Enhanced Competition**

Due to more people having access to the internet, e-commerce is expanding in India. By creating a variety of commercial prospects, this encourages firms to stay modern and fosters enhanced competitiveness.

Government Initiatives to Promote E-commerce

The Indian government has announced numerous programs/initiatives to advance e-commerce, including Digital India, Make in India, Start-up India, Skill India, etc. The development of e-commerce in the country will probably be aided by the correct implementation of such programmes. The following are some of the government's initiatives to boost e-commerce in India:

***Public Retail Policy**

The government identified five areas in its national retail policy: ease of doing business, rationalisation of the licencing process, digitization of retail, emphasis on reforms, and an open network for digital commerce. The government also stated that offline retail and e-commerce needed to be managed jointly.

*** Agreement for transparent and cashless payments**

In order to enable a cashless, paperless, transparent payment mechanism for various services, Government e-Marketplace and the Union Bank of India signed a Memorandum of Understanding in October 2019.

*** India's Digital Movement**

To promote digitisation, the Indian government established a number of projects under the Digital India movement, including Umang, Start-up India Portal, Bharat Interface for Money (BHIM), etc.

*** Raise in FDI Limit**

The Indian government increased the cap on foreign direct investment (FDI) in the B2B marketplace model to up to 100% in order to increase the participation of foreign companies in e-commerce.

*** Taxation of foreign e-commerce businesses**

The government required permanent account numbers (PANs) for foreign businesses using Indian e-commerce platforms in October 2020 and updated the equalisation levy rules of 2016 to reflect this requirement. In the Financial Year 2021 budget, it imposed a 2% tax on the sale of goods or the provision of services by a non-resident e-commerce operator.

Strategies for India's E-commerce Boom

India's e-commerce has grown quickly as a result of the Covid-19 outbreak. However, there are a few elements that serve as the foundation for the growth of e-commerce. These are some examples of such elements:

*** Accessibility**

Access to e-commerce is made simpler by rising smartphone use and expanding internet usage at reasonable prices. This connectivity makes it possible to book train, hotel, taxi, and movie tickets as well as pay for mobile and electric bills and place online orders, among other services.

The Logistics

One of the biggest problems facing e-commerce firms is logistics. E-commerce companies in India must pay heavily to develop their own logistics because local organisations are frequently unable to meet the needs of e-tailers.

***Analysis of Competitors**

E-commerce businesses must concentrate on issues related to the quick addition of consumer categories and product portfolios. Market intelligence should be obtained about expansion into new markets, brand and product introductions, management of different consumer engagement platforms, and management of a highly competitive price environment.

*** Transactional Mode**

Some external factors that have an impact on a business include worries about security, privacy, and monitoring fraudulent purchases. For e-commerce businesses, additional variables including back-end service tax, cross-border tax, and regulatory difficulties can have serious consequences.

* The inability of the organisational structure to keep up with the rapid changes, cybersecurity to prevent insider threats and fraudulent transactions, tax reorganisation, and legal compliance are other issues that e-commerce enterprises must deal with. * The rise in the number of online shoppers shows that, in order to develop more quickly, e-commerce businesses should focus on improving the consumer experience and utilising new technology. In addition, businesses should make sure that their websites load more quickly and create mobile applications that are simpler to use to enhance user experience in order to offer a variety of goods and services and broaden their reach

ADVANTAGE IN INDIA

GROWING DEMAND * With a CAGR of 55–60%, social commerce in India has the potential to reach US\$16–20 billion in FY25.

- * The e-commerce market in India is anticipated to grow to US\$ 111 billion and US\$ 200 billion by 2024 and 2026, respectively.

INTERESTING OPPORTUNITIES

- * The Indian e-commerce market is expected to grow by 21.5% in 2022 and reach US\$ 74.8 billion.
 - * By 2030, it is anticipated that India's e-commerce sector would be worth US\$350 billion.
- ### POLICY SUPPORT
- * B2B e-commerce is permitted to use 100% FDI.
 - * 100% FDI is allowed in the E-commerce marketplace model under the automated approach.

RISING INVESTMENTS * The recent increase in digital literacy has sparked a wave of investment in e-commerce businesses, levelling the playing field enabling new entrants to establish a foothold while producing creative.

MARKET SIZE

From US\$ 3.95 billion in FY21 to US\$ 26.93 billion in 2027, the Indian online grocery industry is predicted to grow at a CAGR of 33%. India's consumer digital economy is predicted to increase from US\$ 537.5 billion in 2020 to US\$ 1 trillion by 2030, thanks in large part to the rapid use of online services like e-commerce and edtech in the nation.

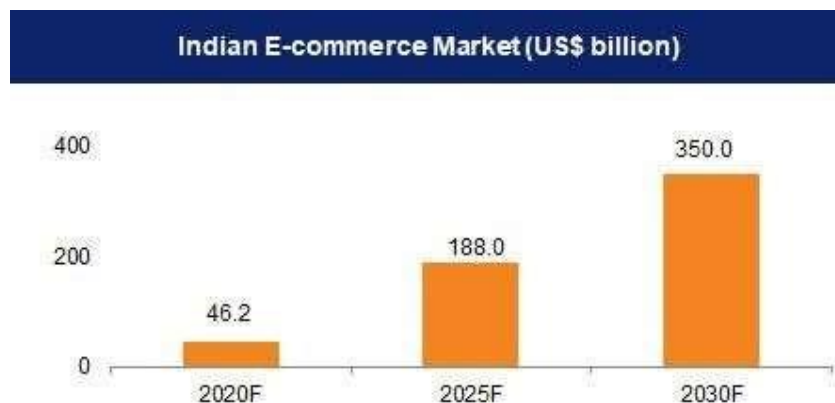
By 2025, Grant Thornton projects that India's e-commerce would be valued US\$ 188 billion.

India overtook Canada to become the eighth-largest e-commerce market in 2020 with a revenue of US\$ 50 billion, following only France.

The Indian e-commerce market is anticipated to increase from US\$ 38.5 billion in 2017 to US\$ 200 billion by 2026, driven by expanding smartphone penetration, the introduction of 4G networks, and rising consumer income.

India, with 150 million online shoppers as of FY21, was third in size behind China and the US, and is projected to reach 350 million by FY26.

Even before the government begins to put out the most recent mobile broadband technology, Indian customers are buying 5G handsets at an increasing rate. In 2021, 169 million smartphones were shipped, while 5G shipments saw an increase of 555% over the previous year. Even before the government begins to put out the most recent mobile broadband technology, Indian customers are buying 5G handsets at an increasing rate. Shipments of smartphones surpassed 150 million units.



INVESTMENTS/DEVELOPMENTS

The following are some significant advancements in the Indian e-commerce industry:

A Memorandum of Understanding (MoU) was signed in June 2022 between Amazon India and Manipur Handloom & Handicrafts Development Corporation Limited (MHHDCL), a government enterprise, to encourage the expansion of craftsmen and weavers throughout the state.

PE/VC investments of US\$ 15 billion were made in India's eCommerce sector in 2021, a 5.4- fold increase from the previous year. The investment value obtained by this industry in India is the greatest it has ever been.

A logistics e-commerce platform called Xpressbees became a unicorn in February 2022, with a US\$1.2 billion valuation. With its Series F fundraising, the company raised \$300 million USD.

Amazon India introduced the One District One Product (ODOP) marketplace on its website in February 2022 to promote MSMEs.

To allow the trade-in of smartphones, Flipkart introduced the "sell back programme" in February 2022.

Walmart will open its US marketplace to Indian vendors in January 2022 with the goal of having India export US\$ 10 billion annually by the year 2027.

Flipkart announced an expansion of its grocery services in January 2022 and would now provide services in 1,800 Indian towns.

The US-based ecommerce company XPDEL announced growth in India in November 2021. The largest used automobile e-commerce site in India, CARS24, secured US\$ 450 million in fundraising in September 2021. This sum was split between a US\$ 340 million Series F equity round and a US\$ 110 million loan round from several financial institutions. Amazon introduced Prime Video Channels in India in September 2021. Prime members will enjoy a smooth experience and get access to a number of well-known video streaming providers thanks to Prime Video Channels.

Bikayi, a mobile commerce enabler, earned US\$10.8 million in a Series A fundraising round in September 2021, with Sequoia Capital India serving as the deal's lead investor. Flipkart, a leader in Indian e-commerce, declared in July 2021 that it has secured US\$ 3.6 billion in additional capital from a variety of sources, including Walmart (parent company), sovereign funds, and private equities.

GOVERNMENT ACTIONS

The Indian government has made a number of announcements since 2014, including Digital India, Make in India, Start-up India, Skill India, and Innovation Fund. The development of E-commerce in the nation is anticipated to be supported by the timely and efficient execution of such programmes. The following are some of the main steps the government has done to encourage e-commerce in India:

By the end of November 2022, the GeM portal had processed 12.28 million orders totaling Rs. 334,933 crore (US\$ 40.97 billion) for 62,247 buyer organisations from 5.44 million registered sellers and service providers.

The Department for Promotion of Industry and Internal Trade (DPIIT) is reportedly planning to use the Open Network for Digital Commerce (ONDC) to establish protocols for cataloguing, vendor discovery, and price discovery in an effort to systematise the onboarding process of retailers on e-commerce platforms. In the greater benefit of the nation and its citizens, the department seeks to give all market participants equitable chances to utilise the e-commerce ecosystem to its fullest potential.

Retailing national policy

The government stated that offline retail and e-commerce needed to be managed in an integrated way and identified five areas in its proposed national retail policy: ease of doing business, rationalisation of the licence process, digitisation of retail, focus on reforms, and an open network for digital commerce.

E-commerce businesses were required to declare the nation of origin next to each product listing under the Consumer Protection (e-commerce) Rules 2020, which were announced by the Consumer Affairs Ministry in July. The businesses will also be required to disclose the criteria used to choose which products appear on their platforms.

In order to provide a cashless, paperless, and transparent payment system for a variety of services, Government e-Marketplace (GeM) and Union Bank of India signed a Memorandum of Understanding (MoU) in October 2019.

To promote digitalization, the government launched a number of projects under the Digital India movement, including Umang, Start-up India Portal, Bharat Interface for Money (BHIM), etc.

Piyush Goyal, the minister of commerce and industry, welcomed start-ups to register on GeM, the public procurement site, and sell goods and services to PSUs and government agencies.

Permanent Account Numbers (PANs) were made mandatory for international businesses using Indian e-commerce platforms in October 2020, altering the equalisation levy laws of 2016.

The sale of products or the provision of services through a non-resident ecommerce operator was subject to a 2% tax in the FY21 budget.

The Indian Government increased the restriction of FDI in E-commerce marketplace models to up to 100% (in B2B models) in order to boost the participation of foreign businesses in the industry.

E-commerce will increase because to the government's significant investment in the rollout of the 5G fibre network.

ROAD AHEAD

Micro, small, and medium-sized companies (MSME) in India have been directly impacted by the e-commerce sector, which also has a positive cascading effect on other industries by offering means of finance, technology, and training. By 2034, it is anticipated that the Indian E-commerce market would overtake the US to overtake it as the second-largest E-commerce market in the world. Innovations made possible by technology, such as digital payments, hyper-local logistics, analytics-driven consumer involvement, and digital marketing, are anticipated to promote the sector's expansion. In addition, India intends to launch the Open Network for Digital Commerce (ONDC). The ONDC will give e-commerce platforms the ability to display goods and services from every platform while also synchronising search results across all of them.

The Indian e-commerce market is probably going to grow in new markets. India's e-retail sector is anticipated to maintain its rapid expansion; in FY20, it reached Rs. 1.8 trillion (US\$ 25.75 billion) with a CAGR of over 35%. The Indian e-retail sector is expected to attract more than 300–350 million customers over the next five years, increasing the online Gross Merchandise Value (GMV) to US\$ 100–120 billion by 2025.

The gross merchandise value (GMV) of social commerce in India was estimated by a Bain & Company analysis to be over US\$ 2 billion in 2020. Due to widespread mobile usage, it is anticipated to reach US\$ 20 billion by 2025 before potentially skyrocketing to US\$ 70 billion by 2030.

Important Ecommerce Hubs

Karnataka Delhi Maharashtra

TAMIL NADU

ANDHRA PRADESH

Business Contacts

Retailers Association of India (RAI) and the E-Business Council of India (TECI)



Summary

E-commerce combines practical shopping, competitive pricing, special offers, flexible and quick purchase, etc.

Micro, small, and medium-sized businesses (MSME) in India have been directly impacted by the e-commerce sector, which offers resources for funding, technology, and training. The expansion of the Indian e-commerce market has been steady. By 2034, it is predicted to overtake the US to overtake it as the second-largest E-commerce market in the world. Innovations made possible by technology, such as digital payments, hyper-local logistics, analytics-driven consumer engagement, and online ads, are expected to promote industry growth.

Additionally, the growth of the e-commerce sector will increase employment, export revenue, tax collection by ex-cheques, and provide customers with better goods and services over time.

Through assistance in making the best purchase decision, personalization, and other features, a richer user experience will replace conventional foundations based on price and quality. Brick-and-mortar establishments throughout India are updating their operations as a result of the rise of online merchants.

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