

E – Commerce in India: An Analysis of Present Status, Challenges and Opportunities

Dr. Naveen Kumar,

Assistant Professor in Commerce,
Government Degree College,
Panarsa, Mandi, Himachal Pradesh, India.

ABSTRACT

E-Commerce is the future of shopping. E-commerce is also one of the business options that one will have to explore in future. E-Commerce is growing with swift pace in our country. Backed by increasing internet users' base and favourable demographics, Indian E-Commerce Industry has registered impressive growth in the last few years. There are tremendous opportunities of growth in E-Commerce in future also. But there are certain challenges which need to be addressed properly. In the present paper an attempt has been made to study the present status of E-Commerce in India, examine the challenges of E-Commerce and discuss the future of E-Commerce in India.

Keywords: E-Commerce, Growth, Online, India, Internet.

INTRODUCTION:

E-Commerce stands for electronic commerce and caters to exchange of products, services and information via internet. Electronic commerce is more than just buying and selling products online. It includes the entire online process of developing, marketing, selling, delivering, serving and paying for products and services. It is doing business online. It includes any commercial activity that takes place directly between a business, its partners, or its customers through electronic communication and digital information processing technology. E-Commerce is a modern business methodology that addresses the needs of the organisations, merchants and consumers to cut costs while improving the quality of goods and services and increasing the speed of service delivery. India has shown tremendous growth in the E-Commerce segment. E-Commerce has become an important tool for small and large businesses worldwide, not only to sell to customers but also to engage them. Although the transition from traditional purchasing to online purchasing was very slow initially in Indian market because of less number of internet users due to lack of internet facility and awareness in public. But now the situation has changed and the e-commerce industry is growing rapidly in our country.

OBJECTIVES OF THE PRESENT PAPER:

- To study the present status of E-Commerce in India.
- To examine the barrier of E-Commerce in India.
- To discuss the future of E-Commerce in India

RESEARCH METHODOLOGY:

Research Methodology is the systematic and theoretical analysis of the methods applied to a field of study. It includes the process used to collect information and data for the purpose of making decisions. In the present paper, the secondary source of information has been used. The data has been collected from journals, books and websites.

Categories/Models of E-Commerce:

The different categories or Models of E-Commerce are as follows:

B2B (Business to Business):

Under B2B model one business sells to other business. Companies doing business with each other such as manufacturers selling to distributors, wholesalers selling to retailers are the examples of B2B e-commerce model. Pricing under this model is based on quantity of order and is often negotiable. Chinese E-Commerce Giant Alibaba is the example of B2B model.

B2C (Business to Consumers):

This is the usual form of E-Commerce. In this model business sells products and services directly to consumers over the internet. They display their products or services on their Websites or Apps and the consumers can order the product or service directly on their Websites or Apps. If an individual is buying a pair of shoes by placing an order to Flipkart.com is an example of B2C model.

C2B (Consumer to Business):

Consumer to Business E-Commerce model involves consumers selling products or services to business. In C2B consumers create value and business consume that value. For example, when a consumer writes, reviews or when a consumer gives a useful idea for new product development than consumer is creating value for the business if the business adopts that inputs. In C2B consumers can offer products and services to companies and the company pay the consumers. We can see the C2B model at work in blogs or internet forums in which the author offers a link back to an online business thereby facilitating the purchase of a product, for which the author might receive affiliate revenues from a successful sale.

C2C (Consumers to Consumers):

C2C is a business model that facilitates the transaction of products or services between customers. C2C provide an innovative way to allow customers to interact with each other. C2C involves the electronically facilitated transactions between consumers through some third party. A common example is the online auction, in which a consumer posts an item for sale and other consumer bid to purchase it, the third party generally charge a flat fee or commission. The sites are only intermediaries, just there to match consumers.

REVIEW OF LITERATURE:

(Elizabeth & McGregor, 2000) in their paper analysed the impact of e-commerce on consumers, public policy, business and education. A discussion of public policy initiatives, research questions and ideas for future research was given.

(Dasgupta & Sengupta, 2002) in their paper examined the future and prospects of e-commerce in Indian Insurance Industry.

(Abhijit, 2013) in his paper opined that e-commerce has unleashed yet another revolution, which is changing the way businesses buy and sell the products and services. New methodologies have evolved. The role of geographic distances in forming business relations is reduced. With the development of 3G and 4G wireless communication technologies, the internet economy will continue to grow robustly.

(Raghunath & Panga, 2013) concluded that initially, new internet users would be reluctant to conduct any kind of business online, citing security reasons as their main concern. In order to increase consumer adoption of e-services, the source of consumer confusion, apprehension and risk need to be identified, understood and elevated. E-Commerce provides tremendous opportunities in different areas but it requires careful application for consumer protection issues.

(Madhukar Sarode, 2015) in his paper concluded that ecommerce is future of shopping and gap has been reduced between manufacturer and consumer due to e-commerce. There is vast scope for e-commerce in India but due to weak cyber law, people are facing challenges in India.

(Saxena, 2015) in her paper concluded that e-commerce plays a pivotal role in Indian society. It plays an important role in upgrading and developing the Indian economic system. It provides support to small and medium enterprises to flourish their business. E-commerce also faces some challenges like lack of cyber laws and lack of computer education etc.

(H. Ramchandani, 2016) in her paper concluded that the retail e-commerce sales in 2015 as a percentage of total retail sales in India accounted for approximately 0.9% of all retail sales in India. However this figure is

expected to grow in near future and is estimated to reach 1.4% in 2018. E-Commerce has greatly impacted the business of physical retailers’ especially small retailers. International e-retailers are giving a strong competition to domestic ones. However physical retailers still have a very good standing in the Indian market as Indian consumers generally like to inspect the goods before making any purchase.

Present Scenario of E-Commerce in India:

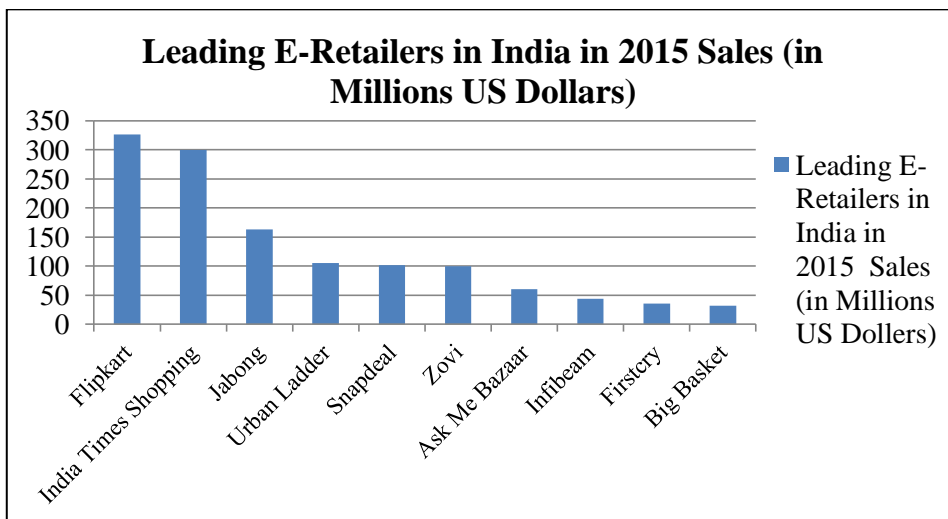
E-Commerce in India is still in a growing stage, but it offer tremendous opportunities for developing countries like India. The e-commerce sector in India started their operations late nineties among business to business users (B2B). Business to Consumers (B2C) e-commerce started in 1996 in the form of matrimonial portals. The cost and the speed of internet was the limiting factor for their growth at that time. The first E-Commerce website in India was rediff.com, which was one of the most trafficked portals for both Indians and non – residents Indians. Last five years have seen a rise in the number of companies enabling e-commerce technologies and the internet in India. Major Indian portal sites have also shifted towards e-commerce instead of depending on advertisement revenues. Today E-Commerce has become an integral part of our society. There are websites providing any number of goods and services. These websites provide almost all categories of goods and services on a single site. These sites target the buyers of every possible product or service. These websites are known as Multi Product E-Commerce Sites. There are also Single Product E-Commerce Sites, which deal in specialised field only. Technology is changing the way of shopping. Out of the total internet users in India, 60% visit e-commerce sites. Favoured demographics and growing internet users’ base helped in adding the growth. Growth shown by Indian players like Flipkart, India Times, Snapdeal etc. and huge investors’ interest around these companies showed the immense potentials of the market. The Table 1.1 and Graph 1.1 depict the leading e-retailers in 2015 in India.

Table 1.1: Leading E-Retailers in India in 2015

E-Retailer	Sales (in Millions US Dollars)
Flipkart	325.96
India Times Shopping	300
Jabong	163.06
Urban Ladder	105.68
Snapdeal	101.52
Zovi	100
Ask Me Bazaar	60.5
Infibeam	43.78
Firstcry	35.74
Big Basket	31.71

Source: (Statista, 2017)

Graph 1.1



Source: (Statista, 2017)

It is clear from the Table 1.1 and Graph 1.1 that the Flipkart was at the first position in terms of sales in the year 2015 followed by India Times Shopping and Jabong. Big basket is at the 10th positions.

Future of E-Commerce in India:

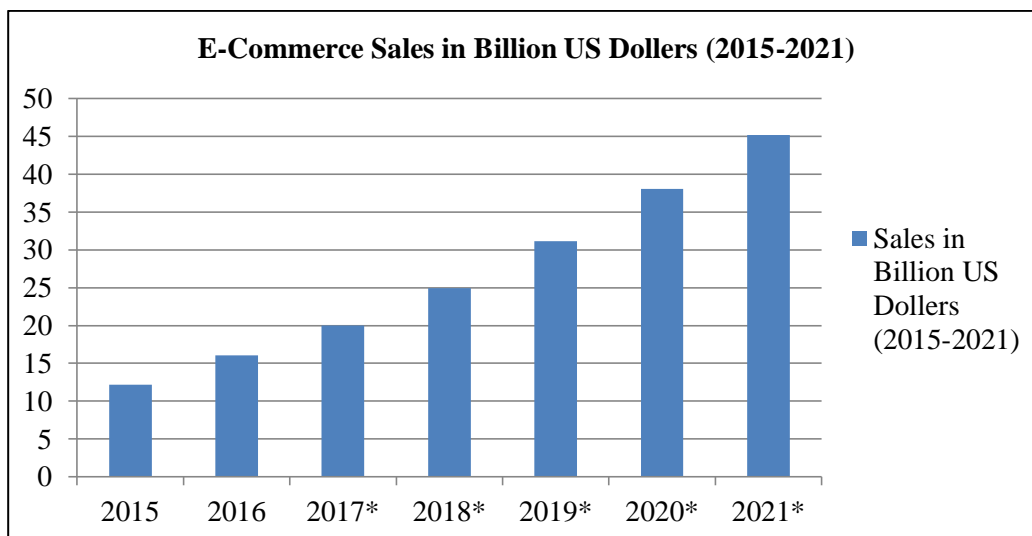
The E-Commerce sector in India is growing rapidly in India. The internet users' base in India might still be mere 400 millions which is much less as compared to developed nations of the world, but it is expanding day by day. The accelerating growth of e-commerce in India is due to internet penetration and easily available smart phones. Furthermore the favourable demographics and government effort of digitalisation is also pushing the growth of e-commerce sector in India. Retail sector is one of the largest growing sectors in India at present, which is expected to grow in future with an increasing rate. Table 1.2 and Graph 1.2 show the growth of e-commerce sales from 2015 to 2021.

Table 1.2

Years	E-Commerce Sales in Billion US Dollars (2015-2021)
2015	12.19
2016	16.08
2017*	20.01
2018*	24.94
2019*	31.19
2020*	38.09
2021*	45.17

Source: (Statista, 2017)

Graph 1.2



Source: (Statista, 2017)

Table 1.2 and Graph 1.2 highlights the growth of e-commerce sales from 2015-2021. It is clear from the table and the graph that the e-commerce sale is showing an increasing trend. It was 12.19 Billion Dollars in 2015 which rose to 16.08 in 2016. It is expected to grow with an increasing pace in the coming years also. It is expected to reach at 45.17 Billion Dollars in 2021, which is almost 4 times the sale of 2015.

Barriers of E-Commerce in India:

Poor Internet Facilities:

Internet is considered the backbone of the e-commerce. But the penetration of internet facilities in India especially in rural area is very less. Speed of Internet is also the major challenge in our country. No doubt we are moving towards 4G internet services but still a lot has to be done.

Feeling Unsecure:

Feeling unsecure by customer is one of the major and continuing challenges for e-commerce in our country. Customers have to be confident about the integrity of the e-dealers and payment process before making any

purchase order online. Risk of hacking and cyber crimes are also there. Privacy has also become a major concern for consumers with identity theft and impersonation. Security challenges are not restricted to consumers only in e-commerce, corporate firms also face security challenge as their vital information, records and reputation is at stake.

Logistic and Supply Chain:

Logistics and supply chain has been the major challenge to the e-commerce companies. Most of the population in India lives in villages. To reach the consumer in the village is a big challenge. The e-commerce companies' needs to invest more on setting up warehouse and signing up more suppliers across the country to ensure customers get order delivered by nearest suppliers.

Cash on Delivery (COD):

Cash on delivery is big problem for e-commerce companies. In the era of digital payments, cash on delivery is still the most favoured mode of payment used by the consumers. This mode is very expensive for e-commerce companies. Sometime courier companies take 30-40 days to return the cash collected from customers to dealers. If the customer return the product than it becomes very expensive for the company as the company pay two way courier charges.

High Competition:

There is a cut throat competition among the player in the e-commerce market. With intense competition, the profitability of the of the companies decreases as they use aggressive pricing strategy and offer huge discounts and commissions.

Tax Structure:

Tax structure is another factor for lesser growth of e-commerce sector in India in comparison to other developed countries like USA and UK. In India there are different types of taxes and these taxes create accounting problems to online business. Some states are even charging separate tax on e-commerce transactions. Government has implemented the GST Act, which is expected to solve this problem to great extent.

Absence of Cyber Laws:

Absence of cyber laws to regulate the online business transactions is another bottleneck to e-commerce in India. The new technology has created huge legal uncertainty in our country. The existing Consumer Protection Act 1986 needs to be amended to update and widen the scope of the Act.

Physical Purchase:

Most of Indian customers are more comfortable in buying product physically. They want to see and touch the product before buying. So they do not prefer to buy product online.

CONCLUSION:

E-Commerce has made the shopping easy. The E-Commerce Industry in India is growing rapidly despite many challenge. E-commerce industry is one of the largest growing industries in India at present. The sale of e-commerce industry is expected to grow by almost 4 times by 2021 than the sales of 2015. This unprecedented growth in E-Commerce is due to increase in smart phones and internet users, 3G/4G internet services, awareness in public, government initiative of digitalisation, advanced shipping and payment options, entry of foreign e-business players etc. Government should take steps to provide a proper legal framework so that hurdles in the growth of e-commerce are reduced to minimum.

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