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ECONOMIC AND SOCIAL IMPACTS OF E-COMMERCE

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Abstract

The article explores the economic and social impact of e-commerce. E-commerce is currently growing at 30%. shopping site eBay Inc. is growing at 60%. The number of customers of the company has increased from one million users to 2.5 million in India in the last four years. Some of the popular imported items imported by Indians include home decor, branded and unbranded apparel, accessories, and technology products like laptops. Payments through PayPal and mobile (phones) are significantly contributing to the growth of e-commerce. Digitization of books, films, video games are also driving the



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growth of e-commerce. People who buy on iPad buy items that are about 30% higher in price than people who buy on the iPhone or PC. For a country such as India, one of the most important benefits of e-commerce is its potential to help a developing rural community to leap-frog into the knowledge paradigm. E-Commerce is providing useful resource for growth of microfinance and MSME's. The positive effects of e-commerce can be magnified beyond purely commercial growth to have a profound impact on all aspects of rural community.

Keywords: Microfinance, MSME's, E-Commerce

1. Introduction

The use of E-commerce started around two decades ago with the invention of technology such as electronic fund transfers. Introduction of electronic data interchange extended it to producers, retail traders and other services. Its use kept on spreading in many different areas such as stock market operations, travel reservations etc.

The term 'E-commerce' has come out of the term 'e-mail' which means doing online business with the help of computer, e-mail, fax, and telephone lines. In 1972, IBM used the term 'e-commerce and with the invention of computers in 1973 the first successful transaction was carried out between USA and European Union. In the 1990's we witnessed commercialization of internet, and growing popularity of the term e-commerce. Increasing mobile penetration is further expanding the scope and size of e-commerce. According to the Internet And Mobile Association of India (IAMAI), the Indian online retail market is expected to grow at the rate of 47 % in 2011 and will reach Rs.46, 000 crores.

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2. Growing Internet Penetration:

Growing internet penetration is providing an enormous opportunity for E-Commerce. The following table illustrates the trend of internet penetration in rural India

Table1: Internet Usage Pattern in Rural India

Year	Claimed Users	Active Users	Growth in Claimed Users
Dec-08	5.5	2.2	
Jun-09	5.9	3.7	6%
Dec-09	7.45	5.5	27%
Jun-10	10.4	8.5	42%
Dec-10	15.2	12.2	43%
Jun-11	21.4	17	40%
Dec-11	29.9	24	40%

Source: The Internet & Mobile Association of India

The rapidly growing internet penetration opens the opportunities for the e-commerce to expand geographically. The population of active internet users in rural India is projected to increase by 96% in 2011. It is projected to increase from 12.1 million in December 2010 to 24 million in 2011.

The mobile internet penetration is also growing very fast. According to a study by Internet and Mobile Association of India and IMRB mobile internet user population in India will touch 46 million figures by



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September 2011. The active mobile internet users are those who assess internet using their mobiles at least once in a month. The population of active mobile internet users is expected to touch 35 million. According to the technology giant Cisco the global internet usage will quadruple between 2010 and 2015.

3. The Recent Trends in E-Commerce:

- 1) Online travel industry contributes 76% of total net commerce.
- 2) Online book buying is back with a leading retailer selling a book a minute online.
- 3) There is customer delight with prompt delivery and flawless payment mechanisms building trust in consumers.
- 4) Online travel ticketing has gotten mature with more and more Indians making their travel plans online – be it on third party websites or airline sites.
- 5) Classifieds have made a successful transition online with jobs and matrimonial taking the lead.
- 6) Online retailers are now pushing a larger number of categories such as electronics and white goods.
- 7) Innovative models like group buying are being tested and launched in the market.
- 8) Currently, online retail's major categories include cameras, computers, home and kitchen appliances, flowers, toys, and gifts.
- 9) The growing impact of internet is also felt on the pattern of advertisement spend by the corporate world, as depicted in the following table the share of internet is growing consistently. Companies are capitalizing on the social networking sites also for their recruitment, selection and for product promotion and survey among customers. According to wirefoot, a consulting firm on e-commerce

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transactions, by 2015 India will have 30 million online buyers and consumers adapting to e-commerce sites, compared with the 2.5 million online buyers at present.

- 10) China Internet Network Information Center (CINIC) showed that China's online trade in 2009 reached 248.35 billion yuan (US\$36.38 billion), up 93.7% from 2008, and is expected to reach 1 trillion yuan in 2013.
- 11) China has shown that there is a high positive correlation between broadband penetration and growth of e-commerce. The no. of internet users in China is greater than the entire population of U.S. Average annual growth in B2C e-commerce sales registered 64% growth during 2006-2010.



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Table2: Growth of e-commerce (Figures in INR crores)

Year	Volume (Rs. Crores)	Growth (%)
Dec-2008	14030	72%
Dec-2009	19688	40%
Dec-2010	31598	60%
Dec-2011	46000	47%

Source: imediaconnection.in

Table3: Share of Advertisement Spend by Medium

	2006	2007	2008	2009	2010
Newspaper	28.5	27.3	25.9	24.8	23.9
Magazines	12.5	12.1	11.7	11.5	11.3
Television	37.5	37.5	37.8	37.6	37.6
Radio	8.3	8.1	7.9	7.8	7.6
Cinema	0.4	0.4	0.5	0.5	0.5
Outdoor	6.2	6.3	6.5	6.7	6.9
Internet	6.7	8.2	9.7	11.1	12.3

Source: ZenithOptimedia



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Table4: Segment Wise Growth of E-Commerce (Figures in INR crores)

E-Commerce Market Size (Fig. in INR Crores)				
Year	Dec-07	Dec-08	Dec-09	Dec-10
Total Market Size	8146	14030	19688	31598
Online Travel Industry	6250(77%)	10500(70%)	14953(76%)	25258(80%)
E-Tailing	978	1120	1550	2050
Digital Downloads or Paid content Subscription	238	290	435	680
Financial Services		1200	1540	2000
Other Online Services(Including Online Classifieds)	680	920	1210	1610

Source: imediaconnection.in

4. Role of Government:

Government can, however, play an important role in examining the economic and social impact of e-commerce technologies and in promoting understanding and application of these technologies throughout Indian industries and communities.

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- 1) Facilitating market access and business opportunities, especially for small, medium, and micro enterprises (SMMEs), on a national and global scale.
- 2) Providing educational and skills development resources.
- 3) Supporting the rapid deployment of necessary infrastructure.
- 4) Facilitating the development of MPCCs as vibrant seeding points for community knowledge and wealth creation, above and beyond the provision of the latest ICTs.
- 5) Developing "model use" programmes for the dissemination of government information and services using e-commerce platforms, e.g., for electronic tender processes.
- 6) Supporting necessary transitions in the labor force due to technological and industrial transformation.
- 7) Ensuring equity in the availability of opportunities and benefits, in the context of the overall development of Indian rural community.

5. Economic Impacts

- 1) Governments and especially businesses are confronted with an "adapt or die" scenario, particularly in developing countries, to fall behind in technology and innovation could increase the gap with wealthier, more advanced economies.



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2) E-commerce presents unique opportunities for less developed countries to greatly expand their markets, both internally and externally. Externally, the Internet and other technologies may allow for low-cost international trade, even for small, local businesses. Internally, many groups of citizens who had been considered "marginalized" and "unbanked" may gain affordable access to financial services, and may thus participate more readily in all aspects of the economy.

3) Rural areas considered too costly or unprofitable for business development might increasingly become a focus for investment and market expansion, and also for relocating corporate offices.

4) Development of microfinance institutions to provide financial services to the semi urban and rural areas.

5) E-learning and M-learning enhances the access of the educational institutions in remote areas.

6) E-governance initiatives increases access to information and thereby reducing corruption.

7) M-banking (Mobile banking) reduces the transaction cost of banking industry thereby increasing access to financial services through rapidly growing mobile market.

8) Micro, small and medium enterprises can leverage the technology to market their products globally.

6. Social Impacts:

1) Some of the intangible downside risks of increasingly "virtual" interaction within rural community include the possible "de-socialization" of individuals who have less and less direct contact with their peers, their co-workers, and their community. This can extend to family relations as well, particularly if



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technology creates further imbalances between those who are "on-line", and those without access to these technologies. On the other hand, equitable deployment of infrastructure and educational resources could provide a means of maintaining and expanding family and communal ties that would otherwise be broken by distance and cost.

2) Other problem includes psychological and physical health-related effects of sedentary, computer-anchored work environments. Early experience suggests that as this type of work (and social) activity expands, businesses and government will have to consider broad-based means to offset health hazards with new policies and treatments.

3) E-commerce may offer the potential for shifting the balance of opportunity, wealth, and social and political inclusion. As much as these trends can be beneficial to the majority of rural community, they are also likely to bring unanticipated effects on cultural and social norms. Indigenous traditions that have so far survived the intrusion of modernity may be less resilient in the face of global networks and instantaneous communication. These types of impact are just as significant as changes in bottom-line incomes, and can really only be "measured" by the persons whose lives are being changed by forces largely beyond their control.

4) Supporting MSMEs: Electronic commerce opportunities are valuable for giant corporations and small entrepreneurs alike. In the latter case, however, the technologies and market options available through e-commerce may foster a true revolution in the way business structures and relationships are organized. The prospect of establishing new micro, small, and medium enterprises (SMMEs) is greatly enhanced by the efficiencies available through information and communications technologies. A study by Google India showed that 57% of SME's used website as a sales channel and got direct leads from



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their websites. According to Internet and Mobile Association of India 73% of MSME's have their own websites. Importantly 99% of MSME's use online B2B market places to generate business.

Conclusion:

E-commerce is emerging as an important tool to ensure inclusive growth. The traditional model of business is undergoing a sea change to reduce the prominence of physical infrastructure of big cities as an essential condition for the smooth functioning of business. Emergence of international shipping options creates the opportunity to reach online consumers around the globe. Emerging economies with a rapidly growing internet penetration offers an attractive option for the retailers to expand. China with the world's largest online population provides a great opportunity for the retailers. The concept of virtual companies is taking concrete shape and will usher into an era of boundary less world. The micro, small, and medium size companies will get the advantages of low cost operations, and opportunity to market the products globally on the click of a mouse. Hitherto neglected remote villages and states will get a chance to grow economically, socially and also contribute to empowerment of women, and minority classes. E-commerce has the scope to lead India into an Economic superpower.

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