

# Digital Entrepreneurship and E-Commerce Growth in India

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**Abstract-** Rapid expansion in the use of digital technology has brought significant changes in the business environment in India, leading to the development of digital entrepreneurship. Moreover, the e-commerce industry in India has also witnessed a significant growth due to greater connectivity, higher mobile phone usage, and shifts in consumer behavior. This research paper aims at examining the correlation between digital entrepreneurship and growth in the e-commerce industry in India. In this regard, the analysis will be conducted on the following areas: Drivers of growth in the e-commerce industry. Based on the analysis from relevant literature and other secondary sources, it can be observed that the use of digital platforms has made it easier for micro, small, and medium-sized enterprises (MSMEs) to access the market both nationally and internationally. Examples such as Flipkart, Meesho, and the Jio revolution are used to provide context based on theoretical concepts. Key barriers, including lack of digital infrastructure, cybersecurity issues, and complex regulations, among others, have been noted.

**Keywords -** Digital Entrepreneurship, E-Commerce, India, MSMEs, Digital Economy,

## I. INTRODUCTION

With the arrival of the internet, a new era, the digital age, was heralded, which has transformed economic structures all around the world. For instance, India, a country that has a young populace, a rising middle-class population, and one of the largest user bases in the digital world, has provided an environment conducive to digital entrepreneurship as well as e-commerce. According to NASSCOM [9], India is the third-highest country in the world in terms of having startups, including more than 100 unicorns in 2023, most of which are involved in digital commerce.

Definition of digital entrepreneurship can be understood as the development, management, and scaling up of businesses with an inherent use of digital technology within their business model [3]. In contrast with traditional forms of entrepreneurship that face numerous constraints like geographic location, capital investment, logistics, etc., digital entrepreneurship allows entrepreneurs to connect to their audience at national and international levels for a relatively smaller cost.

Digital entrepreneurship has become immensely helpful in India, particularly in the sense that millions of businesses have been moved online and even rural craftspeople can now join in the formal economy.

Indian e-commerce industry has been growing at an exponential rate during the past ten years. The current market valuation stands at around 70 billion dollars, and it is expected to hit 350 billion dollars by 2030, per the data from the India Brand Equity Foundation [4]. There are various factors behind such significant growth, ranging from Digital India programme by the government, the implementation of GST system, development of UPI systems, as well as the Jio telecom revolution which drastically reduced the price of mobile internet data. It is the objective of this study to examine the various aspects of digital entrepreneurship and e-commerce in India and discuss the associated opportunities and threats to this industry.

## II. LITERATURE REVIEW

### A. Conceptualizing Digital Entrepreneurship

The academic conception of digital entrepreneurship has come a long way since the foundational article by Hull et al. [3], which described digital entrepreneurship as the process by which entrepreneurial practices are digitally reengineered. In more recent times, Nambisan [8] has developed this concept further by suggesting that digital entrepreneurship is typified by new ways of identifying opportunities and creating value through digital artefacts and platforms. In particular, Nambisan emphasizes the dynamic nature of digital entrepreneurship ventures, where the distinctions among the entrepreneur, product, and market become increasingly unclear due to data-based feedback loops.

When referring to the case of India, it should be noted that Krishnan and Garg [5] analyzed the influence that the rise of different digital platforms had led to the creation of a whole new type of entrepreneurs, especially youngsters and women from rural India who were able to overcome the restrictions faced by traditional business players including brick-and-mortar retailers, wholesalers, and banks. Here, it should be pointed out that digital platforms arose not only as marketplaces but also as ecosystems offering logistics and finance solutions.

### B. E-Commerce Growth: Drivers and Dynamics

Literature on the growth of e-commerce in India has identified the interaction of supply and demand determinants as the key reason behind its development. From the perspective of supply determinants, the emergence of major international firms like Amazon along with Indian firms like Flipkart and Snapdeal has been the driving force behind the development of logistics and transportation facilities [12].

With regard to demand-side determinants, the exponential increase in the use of smartphones from 299 million in 2016 to over 760 million in 2022 has made internet usage ubiquitous [13].

The research by Mehta and Bhatt [6] into consumer behavior within Indian e-commerce indicated that convenience, competitiveness of prices, and variety of products available were some of the key factors behind consumer purchase behavior in online shopping sites. Trust issues and perceptions of insecurity in the environment were revealed to be critical challenges to adoption of online shopping especially among senior citizens and rural customers. This observation is consistent with other studies across the world that have highlighted trust and perceived ease of use as the main determinants of consumer adoption of e-commerce [1].

### C. Policy and Ecosystem Support

The Indian government has been playing a pivotal role in stimulating the development of the digital economy. The "Digital India" initiative, introduced in 2015, covered such elements as broadband infrastructure, digital literacy, and e-governance. One of the most important initiatives that have been implemented by the government is ONDC ("Open Network for Digital Commerce"), which was introduced in 2022. It aimed to dismantle the existing hegemony of large-scale e-commerce portals and provide small enterprises with an opportunity to reach their customers via the open interoperable digital commerce network [7].

## III. METHODOLOGY

The Indian government has been playing a pivotal role in stimulating the development of the digital economy. The "Digital India" initiative, introduced in 2015, covered such elements as broadband infrastructure, digital literacy, and e-governance. One of the most important initiatives that have been implemented by the government is ONDC ("Open Network for Digital Commerce"), which was introduced in 2022. It aimed to dismantle the existing hegemony of large-scale e-commerce portals and provide small enterprises with an opportunity to reach their customers via the open interoperable digital commerce network [7].

The methodology employed in this study is based on Technology Acceptance Model and Platform Ecosystems, both of which can be regarded as

helpful theories in examining the connection between technology, entrepreneurship, and e-marketplace. Information derived from industry reports and official statistics will also be utilized as a source to augment the theory discussed here. This study applies the example of a digital business company in India to substantiate some of the arguments made in this study. Secondary research, however, entails several weaknesses including out-of-date data and absence of primary testing.

#### IV. ANALYSIS AND DISCUSSION

##### A. The Growth Trajectory of E-Commerce in India

The growth of e-commerce in India is truly remarkable. Figure 1 demonstrates that there have been more than 220 million online consumers in India in 2023 from about 60 million consumers in 2016. Moreover, there are expectations that this figure will reach more than 450 million by 2030 [4]. The diffusion of this phenomenon geographically can be attributed to greater connectivity even in rural regions. Currently, Tier II and Tier III cities account for more than 60 percent of newly acquired e-commerce consumers.

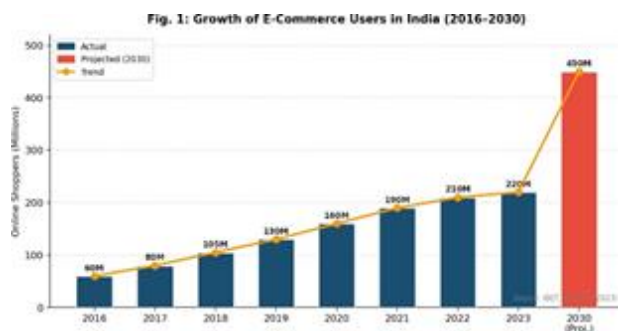


Fig. 1: Growth of E-Commerce Users in India (2016–2030)

Source: IBEF, Statista (2023)

The diversification of sectors in e-commerce in India is also evident. Though fashion and electronics used to be the major sectors in the early days, health and wellness and educational technology are some other new segments that emerged as significant growth sectors. The emergence of the novel coronavirus also had a major part to play in this case since the consumers were compelled to adapt to the digital platform for the very first time. According to Mehta

& Bhatt [6], the behavioral shift towards e-commerce by consumers amid the pandemic is permanent.

Fig. 2: Sector-wise Distribution of Indian E-Commerce Revenue (2023)

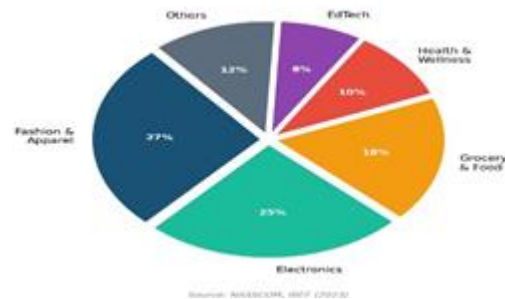


Fig. 2: Sector-wise Distribution of Indian E-Commerce Revenue (2023)

Source: NASSCOM, IBEF (2023)

##### A. Digital Entrepreneurship Ecosystem in India

The digital entrepreneurship ecosystem in India has received support through venture capital investments, government incubator programs, and the development of digital infrastructure. Under the Startup India scheme introduced in 2016, more than 90,000 startups have been registered up to 2023, and these startups enjoy tax incentives, relaxed regulations, and financing sources [2]. There exists a well-developed incubator, accelerator, and innovation centre system within the country, especially in large urban centers like Bangalore, Hyderabad, Mumbai, and NCR (New Delhi).

Notably, this digital ecosystem for entrepreneurship has been revolutionized due to India Stack, a set of open APIs, comprising Aadhaar, Unified Payments Interface (UPI), and DigiLocker, reducing the cost of constructing a digital business by offering a common platform for identity proof, transactions, and document services. UPI alone has executed more than 100 billion transactions in the financial year 2022- 23 amounting to INR 182 trillion [10]. It is evident that such infrastructure has facilitated digital entrepreneurs in developing payment integrated and customer verified apps at far lower costs compared to those incurred a decade ago Case Study: Meesho — Democratizing Social Commerce

Meesho, which was started in 2015 by Vidit Aatrey and Sanjeev Barnwal, makes for an interesting example of digital entrepreneurship leading to

inclusive economic growth in India. As a social commerce app, Meesho allows people, especially women in tier II and III cities, to sell products made by manufacturers or wholesalers on various social media platforms like WhatsApp, Facebook, and Instagram. By 2023, Meesho claimed more than 140 million transaction users and 1.3 million suppliers.

Meesho stands out academically due to the role it plays in formalizing the informal sector. Through Meesho, entrepreneurs can gain access to services and products without necessarily having money, logistical ability, or technological know-how that would allow them to launch a fully-fledged online store. Indeed, by simplifying the processes of storing goods, handling payments, and delivering them to customers, Meesho has managed to reduce the entry barriers to almost nothing, thus affirming the theoretical claim that digital platforms form the infrastructure of entrepreneurship [8].

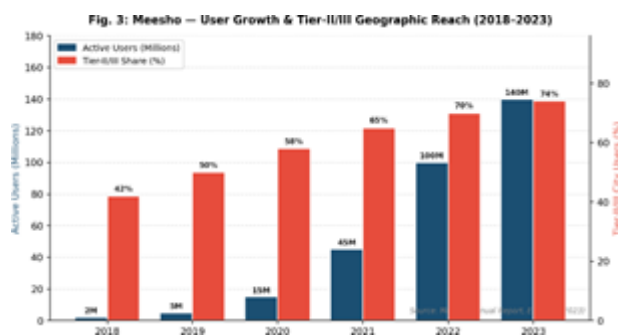


Fig. 3: Meesho — User Growth & Tier-II/III Geographic Reach (2018–2023)

Source: Meesho Annual Report, Entracker (2023)

### B. Advantages and Challenges

The benefits of digital entrepreneurship and e-commerce in India are numerous. Firstly, digital technology has made it possible for small businesses and entrepreneurs to tap into markets beyond geographical location by bypassing the requirement for establishing brick-and-mortar stores. Secondly, e-commerce has contributed towards employment generation, not only in terms of direct employment such as in logistics and customer service but also indirect employment along the entire entrepreneurial chain. Lastly, the analytical information generated by digital enterprises helps enhance

e business efficiency.

Nevertheless, this industry faces some serious challenges. Differences in digital infrastructure between urban and rural environments are still evident, as the inability to gain access to the internet and the high cost of devices continue to limit digital adoption in remote territories.

Cybersecurity challenges, including hacking, phishing, and illegal payments, pose a serious challenge for both individual users and corporate organizations. Issues in regulatory frameworks include foreign direct investments in e-commerce, localization of data under the Digital Personal Data Protection Act 2023, and taxation of digital transactions. In addition to these, big platform dominance is another issue that emerged recently.

### C. Future Scope and Economic Impact

Looking into the future, it is possible that the combination of artificial intelligence, machine learning, big data, and online commerce will result in more personalization, better supply chain management, and improved credit risk analysis for digital finance.

The rise of the metaverse as a marketplace, although still in its early stages, has already caught the attention of Indian entrepreneurs who seek to develop virtual retail stores. Moreover, the ONDC project holds great promise in the sense that it could completely transform the market structure in an effort to foster platform interoperability and make competition more intense.

The impact of the continued growth of e-commerce and digital entrepreneurship on the macroeconomy is significant. According to a study conducted by NASSCOM and McKinsey, the contribution of the digital economy to the GDP of India could reach a figure of USD 1 trillion by the year 2025, accounting for about 20 percent of the total economic output. The trend, if it continues, would put India among the top economies in the world when it comes to the digital economy in the current decade.

## V. CONCLUSION

In this study, the fast-evolving world of digital entrepreneurship and development of e-commerce in India has been discussed. It is clear from the above discussion that the digital economy of India possesses certain favorable factors that are responsible for creating conditions which foster entrepreneurship and innovation. Examples of the emerging online businesses like Meesho, Flipkart, and ONDC illustrate the potential for using digital technology in such a way that new enterprises emerge which bring economic benefits that extend well beyond traditional business environments.

But then again, the possibilities of digital entrepreneurship in India can only be achieved by overcoming specific barriers, which include digital divide, cybersecurity risks, and policy coordination. Digital literacy initiatives, broadband connections in rural India, and financial inclusion should also be undertaken to ensure that the benefits of digital entrepreneurship permeate the whole of India.

It is high time that the stakeholders in policy, private sector players, and academics came together to devise data-driven solutions that will support the digital entrepreneurs of tomorrow.

To sum up, therefore, digital entrepreneurship is not only a phenomenon that is currently happening within the Indian economy; it is an effective medium through which the growth of the economy can be achieved and many individuals may attain upward mobility. Looking ahead, the future of the country appears bright as it has the potential to emerge as a USD 5 trillion economy in the years to come, and thus, it is expected that the digital sector will play an important role in this regard.

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