

E-Commerce: A Big Leap during Covid-19 Opportunities and Challenges

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Abstract

E-commerce has multiple advantages over the traditional business, both for consumers as well as sellers. It provides wider choices, lesser prices, less capital funding requirement, and broader market reach. Technology has served as a great enabler and leveler. It has seen unprecedented growth during Covid-19 due to the social distancing requirements and lockdowns. The dynamics of a business shift towards e-commerce will open up more employment opportunities to erstwhile weaker sections, tribals, women, MSMEs, and the young population looking to get into entrepreneurship. However, to leverage its potential to the optimum, digital infrastructure, government policies, private investments, and a shift in social perceptions need to be incorporated in tune with e-commerce to ensure inclusive and sustainable growth. The paper delves into all these aspects and suggests a way forward.

Key Words: E-commerce, consumer, market, employment, digital, policies, inclusive.

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1. Introduction

Haats, bazaars, fairs have long been an integral part of Indian socio-economic life. No festival is complete without them. Camel fairs, cattle fairs, fairs for artifacts, textile, pottery, bangles, food items -various articles have pulled hordes of people to the stalls where a treat to all senses awaited them. Delhi's famous Meena bazaar was immortalized in Bollywood songs, and folk songs were weaved around fairs and merchandise. However, the third industrialization about the digital revolution added a new dimension to it by bringing the market online. It provided more choice to consumers and made business more accessible and more wide-scaled. Globalization also played an essential role in it as exposure through the internet brought changes in taste, accessibility, and acceptability of different cultural facets. Thus commerce done through the internet was termed as e-commerce. It includes buying and selling raw material, products, or goods and services through an electronic medium (internet) by the consumer, retailer, and business. On a further micro-level comes e-commerce retail, where the exchange of goods and services between an online retail company and consumers (generally end-users) occurs. Since different entities of market dynamics are involved in it, e-commerce transactions can be of various types, i.e., business to Business or B2B (Cisco, Alibaba), Business to Consumer or B2C (Amazon, Walmart), and Consumer to consumer or C2C (eBay).

2. Factors Propelling E-Commerce

The wide-scale access to smart phones and the internet in urban and rural India has played a significant role in the growth of e-commerce in India. The 'Digital India' initiative of the Indian government focused on access to low-cost mobile devices, internet connections, and the spreading of physical infrastructure through involving private players. There has been a massive surge in the number of internet connections in India. As of September 20, 2020, there were 776.45 million internet users in India, out of which urban areas had a vast share of 61%, with 97% of the total being wireless.

In addition, the availability of more number items online, lower costs due to aggregation and economy of scale and absence of the requirement of setting up physical infrastructure, as well as awareness about online shopping driven by advertisement campaigns by leading e-commerce platforms, have triggered significant growth in the number of online shoppers.

The government has been a significant player in this arena by setting up portals such as the GeM portal (Government online Marketplace) for public procurement and ushering in initiatives like e-NAM (e-National Agriculture Marketplace) to connect *mandis* (APMCs) online. Public policies have been oriented towards increasing investment in e-commerce. 100% FDI is permitted in B2B e-commerce. Also, 100% FDI is allowed through automatic routes in the E-marketplace model of e-commerce. After demonetization in 2016, various initiatives were launched by the government and private companies for increasing digital payment platforms and their acceptance by people, such as the BHIM app, Paytm, Google pay, etc. It has made digital transactions more accessible and has given a fillip to e-commerce.

Enhanced digital literacy has increased the number of consumers, attracting more private players to set up a business online, and forcing the established structures to customize their methods of operations to suit the customer demands. There is a marked rise of entrepreneurs entering the arena of e-commerce.

3. Impact of Covid-19 on E-Commerce

Despite various efforts to increase e-commerce, pre-covid-19, it was still at a suboptimal level in India as people preferred to do shopping in physical spaces. It was out of habit as well as due to apprehensions regarding online shopping. However, Covid-19, though an unprecedented health calamity for the world, acting as a catalyst in its growth of e-commerce. Due to the contagious nature of the disease, government-imposed lockdown and people were forced to purchase their basic requirements online. Even those who were reluctant to try online shopping had to learn it. Grocery, food items, pharmaceuticals witnessed a massive increase in online consumers. Personal care items, beauty, and wellness products also played a vital role in increasing India's e-commerce order volume by 36% in the last quarter of 2020.

The second Covid wave in India and its overall casualty rate have further increased the anxiety and cautiousness among people. Therefore staying indoors is going to boost e-commerce further. The growth expectation is apparent from the data shared by IBEF. The opportunity for e-commerce in India in terms of market share is expected to grow from \$30 billion in 2017 to \$200 billion by 2026. India is expected to overtake the US e-commerce market by 2034 and emerge as the second-largest market for e-commerce globally. Business data platform Statista report included that the average retail e-commerce revenue per user in the nation was \$50 as of 2018 and is expected to go up to \$75 by 2024. Due to the Covid-19 impact, business analysts expect Indian e-commerce to grow 84% in 4 years. The main driver of this growth would be mobile shopping. Projection is set to grow 21% annually over the next four years. The year 2020 witnessed a shift towards digital payment and digital wallets, followed by credit cards and debit cards cornered the significant share of digital costs at 40%, 15%, and 15%, respectively.

4. Opportunities

E-commerce has positively impacted multiple sectors such as MSME, textile, food items, etc. Traditional business owners are also looking to build their presence online. The requirement of setting up brick and mortar stores is not present in e-commerce. Thus it facilitates entrepreneurs to enter the business. During covid-19, as traditional job loss has been rampant, many young people have started their online business. Women have benefitted from it, too, as the requirement to go physically out has been curbed. India has 6.3 crore MSMEs, and the number of registered MSMEs increased 18.5% Y-o-Y to reach 25.13 lakh (2.5 million) units in 2020 from 21.21 lakh (2.1 million) units in 2019. MSMEs sector, through its domestic and international trade, has contributed 29% towards the Indian GDP. To achieve the vision of a US \$5 trillion economies in five years, the Indian government aims to enhance the share of MSMEs in exports and overall GDP. Registering online is more manageable, and e-commerce facilitates creating a niche in respective domains for MSMEs. Through E-Commerce, they have the advantage of reaching a broader market, connecting with consumers from far off, even going global, which would not have been possible for them in the case of a traditional business with limited seed capital. Benefits accrue in increased revenue and margins, a broader consumer base, less capital requirement, and enhanced consumer experience. It, in turn, helps in economic growth at the grass-root level and the creation of a deeper, more sustainable economy. The covid-19 impact has increased the MSME business. An apt example of it is Amazon. Being a highly customer-oriented website and an efficient supply chain, its sale orders include over 400 items per minute from SMBs alone.

Various e-commerce companies have launched initiatives to catapult the growth of MSMEs such as Samarth by Flipkart, showcasing Indian artisan, weavers, handloom products, and Atmanirbhar Section Shopclues promoting 'vocal for local,' collateral-free loans by Paytm, 'MSME accelerate' by Amazon.

Similarly, it has boosted economic activities in northeast India as through e-commerce, the tribal artifacts; textile, silk, bamboo items have been brought on online platforms. In April 2021, Amazon announced the 'Spotlight North East' program to support and provide a common online platform to 50,000 artisans, weavers, and small businesses from Northeastern states by 2025 and increase exports of niche items such as tea, spices, and honey. Through competitive pricing, broad accessibility, removal of information asymmetry, and technology integration, e-commerce has proved to be a boon for these sectors.

5. Challenges

The erstwhile challenges such as suboptimal consumer experience, extended product delivery timelines, and lack of customer support for tracing or returning a damaged item persist even now for online shoppers. Unlike the first wave of Covid-19, the second wave in April in India impacted e-commerce adversely. The infection was widespread this time, sudden emergencies arose, and people had to shell out their income and savings on hefty medical expenditure. Black marketing of essential drugs and oxygen added to their financial and psychological stress. Thus, online shopping for non-essentials was put on a backburner. The month of April 2021, which witnessed the peak of the second Covid-19 wave in India, saw e-commerce volume going down by 11% compared to the previous month. Major setbacks were recorded in the fashion and accessory industry, where the orders declined by 22%. The eyewear and accessories also recorded a downside of 16%. The products that received growth in e-commerce included fast-moving consumer goods, agricultural items, medicines, and other medical and health-related products.

However, economic analysts opine that the dipping trend may be a quick process. In the long run, e-commerce is set to grow. The changes in consumer behavior that the covid-19 emergency has set will stay as the initial hesitation and apprehensions regarding online shopping have been removed, and the number of first-time users has increased. In this context, building up a more robust digital infrastructure would be an essential requirement. It was witnessed that before the second wave, as e-commerce was gaining strides, major e-commerce firms experienced unprecedented traffic, and the existing infrastructure was unable to cope with the sudden increase in demand. Some major e-commerce platforms, such as Big Basket, witnessed a breakdown due to a sudden rush of orders on March 25, 2020, as Covid-19 panic spread and associated measures were put in place. Amazon, one of the most established e-commerce platforms in India and worldwide, has reported a colossal increase in customers during the lockdown period. It had to display that it was facing difficulty meeting the demand and hence had to decide to prioritize its orders by momentarily stopping to take orders for lower-priority products.

6. Conclusion

Due to the Covid-19 calamity, a paradigm shift has come in the arena of commerce, and e-commerce penetration has been significantly deepened. The time is ripe to leverage this change to

integrate MSMEs, tribal clusters, women-led businesses, artisans into the stream. It will help maintain social distancing norms and continuing economic activities and facilitate grass-roots economic reconstruction at a faster rate. A holistic restructuring is required to enable these segments to leverage the benefits of e-commerce by providing them guidance, technological know-how, digital infrastructure, and support in marketing. Sellers have to identify their target customers, build niche products, integrate online payment systems in their platforms, establish supply chains, ensure a smooth and timely delivery system, and a robust, well-functioning customer support service to improve customer experience. The government's laws, rules, and guidelines will have to change to cater to increasing e-commerce and ensure a fair market to all players by preventing monopolization. A targeted e-commerce export policy is the need of the hour. FDI has already been liberalized in many sectors. Further focus on attracting more FDI in e-commerce in India to make it a hub would be beneficial in creating more employment opportunities, enhanced revenues, foreign exchange, and more inclusive growth.

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