

E-BUSINESS IMPACT ON ECONOMIC DEVELOPMENT

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Abstract

This paper reveals the importance of E-Business in Indian economy. E-business has been recognized as an important contributor in the economy of many countries. In the emerging global economy, e-business has increasingly become a very important component of business strategy and a strong catalyst for economic development. India is among the fastest growing economy of the world. In India, digitalization has increased significantly, according to statistical data internet use has increased to 429.23 million .There has been significant rise of E-Business in India, as India's internet economy is 125 billion dollar in 2017. In this paper we will look towards the role of government in E-Business in Indian aspects.In this research paper we will talk mainly about E-business and its percentage of gross domestic product in Indian economy . E-Business is great platform not only to develop infrastructure but also increase employment rates in India and thus overall impact in increasing economic and social growth in Indian economy.

Keywords – E-Business, Economic Development, , GDP, Digitalization

INTRODUCTION

The era of 21st century is often regarded as an era of technology. Today, Technology plays a very important role in our life. It is being seen as a basis of growth of an economy.We are living in an age of remarkable technological change that is forcing us to think very hard about the linkages between technology and economic development. We realize that technological innovation is almost certainly the key driver of long-term economic growth.

E-Business represent a way for developing world nations to foster economic development, improve levels of Agriculture, Education and Training as well as address gender issues within society. Infrastructure technology development is also vital for entrepreneurship and small business development. In many emerging nations, it is a major challenge to gain access to capital and market information. Developing nations specifically do not have functioning infrastructure or much in the way of financial resources.

Development of e-business started since introduction of the Internet in early1990'th last century, 15 years ago from now. There are two e-activities, which are often mixed: e-business and e-commerce. E-commerce means economic transactions, which are made over the Internet, the sales and the

purchases of goods and services. E- business is wider activity, comprising e-commerce but meaning also the integration of the Internet into wider business activities – the management of the operations and production value chain, exchange of information and data, ebanking, etc. E-business is widely spread among the enterprises and population of the developed countries. Electronic business (e-business) is a general concept covering any form of business transaction or information exchange executed using information and communication technologies . E-business may take place between firms (B2B), between firms and their customers (B2C), or between firms and the government (B2G).

The most evident benefit of e-business is economic efficiency. The basic reasons of economic efficiency of e-business are:

1. **Reduction in communications cost**
2. **Low-cost technological infrastructure**
3. **Lower advertising costs**
4. **Cheaper customer service**

COMPONENTS OF E-BUSINESS

The core components of E-Business are information, communication, and transaction. Business partners use digital networks to conduct business processes using innovative technologies to improve efficiency. The key areas are particularly important for e-business:

E-Commerce: electronic commerce via digital networks, connecting the buyers and suppliers of products and services.

Business Intelligence: the electronic sourcing of products and services by companies, focused on reducing costs and effort.

Online Activities between Business: the electronic sale of products and services via appropriate platforms, such as online stores.



Collaboration: E- Business cooperation for connecting individual company services, resulting in a virtual business with a common transaction offer.

Management: Customer relationship management, Supply chain management and Enterprise resource management are also important components of E-Business.

THE IMPACTS OF E-BUSINESS

Impact on National Growth

The theoretical implications of E-Business on the macroeconomy are far reaching, because ICT increases productivity, enhances competition, and broadens consumer choice.

E-business changes the macroeconomy in several beneficial ways. Some gains are static in nature, arising from the more efficient use of existing resources. For example, increases in productivity increase a nation's GDP. In addition, by lowering search and transaction costs, e-business unleashes deflationary pressures. Other gains are dynamic, altering the path national growth takes. By lowering the cost of transferring and employing knowledge, ICT enables greater R&D and in-novation, which is crucial to long-run economic growth.

Productivity and the level of GDP

In the short term, investment in ICT increases economic growth by adding to the capital stock of a nation, which makes labor more productive. In the longer term, use of ICT by business also spurs growth in total factor productivity. E-Business promotes greater economies of specialization within firms by lowering transactions costs with other firms or nations. Inputs and services formerly produced within the firm or nation can be more easily provided from without via e-business. Economies of specialization in production can then lead to higher productivity.

Volatility and changes in GDP

While discussion of declining volatility in GDP growth may appear quaint in the midst of the precipitous fall in growth worldwide in the current recession, it is probably nonetheless true that e-business helped smooth the business cycle. E- business techniques and ICT alone, however, obviously cannot prevent a downturn stemming from deep and wide-ranging structural problems with the economy.

Measurement of growth accounting data

Assessments of causes of national growth can only be as good as the underlying data. Some commentators assert that e-business and the new economy increase the difficulty of assessing productivity growth and the non-accelerating inflation rate of unemployment.

Impact on business organizations

Retail industry, Banking industry and the Travel and tourism industry are important sectors in the India. For fast growing these organisations a major role of e-business. The growing use of information and communications technology (ICT) by business—e-business—has a profound impact on the economy. E-business lowers costs and increases the choices available to consumers and firms.

Impact on Monetary Policy Inflation

Monetary policy in many countries aims to control inflation. E-business' potential for dramatic cost savings and greater competition can have considerable influence on the aggregate price level. The lower costs and prices associated with the growth of e-business have lowered inflation, at least in the short-term. In addition, e-business allows firms to adjust prices more quickly to respond to economic shocks. Reductions in such—menu costs—can produce ongoing reductions in the welfare harms from inflation. E-payments may also have disciplined central banks in recent years, keeping inflation low.

E-payments and e-money

About two-thirds of non-cash settlements make use of e-payment instruments such as credit and debit cards. One estimate holds that moving from paper checks to e-payments for non-cash transactions can save an economy 0.6 percent of GDP. E-money products, which store value purchased by a consumer on an electronic device and reduce the funds when purchases are made, are also intended to serve as a general means of payment.

E-business will have a growing impact on the macroeconomy. B2B and B2C transactions will continue to expand into existing and future industries. The growth in e-business will further increase productivity, reduce cost, and enhance competition. Consequently, e-business will continue to stimulate aggregate economic activity across the world. Similarly, cost reductions and the disciplining of monetary authorities will continue to exert deflationary pressures in the near future. While the economic gains from e-business are certainly welcome, policymakers will face challenges in managing the

monetary and fiscal impacts of e-business. Meeting these challenges as they evolve will require deepening our understanding of the theoretical and empirical effects e-business has on the overall economy.

Over the past decades e-business has helped and provided various methods in which buyers and sellers can transact. In the decades to come, exploiting the full potential of developments could have profound impacts in individual sectors of the economy as well as for macroeconomic performance and economic policies. At the aggregate level, productivity and economic growth could rise, at least for some time, as a result of more efficient management of supply and distribution, lower transaction costs, low barriers to entry and improved access to information. In the business-to-business context, higher efficiency can be gained from B2B e-commerce and B2B exchanges via lower procurement cost and better supply chain management. Many companies claim that putting their supply chains online has led, or will lead, to major cost savings. According to Goldman Sachs (2000) study these gains range from between 2 and 40 percent of total input cost depending on the industry which may subsequently reduce the price in the overall economy.

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