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E-commerce In India: Challenges Ahead

Ms. Nisha D/o Sant Ram
M.Com and NET
Deptt. Of Commerce
H.No. 1315/31, Kamla Nagar, Rohtak- 124001 (HR)

Abstract: The fact is that E commerce is a key concept of business sector. In other way we can trace out that today E commerce has become an integral part of everyday life. Accessibility to E-commerce platform is not a privilege but rather a necessity for people, particularly peoples who are staying in urban areas. Moreover, due to fast adoption of internet enabled devices like Smartphone and Tablets, we have seen an unparalleled growth in E-commerce. The telecommunication technology has completely changed the way of our living, communication methods, shopping etc. Therefore, it has a huge impact on how we communicate with friends and relatives how we travel, how we access the information and the way we buy or sell products and services. The E-commerce has transformed the way business is done in India. It is estimated that the Indian E-commerce market will grow to US$ 200 billion by 2026 from US$ 38.5 billion as of 2017. Likewise today,much growth of the industry has been triggered by increasing internet and smartphone penetration. The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 604.21 million as of December 2018. That is why most of the scholars assume the fact that India's internet economy is expected to double from US$125 billion as of April 2017 to US$ 250 billion by 2020, majorly backed by E-commerce. India's E-commerce revenue is expected to jump from US$ 39 billion in 2017 to US$ 120 billion in 2020, growing at an annual rate of 51 per cent which is the highest in the changing trade scenario at the global level.

Keywords: E Commerce, Digital India, Information System, Economy, Challenges.

Introduction:E-commerce deals with selling and purchasing of goods and services through internet and computer networks.E-commerce stands for electronic commerce. E-commerce is doing business online and electronically. The E-commerce has completely revolutionized

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the conventional concept of business. Here it is noteworthy that E-commerce refers to a wide range of online business activities for products and services. It also pertains to “any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact. E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform and redefine relationships for value creation between or among organizations and between organizations and individuals. Today E-commerce in Indian society has become an integral part of everyday life. Accessibility to E-commerce platforms is not a privilege but rather a necessity for most people, particularly in the urban areas.

The fact is that today the number of internet users in the world is close to 3 billion, out of this; India has a total of 259.14 million internet and broadband subscribers. This penetration of internet coupled with the increasing confidence of the internet users to purchase on line. This leads to an enormous growth in the E-commerce space, with an increasing number of customers registering on E-commerce websites and purchasing products through the use of mobile phones. India is in a prime position for the growth and development of the E-commerce sector. According toa report by the Internet and Mobile Association of India, India’s E-commerce market is expected to grow by 37% to reach U.S. Dollar 120 billion by 2020 in the next year.

Review of Literature: There is a plethora of literature E commerce in India but we have cited a few of them. **Sarbapriya Ray (2011):**In her article entitled “Emerging Trends of E-commerce in India: Some Crucial Issues Prospects and Challenges”a snapshot of the evolution of E-commerce business indicating the chronological order, category of E-commerce business, description of organizations involved in E-business in India. The study also found that, the role of government should be to provide a legal framework for E-commerce so that while domestic and international trade are allowed to expand their horizons, basic rights such as privacy, intellectual property, prevention of fraud, consumer protection etc. are all taken care of. Likewise, **NishaChanana and Sangeeta Goele (2012):**In their article entitled “Future of E-commerce in India” have made an attempt to study the overview of the future of E-commerce in India and discusses the future growth segments in

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India's of E-commerce. The study found that, various factors that were essential for future growth of Indian E-commerce. The study also pointed out that, the overall E-commerce will increase exponentially in coming years in the emerging market of India. **AnukratiSharma (2013)**:In her article entitled "A study on E-commerce and Online Shopping: Issues and Influences" has made an attempt to study the recent trends, influences, preferences of customers towards E-commerce and online shopping and to give the suggestions for the improvement in online shopping websites. The study found that, most of the people who are engaged in making the decision of purchasing are in the age of 21-30 years. While making the websites for online shopping it must be designed in a very planned and strategic way. **Abhijit Mitra (2013)**:in his article entitled "E-commerce in India-A review" has revealed some efforts to study the present status and facilitators of E-commerce in India, analyze the present trends of E-commerce in India and examine the barriers of E-commerce in India. The study found that, there has been a rise in the number of companies taking up E-commerce in the recent past. The study also pointed out that, major Indian portal sites have also shifted towards E-commerce instead of depending on advertising revenue in the recent year in India.**K.K. Das and Affreen Ara (2015):** in their article entitled "Growth of E-commerce in India" have concluded that E-commerce is trading of products and service through the medium of internet. E-commerce oneof the highest growing business, with India having great market potential for investments. There has been huge surge in investment since last year and more is expected in coming years. The rapid growth in use of mobile and internet users has facilitated E-commerce business in both urban and rural cities. The research paper alsohighlights some factors such as the key drivers of growth, market growth potential, investment, retail market, logistics infrastructure, internet regulations, key challenges and future of E-commerce.

Objectives of the Study: The present research paper has the following objectives:

- To know the concept of E-commerce.
- To make a review of literature.
- To point out major initiatives taken by government of India in E-commerce sector.
- To highlight the major challenges of E-commerce in India.

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Research Methodology: The present paper is descriptive in nature and based on the secondary sources of data collection. The secondary data has been collected from the various reputed journals and official websites. To pace the study, the researcher has also used some observational facts.

Government's Initiatives in E-commerce Sector: In the recent years digital India campaign has become very popular slogan of government in India. Actually, since 2014, the Government of India has announced various initiatives namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support the E-commerce growth in the country. Here it is to say that the market size in India is propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian E-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion in 2017 Online retail sales in India are expected to grow by 31 per cent to touch US$ 32.70 billion in 2018, led by Flipkart, Amazon India and Paytm Mall. During 2018, electronics is currently the biggest contributor to online retail sales in India with a share of 48 per cent, followed closely by apparel at 29 per cent. Some of the major initiatives taken by the government to promote the E-commerce sector in India are as under:

- The heavy investment of Government of India in rolling out the fiber network for 5G will help boost E-commerce in India.
- Likewise in the Union Budget of 2018-19, government has allocated Rs 8,000 crore (US$ 1.24 billion) to BharatNet Project, to provide broadband services to 150,000 Gram Panchayats.
- As of August 2018, the government is working on the second draft of E-commerce policy, incorporating inputs from various industry stakeholders.
- The Indian Government hiked the limit of foreign direct investment (FDI) in the E-commerce marketplace model for up to 100 per cent (in B2B models).

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Achievements of the Government: Actually the formation of Modi government in India has paved way for development in E-commerce sector. In this regard the achievements of the government in the past four years are as under:

- **Digital India Programme:**Under the Digital India movement, government launched various initiatives like Udaan, Umang and Start-up India Portal.
- **Internet Saathi:** Under the project 'Internet Saathi', the government has influenced over 16 million women in India and reached 166,000 villages.
- **Udaan:** It is a B2B online trade platform that connect small and medium size manufacturers and wholesalers with online retailers and also provide them logistics, payments and technology support, has sellers in over 80 cities of India and delivers to over 500 cities.
- **BHIM App:** The government introduced Bharat Interface for Money (BHIM), a simple mobile based platform for digital payments.

Challenges Ahead: The government of India has launched and initiated various programmes to pave a way for E-commerce sector and the growth of E-commerce volumes in India is attracting the attention of investors around the globe. India, the second most populous country in the world, is home to 1.2 billion people. To put that number into perspective, consider this: the combined populations of Germany, UK, France, Italy, Netherlands, Belgium, and Greece equal one-fourth the population of India alone! Despite lower per-capita purchasing power, this still makes India one of the most attractive emerging markets for E-commerce. But India is far from being a bed of roses. Here are some challenges that E-commerce businesses face in India as follows:

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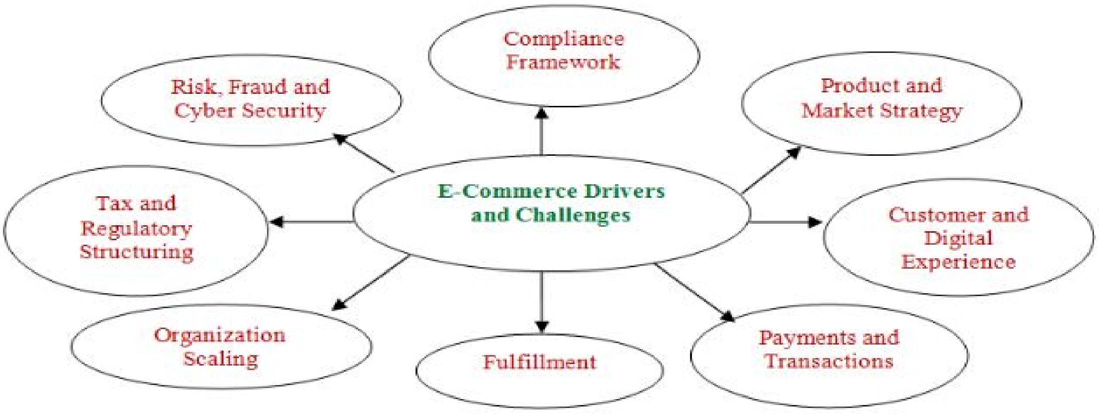
Figure: Key Drivers and Challenges of E-commerce



1. **Complexity in Cross Border E-commerce:** Today, E-commerce in India has many first time buyers. This means that they have not yet made up their mind about what to expect from E-commerce websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is delivered, they demonstrate remorse and return the goods. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Moreover,returns are expensive for E-commerce players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border E-commerce.
2. **Lack of Faith in Online Transactions:**It is a big challenge to E-commerce because low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive.
3. **High Failure Ratio in Payment Gateways:**As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. E-commerce companies using Indian payment gateways are losing out on business, as several customers do not reattempt payment after a transaction fails.
4. **Poor Internet Connectivity:**Today, Internet penetration in India is still a small fraction of what you would find in several western countries. On top of that, the

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quality of connectivity is poor in several regions. But both these problems are fast disappearing. The day is not far when connectivity issues would not feature in a list of challenges to E-commerce in India.

5. **Inadequacy of Smartphones:** The fact is that stillthe total number of mobile phone users in India is very high, a significant majority still use feature phones, not smartphones. So, for all practical purposes this consumer group is unable to make E-commerce purchases on the move. Though we are still a couple of years away from the scales tipping in favour of smartphones, the rapid downward spiral in the price of entry-level smartphones is an encouraging sign.
6. **Lack of Standardization of Postal Address:**When we place an online order in India, we are quite likely get a call from the logistics company to ask about the exact location. This is because there is little standardization in the way postal addresses are written. Last mile issues add to E-commerce logistics problems.
7. **Logistics Challenge:**Here it is to say thatthe logistics challenge in India is not just about the lack of standardization in postal addresses. Due to the large size of the country, there are thousands of towns that are not easily accessible. Metropolitan cities and other major urban centers have a fairly robust logistics infrastructure. But since the real charm of the Indian market lies in its large population, absence of seamless access to a significant proportion of prospective customers is a dampener. The problem with logistics is compounded by the fact that cash on delivery is the preferred payment option in India. International logistics providers, private Indian companies, and the government-owned postal services are making a valiant effort to solve the logistics problem. But in a short span of time it is not possible.
8. **Competition in E-markets:**Most of the scholars agree with the fact thatthe vibrancy in the Indian start up ecosystem over the past couple of years has channelled a lot of investment into the E-commerce sector. The long-term prospects for E-commerce companies are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice. However, this trend has reversed as investors are getting worried about slipping further down a slippery slope.

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Concluding Remarks: Thus we can point out that the E-commerce industry been directly impacting the micro, small & medium enterprisesin India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well. The Indian E-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest E-commerce market in the world by 2034. Here it is to say that thetechnology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. The growth in E-commerce sector will also boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term. The growth of E-commerce volumes in India is attracting the attention of foreign as well as domestic investors. Moreover,E-commerce has created so manynew opportunities for investors in India in the recent years. Nevertheless, we cannot ignore the fact that there are so many challenges in E-commerce sector and we need to tackle the problem.

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