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Factors determining rise of online retailing in India: An empirical study

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Abstract

Online retail in India is rapidly expanding. Even as it grows, it is bringing disruption to conventional physical and mortar retail shops as well as pain to established companies. This conceptual paper examines how Internet shopping is progressively becoming a disruptive force in India. Online retailing is the sale of goods and services through the internet. In this article, variables have been explained that are driving development in the Indian internet commerce market. My research technique is based on secondary sources such as articles, journals, reports, papers, blogs, and conference proceedings. Online retailing is one of the fastest expanding industries, with India having a large market potential for investment. This study is empirical in nature and finds how the online retailing is growing in India. The data were collected from 150 respondents regarding why they are inclined towards online retailing. For statistical analysis, chi-square test was applied. The study concludes that null hypothesis was rejected, and alternate hypothesis was accepted which says that there is a significant impact of age and residential area of the respondents on their preference for online retailing.

Keywords: online retailing, internet, retailing, rise of online retailing

Introduction

The vast Indian retail market is rapidly evolving. Customers are rapidly shifting away from traditional brick-and-mortar retailing stores and toward E-Stores, E-Retailing, and E-Tailing. With the introduction of contemporary information technology, the E-Retailing or online retailing business in India is experiencing significant changes, including increasing internet access, more trust in online payments, and enhanced security measures. These are some of the causes that are enticing an increasing number of customers to purchase online. According to Kotler *et al.* (2009), retailing encompasses all operations involving the direct sale of products or services to end customers for personal, non-commercial consumption. Store retailing and non-store retailing are the two primary areas of retailing. Store retailing encompasses all sorts of retailing conducted in physical facilities.

The purpose for doing this research is self-evident. Today, Internet commerce, often known as e-tailing, is very common and rapidly expanding. So much so that it is now threatening conventional brick-and-mortar retail that many physical stores are establishing or expanding their online presence. If not completely omnipresent, it will give conventional retailing a run for its money. It will be a massive phenomena in the future years. Thus, in the current context, it is critical to investigate the current state of things in the online retailing business so that appropriate information is available for industry and researchers on the value proposition, reasons persuading people to purchase online, and future market trends.

Since last year, the online retailing sector has grown at an unprecedented rate. By 2018, it is projected that online retailing will be worth \$20 billion. Online retailing has grown more accessible to both urban and rural people as the usage of smart phones, tablets, and the internet has expanded. Foreign firms are pouring large amounts of money into Indian firms. Extensive foreign interest is being shown in Indian enterprises by experienced foreign players. Online retail is expanding in rural regions, with most of the traffic coming from tier 2 and tier 3 cities. Following the revelation that Flipkart had raised \$1 billion in capital, Amazon invested \$2 billion in India in July 2014. There are several larger organisations in the online retailing business, such as Snapdeal, Flipkart, Amazon, Shopclues, and Jabong, among others. With the number of enterprises expanding, competition for the top spot is unavoidable. Retail sectors have grown at a rate of 40-50 percent each year, and substantial

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investments are likely to pour into the logistics industry in the future. Many offline brick and mortar companies are slowly moving to online business and those who are not in online commerce business will be forced to come online. The commerce business is in its infancy, and more specialty Online Retailing enterprises are entering the fray. The consumer is winning, and there is pressure to provide the finest service possible.

Instead of going to a store, shoppers use online shopping sites to research the products and services they need. Retailers own digital modes to deal with all of their service providers; it is simple for them to communicate with their clients and get their responses; they can offer good deals and services; they allow customers to book their tickets, fix an appointment, buy medicines, and grocery online; they manage their finances using online banking; and they pay their employees and suppliers. Online merchants promote their businesses in simple ways, such as sending promotional brochures by email to their targeted customers and possible connections. To promote, the marketing team owns the newsprints and the ad connections.

Instead of spending money on trip, a shopper may comfortably acquire products by setting down their own time zone to look for an item, order it, and have it delivered to your location at your available time. There are several factors that force a person to purchase online and get many rewards.

The ability to purchase at any time of day using our smartphones, laptops, or tablets from anywhere on the planet is the most appealing benefit of online shopping. Whether someone wants to get their necessities from a local location or an item that has to be delivered from another city, they had the freedom to purchase anything from anywhere at any time of day. Consumers and merchants are no longer restricted to a certain place or region of the globe. It is quite simple to deliver any item or commodity, whether it is a basic necessity item, any kind of medication, or even present goods on any occasion, to any area of the nation or even abroad of the nation, using the digital method of buying. There are several things for which shops do not include shipping costs, or charge a very little fee, giving the consumer an added advantage.

Literature Review

Yan (2018) ^[7] discovered that internet purchasing has a direct influence on the increasing incidence of shopping centre closures. It is absolutely accurate to remark that the number of internet consumers has increased dramatically from the beginning. Some of the pioneer retail businesses' overall profits have increased dramatically. Amazon, for example, made more than 140 billion US dollars in sales every year. Nonetheless, the drop in individuals shopping in malls cannot be solely attributed to the increase in the number of online customers. Data on total profits by retail malls and total profits by Amazon were analysed. The regression coefficient was found to be negative, indicating that the increase in profits produced by Amazon via online purchasing translates in a decrease in profits earned by traditional retailers. As a consequence, it is possible to assume that the closure of shopping malls is a consequence of growing levels of online shopping.

One of the issues that retailers confront, according to Kurnia *et al.* (2015) ^[3], is influencing consumer behaviour. The behaviour of the frequent shopper differed from that of the seldom consumer. The regular customer and user are very much used to the shopping pattern and method; they are confident enough to choose the product and make the transactions without any doubt because they know the channels and ways to get over any issues that may arise, such as delivery not being on time, item change, and money refund; they know all the ways.

Ganapathi (2015) ^[1] thoroughly discussed many aspects of online retailing and discovered that privacy is something that everyone requires, and it is the most preferable point of online shopping; many times, there are items of personal use that everyone is not comfortable purchasing in public places, so these purchases can be easily managed when purchasing from a digital store. When we go to the shops in the physical market, there are salespeople who are there to assist us in displaying the products we need, but the salesperson creates pressure to sell the goods in any case, but this kind of atmosphere does not exist when one chooses to purchase online. Because of the abundance of shopping websites where we can easily scan for our requirements and their basic cost, we have a great deal of freedom to compare the prices of the things. Comparisons are simple and convenient since all that is required is to browse several shopping websites and the process is done quickly. Consumers may find the finest bargains by using this simple method of browsing. Shopping websites and apps assist their consumers by offering precise product descriptions, and websites enable their previous purchasers to provide feedback and ratings on the things they have bought and utilised. There are websites that provide consumer reviews of things, and these websites and points of view may truly assist a new consumer pick a product wisely in terms of quality and pricing.

Guo *et al.* (2012) ^[6] investigated the obstacles of online commerce in India and discovered that the Internet is the most significant foundation for e-commerce or digital business. Regrettably, India is still experiencing a very poor internet penetration; there is still a large population that is digitally unspoiled, and online buying or online retailing is virtually unheard of in rural regions, which account for a large portion of the population. Poor Internet speed has also been identified as the most significant issue of poor internet connection, which is a significant setback for the potential of online shopping. India has received a very low ranking for internet speed, which is less than 1 mbps. When the performance is poor, it has an impact on the company because customers get frustrated when browsing a shopping website or are stuck when performing transactions. According to Sahney *et al.* (2013) ^[4], online retail companies have observed that, in addition to metros, buyers in tier-2 and tier-3 cities are eager to purchase over the internet. The notion of selling and purchasing items through the internet has been termed as online retail.

According to Kandulapati and Shekhar (2014), despite the fact that internet penetration in India is quite low, the flexibility, simplicity of use, convenience, and privacy of online purchasing has resulted in an unanticipated amount of development. According to Xing *et al.* (2011) ^[8], the internet has sparked a retail and consumer revolution over

the last decade by giving a new channel for purchasing. Websites with online storefronts also allow their users and customers to monitor their orders. Users may follow their things' entire journey, including their status and projected delivery time. Websites also include the Courier Company's contact information, as well as the contact number and name of the delivery person, so that an individual may connect with the appropriate person to get the item delivered securely and on time.

According to Van Der *et al.* (2003) [5], consumers all around the globe are gradually turning away from congested storefronts and toward the one-click online buying paradigm. Nonetheless, despite the convenience, internet buying is not the most popular type of purchasing in India. A poll of 150 internet users, both users and non-users of online shopping, was conducted to learn why some people buy online while others do not. According to the findings, convenience and time savings lead Indian customers to purchase online, but security and privacy concerns deter them.

Doherty and Ellis-Chadwick (2003) [9] found three corporate variables that influence enterprises' adoption of Internet commerce in distinct ways. The cost of Internet trading is adversely associated to company adoption of Internet retailing, whereas the state of Internet retailing strategy and technical capabilities are favourably associated. If the expenses of Internet trading, such as logistics, organisation, and operation expenses, are so expensive that the adoption of Internet retailing reduces a company's profit, the company's excitement for the adoption will wane.

Objective of the Study

1. To find the impact of age of the respondents on their preference for online retailing
2. To find the impact of residential area of the respondents on their preference for online retailing

Hypothesis of the Study

H₀₁: There is no significant impact of age of the respondents on their preference for online retailing

Ha1: There is a significant impact of age of the respondents on their preference for online retailing.

H₀₂: There is no significant impact of residential area of the respondents on their preference for online retailing

Ha2: There is a significant impact of residential area of the respondents on their preference for online retailing.

Research Methodology

The study was conducted with the help of a survey in which a sample of 150 respondents were surveyed regarding why they are inclined towards online retailing through a structured questionnaire. The study is empirical in nature and the primary data was collected through random sampling method. The analysis was done and the results were obtained by applying chi- square test.

Findings of the study

Table 1 demonstrates the demographic details of the people that were surveyed for the study. The table shows that there

is total number of 150 respondents and among them 59.3% are male and 40.7% are female. 32.7% of them are from 18-26 years of age group, 27.3% are of 26-36 years, 22.0% comes between 36-46 years of age and rest 18.0% are above 46 years of age. 35.3% of the respondents are high school or intermediates, 38.0% are graduates or postgraduates, and 26.7% are having some other educational qualification. The tables also shows that 20.7% of the peoples that are surveyed are the students, 19.3% are servicemen, 18.0% from the business sectors, 20.0% of them are housewives and rest 22.0% are from some other occupational sector. 42.0% of the respondents belong to the rural areas and rest 58.0% are living in the urban areas of the country.

Table 1: Demographic details of the respondent

Variables	No. of respondents	Percentage
Gender		
Male	89	59.3
Female	61	40.7
Total	150	100
Age		
18-26 years	49	32.7
26-36 years	41	27.3
36-46 years	33	22.0
Above 46 years	27	18.0
Total	150	100
Educational Qualification		
High school or Intermediate	53	35.3
Graduate & post graduates	57	38.0
Others	40	26.7
Total	150	100
Occupation		
Students	31	20.7
Services men	29	19.3
Businessmen	27	18.0
Housewife	30	20.0
Others	33	22.0
Total	150	100
Residential Area		
Rural	63	42.0
Urban	87	58.0
Total	150	100

Table 2: Impact of age on Preference for online retailing

Age	Preference for online retailing			Total
	Low	Moderate	High	
18-26 years	9	17	23	49
26-36 years	8	14	19	41
36-46 years	11	15	7	33
Above 46 years	16	7	4	27
Total	44	53	53	150
Value of Chi-square				21.7887
Degree of freedom				6
p value				.001

Table 2 shows the impact of age of the respondents on their preference for online retailing. Since the p-value is below 0.05 (.001) which is the significant value, hence null hypothesis was rejected and alternate hypothesis was accepted.

Table 3: Impact of residential area on Preference for online retailing

Area	Preference for online retailing			Total
	Low	Moderate	High	
Rural Area	37	19	7	63
Urban Area	17	23	47	87
Total				150
Value of Chi-square				34.4602
Degree of freedom				2
p value				0.00

Table 3 shows the impact of residential areas of the respondents on their preference for online retailing. Since the p-value is below 0.05 (.000) which is the significant value, hence null hypothesis was rejected and alternate hypothesis was accepted.

Conclusion

Internet access has become a fundamental need not just in metropolitan areas but also in rural areas. The fast rise of online retailing is being hampered by legal issues, logistics, and a variety of other obstacles that must be addressed as soon as possible. Companies that wish to grow must invest in advertising, branding, logistics, reverse logistics, supply chain management, and customer service. There is a need for a thorough awareness of security needs such as confidentiality and data protection. Online retailing development is unavoidable since the Indian online retailing business has access to both domestic and foreign financing. The Online Retailing business will experience obstacles as it grows, yet there is room for expansion due to increased internet users and technological improvement. Enterprises will have to work harder to deliver superior customer service as more companies enter the commerce market in the future. The study concludes that null hypothesis was rejected and alternate hypothesis was accepted which says that there is a significant impact of age and residential area of the respondents on their preference for online retailing.

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