

MARKET REPORT

OCTOBER 2025

INDIA'S E-COMMERCE INDUSTRY



India's e-commerce market is among the **fastest-growing globally**, fuelled by **internet penetration**, affordable smartphones and a tech-savvy consumer base

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Quick Facts: E-commerce Industry in India

- India's e-commerce market reached INR 10.4 trillion in FY24, up from INR 8.5 trillion in FY23, reflecting steady growth
- India's e-commerce market is projected to grow to INR 29.9 trillion by FY30, influenced by digital penetration, with further estimates suggesting 47.8 trillion by FY35
- The B2C e-commerce segment was valued at INR 7.5 trillion in 2024, expected to reach INR 12.5 trillion by 2026 with a CAGR of 15.9%
- Maharashtra, Delhi NCR, Karnataka, Tamil Nadu, Andhra Pradesh, West Bengal and Gujarat are the leading states boosting India's e-commerce market
- India is poised for rapid growth, with India's quick commerce market expected to reach INR 43.4 billion by FY25 and INR 86 billion by FY29
- In FY24, tech and e-commerce giants Google, Meta, Amazon and Flipkart generated over INR 60 billion in advertising revenue, a 9% increase from INR 55 billion in FY23
- India ranks 7th globally in domestic e-commerce revenue with a 22.6% growth rate, the highest among major economies in the world
- 62% of Indian SMEs leverage domestic e-commerce platforms to expand market reach
- According to IBEF, India has gained 125 million online shoppers in the past three years, with another 80 million expected to join by FY25
- By 2026, the number of online shoppers in India is expected to increase
- The Government e-Marketplace (GeM) achieved a Gross Merchandise Value (GMV) of Rs. 3.5 trillion in FY24-25 (up to Jan 2025), with MSEs contributing 38.2%

Overview of Indian E-commerce Industry

Indian E-Commerce Market Growth Outlook



Source - IBEF

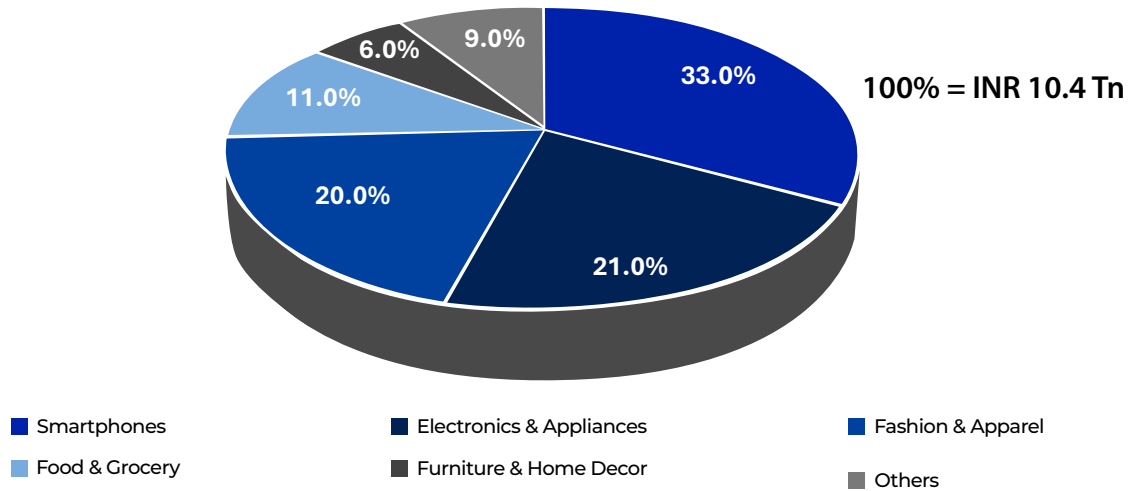
India's e-commerce sector has emerged as a pivotal driver of economic growth, employment generation and digital innovation. Supported by progressive policy measures promoting digital payments, MSME integration and rising internet and smartphone adoption, the industry is reshaping the country's retail ecosystem and creating significant opportunities across the value chain. Foreign investments have played a crucial role, with global technology giants and retail leaders investing billions, enabling the expansion of digital infrastructure and capabilities across the country. Government initiatives such as GST, Digital India and the National Logistics Policy have created a competitive and efficient ecosystem, enhancing logistics and regulatory frameworks that support e-commerce growth. Increasing urbanization and a growing middle class further drive adoption, while both online platforms and traditional offline retailers are strengthening their digital presence.

India's e-commerce market is among the fastest-growing globally, fuelled by internet penetration, affordable smartphones and a tech-savvy consumer base. Beyond metropolitan centres, tier-2 and tier-3 cities are driving growth, supported by vernacular platforms, localized content and tailored offerings. Emerging models such as quick commerce, social commerce and Direct-to-Consumer (D2C) brands are reshaping buying behaviour, while secure digital payments like UPI continue to strengthen consumer trust.

Furthermore, improvements in last-mile delivery are further enabling rural reach. With rising incomes, evolving lifestyles and steady urbanization, e-commerce is projected to contribute nearly 45% to gross merchandise value by 2030. Backed by regulatory reforms and investments in AI and machine learning, India's e-commerce industry is positioned as a cornerstone of the digital economy, unlocking opportunities across urban and rural markets.

Indian E-commerce Industry: Key Segments

India E-Commerce Market Overview: By Product Category 2024

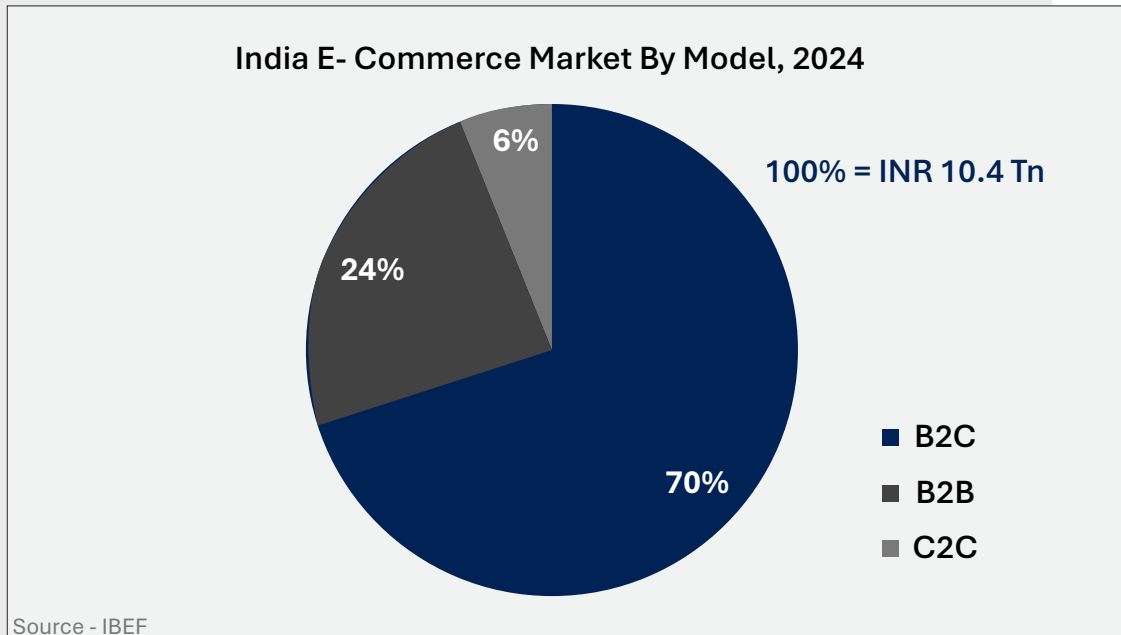


Source - IBEF

By Product Category:

- The market is segmented into Smartphones, Electronics and Appliances, Fashion and Apparel, Food and Grocery, Furniture and Home Decor and Others. Among these, Smartphones hold the dominant share, driven by consumer demand for smartphones, high penetration and 5G rollouts. The increasing trend of consumers comparing products and prices online, coupled with substantial discounts during festive sales, has fuelled the segment's growth.
- The electronics and appliances segment is driven by easy product comparisons and festive discounts, while fashion and apparel thrive on variety, competitive pricing and easy returns. Food and grocery sales are growing steadily, fuelled by COVID-era habits and improved last-mile delivery. Furniture and home decor have surged as consumers invest in their living spaces. Meanwhile, niche categories like books, office supplies and pet care, grouped under others, are gaining momentum, supported by remote work trends and rising interest in self-care.





By E-commerce Model:

- The E-commerce model is divided into Business-to-Consumer (B2C), Business-to-Business (B2B) and Consumer-to-Consumer (C2C). The B2C segment dominates, primarily due to the growth of platforms like Amazon and Flipkart. The B2C model's dominance stems from its ability to reach a wide audience, offering varied product choices and ensuring ease of transactions.
- Besides, in the B2B segment, MSMEs and Kirana stores (grocery shops) are embracing online procurement, attracted by bulk buying, transparent pricing and cost efficiencies driven by smartphone penetration, GST reforms and formalization. Furthermore, C2C platforms are gaining traction through rising resale culture, classifieds and social commerce, driven by convenience and digital marketplaces connecting sellers and buyers.



Government Initiatives

01

■ Union Budget 2024–25 proposal for E-Commerce Export Hubs (ECEHs)

- Aims to empower MSMEs and traditional artisans to access global markets.
- ECEHs will function under a seamless regulatory and logistics framework.
- Will offer comprehensive trade and export-related services.
- Services include warehousing, packaging, labelling, certification, etc.
- Also supports logistics and returns management for cross-border e-commerce.

02

■ Open Network for Digital Commerce (ONDC)

- Facilitates an interoperable and open digital infrastructure to level the playing field for sellers, especially MSMEs.
- Recorded over 14 million transactions in November 2024, signalling rapid adoption and trust.
- Enabled participation of 7 lakh+ sellers across 600+ cities, including tier-2 and tier-3 locations.
- Aims to democratize digital commerce access by reducing platform dependency and promoting competition and inclusivity.

03

■ Government e-Marketplace (GeM) for Transparent and Efficient Public Procurement

- Achieved a gross merchandise value (GMV) of INR 11.5 trillion since its inception, reflecting its growing scale and trust.
- Introduced initiatives like the "Aabhar Collection", promoting Indian heritage and artisan-made products.
- Offers reduced transaction charges, making the platform more accessible and cost-effective for small sellers and startups.
- Enhances transparency, efficiency and inclusivity in government procurement by streamlining processes and reducing manual intervention.



04

■ FDI Permissibility in E Commerce – Marketplace vs Inventory Model

- 100% FDI is permitted under the automatic route, but only in the “marketplace model” of e-commerce, where the platform acts purely as an intermediary facilitating transactions between buyers and sellers, without owning or controlling inventory.
- Marketplace platforms must not directly or indirectly influence the sale price of goods and services, ensuring a level playing field.
- No single seller or group of sellers can account for more than 25% of sales on the platform, to prevent dominance and ensure diversity.
- Entities in which the marketplace (or its group companies) has equity participation or controls the inventory can't sell on that marketplace, to avoid conflicts of interest or anti-competitive behaviour.

05

■ Unified Payments Interface (UPI) under Digital India

- Boosting the e-commerce market by enabling seamless, secure and real-time digital transactions.
- Promotes cashless payments, increasing trust and convenience in online shopping.
- Supports small businesses and rural sellers to join the digital marketplace.

Megatrends in the E-commerce Industry

01

Rapid Growth of Social Commerce: Redefining the Future of Digital Retail in India

- Social commerce is growing at a CAGR of 31%, India's social commerce market is projected to reach INR 3.1 trillion by FY25.
- Leverages platforms like Instagram, WhatsApp and Facebook for seamless, influencer-driven shopping experiences.
- Social commerce empowers MSMEs and rural sellers by lowering entry barriers and offering direct access to customers.
- Supported by government initiatives like ONDC, it fosters inclusive and decentralized growth beyond traditional marketplaces.

02

Expanding Rural and Tier-2/3 Market: A Massive Growth Frontier for E-commerce Investment

- Rural e-commerce is projected to exceed INR 8.7 trillion by 2025, fuelled by improved digital connectivity via BharatNet.
- 78.5% of rural households report increased consumption, creating strong demand for affordable and diverse products.
- Government initiatives like "Dak Ghar Niryat Kendras" support local producers and exporters, integrating rural economies into global markets.
- Rising internet penetration and smartphone usage in smaller towns are unlocking new customer bases beyond metros, making these regions key growth drivers.

03

AI and Digitization: Driving Smarter, More Efficient E-commerce Growth in India

- AI adoption is accelerating personalization, demand forecasting and inventory management, boosting customer experience and operational efficiency.
- India's AI market is growing rapidly at a 25-35% CAGR, expected to expand significantly by 2027.
- The rise of omni-channel retail models seamlessly blends online and offline shopping, increasing convenience and reach.
- This digital shift supports the gig economy's growth to 23.5 crore workers by 2029-30, creating new employment and entrepreneurial opportunities.

■ Quick Commerce and Logistics Boom: Enhancing speed and reliability in India's e-commerce ecosystem

- Third-party logistics providers handle an estimated 17 billion shipments, reflecting robust supply chain activity.
- The National Logistics Policy aims to streamline and optimize supply chains, reducing costs and improving efficiency.
- Over 50% of express parcel volume originates from e-commerce, underscoring the sector's critical role in driving logistics growth.



Why Invest in India's E-commerce Industry?

01

■ Consumer Tends towards E-commerce

- E-commerce in India has experienced significant growth due to a surge in the number of smartphones and an increase in the number of urban households embracing the convenience of online shopping in their busy lives.
- India has the third largest group of online consumers in the world, 289 million; only China and the US have more.
- In India, online retail currently accounts for 25% of the total retail market and is projected to rise to 37% by 2030.

02

■ India: A High-growth, High-potential E-commerce Market on the Global Stage

- 7th largest e-commerce market globally, with domestic revenue reaching INR 8.7 trillion in 2023.
- Driven by a young, digitally savvy population, increasing smartphone penetration and affordable internet.
- Government support through initiatives like ONDC and Digital India further strengthens the ecosystem for investors and startups.





03

■ Thriving E-commerce Market & Burgeoning Consumer Base

- The e-commerce market is projected to reach INR 29.9 trillion by FY30, with further estimates suggesting it will grow to INR 47.8 trillion by FY35, driven by rising digital penetration.
- India is at the forefront of retail innovation, with 1.5 to 2.5 million MSMEs now operating online and e-commerce is expected to grow by 45%.
- The middle class is expected to grow by 110 million households by 2030, significantly boosting consumption and retail expansion.
- India's total internet subscribers have surged from 251.6 million in March 2014 to 954.40 million by March 2024, reflecting a strong Compound Annual Growth Rate (CAGR) of 14.3%.

04

■ Strategic Geographic Location

- India's central position in South Asia offers seamless access to emerging markets across Asia, the Middle East and Africa.
- Proximity to major global shipping routes supports efficient logistics and international trade.
- Time zone advantages allow overlap with both Western and Eastern business hours, facilitating global e-commerce operations.
- Regional diversity within India enables businesses to test and scale products across varied consumer segments and preferences.