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THE INTERNET AND ITS EFFECT ON E-COMMERCE

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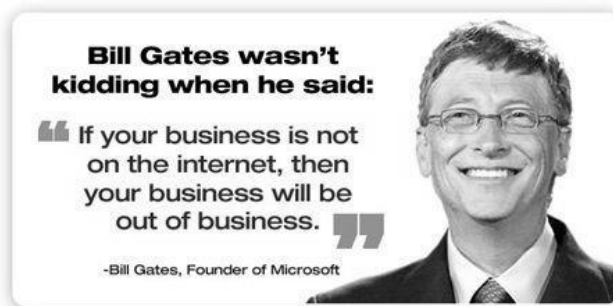
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ABSTRACT

Technology plays a key role in today's competitive environment. The internet is one of the major technological boons to the world. While the internet has become a source of entertainment to many users it is also a way by which manufacturers sell their product. E-commerce has seen a boom with the introduction of the internet and today most of the products are bought and sold only through the internet. Indians today have accepted the internet with so much enthusiasm that no house today can be seen without the internet or a mobile internet connection. E-commerce on the other hand owes a huge share of its success to the internet. In other words we can say that E-commerce in some way is dependent on the internet. The future of e-commerce also seems bright with the growing internet users. My paper is a study on, the internet and how internet has had a huge share in the success of e-commerce and the growth rate of e-commerce over the years. The data taken in the study covers only secondary data and the tools used include percentage analysis, trend analysis and Compound Annual Growth Rate (CAGR)

KEYWORDS: *Competitive environment, Technological boon, E-commerce, Dependent, Internet and growing internet users.*

INTRODUCTION



The internet which was then a luxury has now become a necessity. And this necessity of the internet has turned out to be a boon to the e-commerce industry. E-commerce in India has grown rapidly over the years. A huge credit of this growth goes to the internet. Today the internet is used for various purposes and its use to purchase products has become very common. Every industry is trying to advertise and sell their products over the internet such is the impact of the Internet. Thus it is clear that the internet has shown its prominence and e-commerce has emerged with this advent of the Internet. E-commerce has its own benefits as people browsing the internet are attracted to the benefits of shopping online even with its limitations e-commerce has managed to grow over the years.

RESEARCH OBJECTIVES

- ◆ To have an idea of the growth of the internet and how the internet has managed to impact E-commerce.
- ◆ To study the growth rate of E-commerce in India
- ◆ To have an idea of the future of the ecommerce industry.

REVIEW OF LITERATURE

- ☆ Sarbapriya Ray(2011) in her article “Emerging Trend of E-Commerce in India: Some Crucial Issues, Prospects and Challenges” has studied the evolution of e-commerce business indicating the chronological order, category of e-commerce business, description of organizations involved in e-businesses in India, key characteristics of the firms engaged in e-commerce application, to examine the growth of e-commerce in both physical and financial terms, to evaluate the benefits obtained from e-business, to critically analyze the barriers and constraints involved in flourishing e-commerce businesses in India and finally to develop a framework for effective dissemination of e-commerce in India.
- ☆ Nisha Chanana and Sangeeta Goele(2012) in their research paper “ Future Of E-

Commerce In India” have concluded that the Overall E-Commerce will increase exponentially in coming years in the emerging market of India.

- ☆ Bhavya Malhotra (2014) in her research paper “E-Business: Issues & Challenges In Indian Perspective” has studied the current E-Business situation in India, analyzed the scope, performance and problems of E-Business in India and concluded that the E-commerce market is anticipated to grow but there are challenges which need to be faced.
- ☆ Mohd Asim Khan, Preeti Sagar (2015) in their research paper “Emerging Trends And Advanced Swot Analysis Of E-Commerce In Indian Context” has studied the new emerging trends in e-commerce which can enhance economic growth, increase business opportunities, competitiveness, better and profitable access to markets in India and concluded that A developing country like India can be more rationalized and mechanized if it utilizes e-commerce effectively and efficiently.

RESEARCH METHODOLOGY

The study conducted is based on descriptive research design, meaning a description of the state of affairs as it exists at present. A conceptual analysis was also done to study some aspects. Secondary data has been collected from various websites books, journals and other articles. Analysis of the secondary data has been done on a quantitative basis. No sample has been chosen as the study was subject to the data available. The tools used in the study include percentage analysis, trend and Compound Annual Growth Rate (CAGR).

LIMITATIONS OF THE STUDY

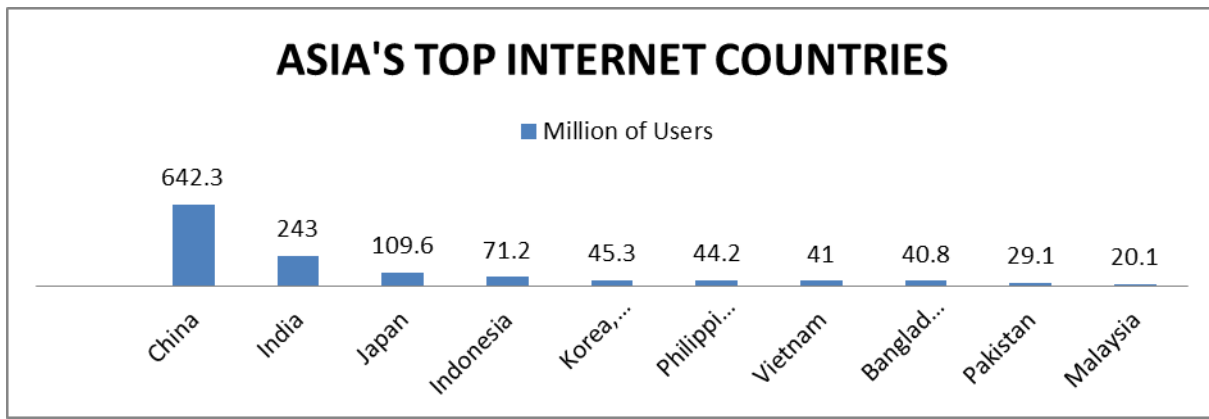
Every research conducted has its limitations. These limitations are being brought forward such that when any further research is conducted the limitations given below may be taken into consideration.

- ☞ An attempt has been made to conduct a detailed study; still there are areas which have not been covered.
- ☞ The period of study has not been restricted.
- ☞ Data has been recorded based on availability and hence up to date data has not been shown.

- ☞ Data taken in the analysis is based on secondary data obtained from various websites; the limitations of these websites are also applicable to the research.

**ANALYSIS AND INTERPRETATION
ASIA’S TOP INTERNET COUNTRIES**

CHART NO:1



INTERPRETATION

From the above chart it can be clearly found that India ranks second in Asia’s top internet countries. With China standing on the number one position with a huge number of internet users at 642.3

million, followed by India with a total of 243 million users. Japan ranks third followed by Indonesia with 71.2 million users. The last in the list is Malaysia with 20.1 million users.

INDIAS POPULATION AND INTERNET USERS

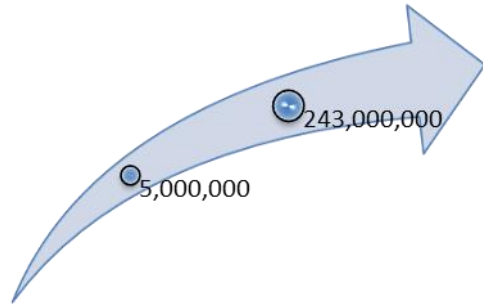
**TABLE NO:1
INDIAS POPULATION AND INTERNET USERS**

Year	Population	Internet users	% of internet users to population
2000	1,042,261,758.00	5,000,000.00	0.4797%
2014	1,236,344,631.00	243,000,000.00	19.6547%

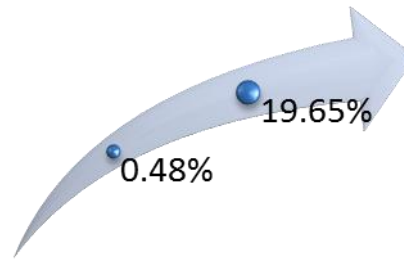
2014 Population figure is an estimate and the Number of internet users is as on 30 June 2014

CHART NO:2

INTERNET USERS



% OF INTERNET USERS TO POPULATION



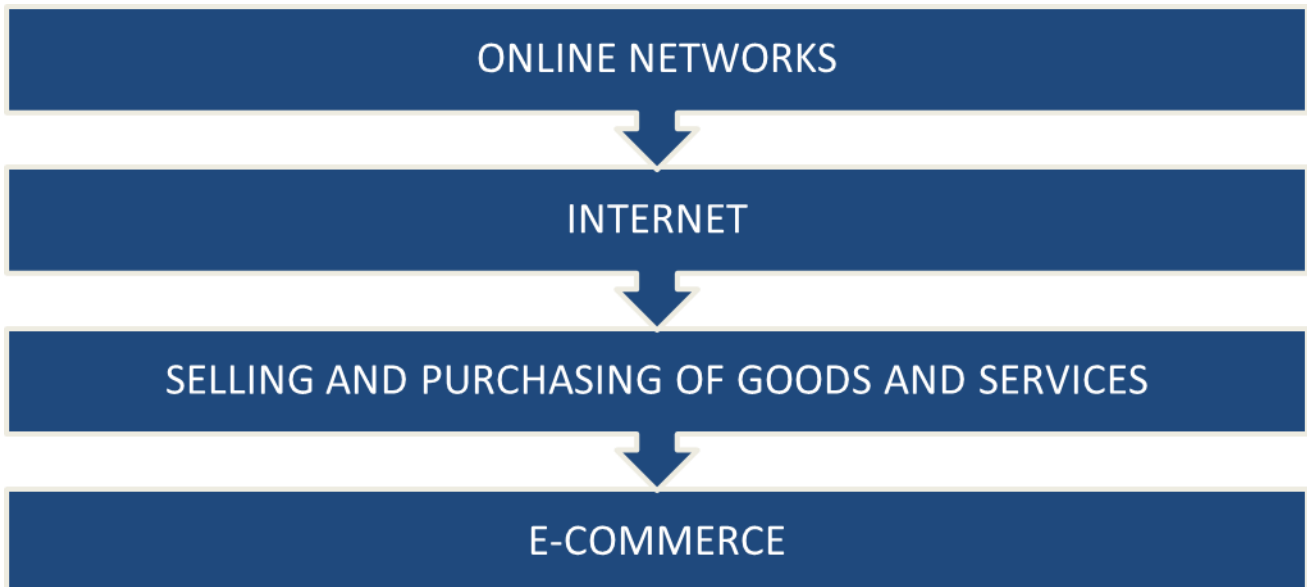
INTERPRETATION

It is evident from the above table that the number of internet users in India has had a rising trend. While in the year 2000 the number of internet

users stood at 5,000,000 in the year 2014 there was a huge upsurge to a figure of 243,000,000. While the percentage of population in India to the number of internet users also showed a huge rise with 0.48% in 2000 and a significant rise to 19.65% in 2014.

THE LINK BETWEEN INTERNET AND E-COMMERCE

CHART NO: 3



INTERPRETATION

As such the link between the internet and e-commerce is a conceptual analysis still it is mandatory to interpret the connection between the

two. E-commerce would not have been successful without the advent of the internet. While the internet is being used for various purposes most internet users engage in the purchase of goods and services, thus facilitating e-commerce.

THE PROCESS OF E-COMMERCE

CHART NO:4



INTERPRETATION

After understanding that the internet has a major role to play in e-commerce it is essential to know the process of e-commerce. While the process starts with the customer it works as a circle and ends with the customer as well. The customer uses the

internet to place his order which is placed in the shopping cart. Then the online transaction takes place followed by an email notification to the customer confirming the order. The Shipment is made of the order followed by its delivery to the customer ending the process.

GROWTH OF E-COMMERCE IN INDIA

TABLE NO: 2
E-COMMERCE TRANSACTIONS IN INDIA

Year	E-commerce transactions in Million
1998	31.38
1999	103.84
2007	1750
2008	3015
2009	4230
2010	6790
2011	10000

INTERPRETATION

From the above table it can be inferred that in the year 1998 the e-commerce transactions stood at 31.38 with a huge increase to 103.84 in the year 1999.

It is evident from the year 2007 that the e-commerce transactions have had a gigantic rise to 1750. Following the year 2007 all years have only shown that there was a rise in the e-commerce transactions.

**TABLE NO: 3
COMPOUND ANNUAL GROWTH RATE**

Year	1998	1999	2007	2008	2009	2010	2011
Transactions in Million	31.38	103.84	1,750.00	3,015.00	4,230.00	6,790.00	10,000.00
				72.29%	40.30%	60.52%	47.28%
CAGR	54.61%						

INTERPRETATION

The CAGR has been calculated from the year 2007 to 2011. In this span of 5 years it can be seen that the overall CAGR stands at 54.61% but the

average annual growth rate over the years seems to be fluctuating, with the percentage standing at 72.29 in the year 2008 followed by a decline in the percentage to 40.30 and again a rise to 60.52. In the year 2011 the percentage stands at 47.28.

FUTURE OF E-COMMERCE IN INDIA

**TABLE NO: 4
FUTURE OF E-COMMERCE TRANSACTIONS IN INDIA**

Year	Sales in Billion
2012	2.31
2013	3.59
2014	5.3
2015	7.69
2016	10.68
2017	14.18
2018	17.52

INTERPRETATION

The figures given above are forecast of the future of e-commerce with the value standing at 2.31

in 2012 followed by 3.59 in 2013. In the year 2014 there has been a rise to the extent of 5.3 followed by 7.69 in 2015 and 10.68 in 2016 the year 2018 shows the highest sales in all years with 17.52.

**TABLE NO: 5
COMPOUND ANNUAL GROWTH RATE**

Year	2012	2013	2014	2015	2016	2017	2018
Sales in Billion	2.31	3.59	5.30	7.69	10.68	14.18	17.52
		55.41%	47.63%	45.09%	38.88%	32.77%	23.55%
CAGR	40.17%						

INTERPRETATION

The CAGR has been calculated for the years 2012 to 2018 and the CAGR stands at 40.17, the average annual growth rate in 2013 stands at 55.41% with a decline in 2014 to 47.09 and in the year 2017

the percentage stands at 32.77. In the year 2018 the forecast of the average annual growth rate stands at 23.55%.

FINDINGS

AN IDEA OF THE GROWTH OF THE INTERNET AND ITS IMPACT ON E-COMMERCE

- ✧ India stands second in the top 10 internet users in Asia followed by China. But it is to be noted that the difference in numbers between China and India's Internet users is vast. Thus proving that there is still a lot of scope in India to improve its usage of the internet.
- ✧ As India's population has been scaling up, so has the number of internet users which is a positive sign. The percentage of internet users to the total population has also showed a positive trend.
- ✧ From the process of E-commerce it is clear that without the internet there is no e-commerce. And the use of the internet is mandatory for e-commerce to function efficiently.

GROWTH AND FUTURE OF E-COMMERCE IN INDIA

- ✧ It is evident that there has been a rising trend in the growth of e-commerce over the years.
- ✧ The average annual growth percentage has shown a fluctuating trend but the CAGR has shown a significantly high percentage.
- ✧ The forecast of the future of E-commerce shows that there is a positive trend in the growth of e-commerce.
- ✧ The CAGR of the forecast of the future of E-commerce shows that there is a fluctuating trend and the CAGR shows a high percentage with scope for further rise.

RECOMMENDATIONS

- ◆ Today the internet is a very common term but there are still loads of people in India who have no idea of the term and its use. Educating the common man about the internet and its use would bring a lot of improvement.
- ◆ This education is most needed in rural areas as it is in these areas where most people are unaware of the internet. This may be done through directly meeting the people and showing them visually about the internet and its uses.
- ◆ To improve the e-commerce sales the companies need to have an extensive campaign for the use of their products with discounts and offers.
- ◆ The companies dealing with e-commerce also need to pay attention to

the average annual sales as it seems to be fluctuating, concentrating on a constant rise in sales of e-commerce would help the companies reduce risk in the long run.

- ◆ A huge responsibility rests with the Indian Government to see that India gets the best technology and updation of technology is done on a periodic basis.

SCOPE FOR FURTHER STUDY

The internet and its impact on e-commerce is a vast area and further study can be conducted in the following areas:

- ⊙ Primary study on the perception of online users of the internet and how it can affect e-commerce.
- ⊙ The contribution of e-commerce to the society.
- ⊙ Customer's perception towards the threats in using the internet for E-commerce and measures to overcome it.
- ⊙ Has the internet evolved as a boon or a bane?

Few of the topics which can be studied are mentioned above, however there is a vast area in the same topic where further researches can be carried out.

CONCLUSION

From the above study it is clear that the internet most certainly has an impact on e-commerce and its rise over the years. Over the years the e-commerce sales has shown a positive rise but the average annual growth rate of e-commerce sales has been fluctuating showing that still there is scope for improvement and measures can still be taken to improve the sales. As the internet has become a necessity today it is likely that it will have a positive impact on e-commerce and the future of the e-commerce sector seems to be bright. I would like to conclude this paper with a quote:

"E-commerce and mobile commerce have dramatically changed the way brands reach customers, making it faster and easier for consumers to make purchases on the fly while avoiding the hassles of going to the store." Co-founder of the online men's retailer J. Hilburn HIL DAVIS

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