

# E-Commerce In India – Opportunities and Challenges

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**Abstract**—E-Commerce is a paradigm shift influencing both marketers and customers. E-Commerce is more than just another way to boost the existing business practices. It is leading a complete change in traditional way of doing business. This significant change in business model is witnessing a tremendous growth around the globe and India is not an exception. A massive internet penetration has added a growth of E-Commerce and more particularly start-ups have been increasingly using this option as a differentiating business model. Rural people are increasingly shopping online, which is another development. The expansion of digital literacy initiatives and internet connectivity has made it possible for rural customers to visit E-Commerce sites and make purchase of goods and services. Businesses have a fantastic potential to grow their clientele and boost revenue. The present research is undertaken to study basic concepts of E-Commerce such as meaning and types of E-Commerce, facilitators of E-Commerce such as internet, payment gateways, Analytics, social media, autonomous vehicles, growth of E-Commerce sales revenue from E-Commerce, market size of E-Commerce, opportunities for E-Commerce such as global coverage, virtual business, lower search cost, round the clock services, economic efficiency and challenges for E-Commerce such as logistics issues, trust issues, preference to cash on delivery, tax structure, privacy etc. The data is collected mainly from secondary sources such as journals, websites, books and magazines.

**Index Terms**—E-Commerce, goods and services, internet, opportunities, business

## I. INTRODUCTION

India is emerged as one of the major players on the new international business scene. Its unstoppable economic growth since reforms in 1991 has become the focus of attention for researchers in the area of international business and management. E-Commerce is a type of business model that enables a firm or industry to conduct business over an electronic

network, typically the internet. E-Commerce is buying and selling of goods and services or transmission of funds or data, over an electronic network. These business transactions are Business to Business, Business to Consumer, Consumer to Consumer or Consumer to Business. The term e-tail is used in reference to the transactional process around online retail. E-Commerce is conducted using variety of applications such as email, fax, online catalogs and shipping carts, EDI, file transfer protocol and web services. It can be thought of more advanced form of mail order purchasing through a catalogue. E-Commerce is the moment of business on to the world wide web. The effects of E-Commerce is already appearing in all the areas business from customer service to new product design. It facilitates new types of information for reaching and interacting with customers like online advertising and marketing, online order taking up. Major Indian portal sites are now selling a diverse range of products and services from flowers, greeting cards and movie tickets to groceries, electronic gadgets and computers etc.

## II. REVIEW OF LITERATURE

Kumar N. (2019) in their study mentioned tremendous growth in E-Commerce is expected to rise 4 times by the year 2021 in comparison to 2015. Major contributors to this growth are going to be smart phones and internet users, rise in awareness among general public, better internet services, digitalization of most of the initiatives with the support of the government, entry of foreign investors and business players, advanced payment options available to customers. And the study concluded that the government needs to provide proper legal framework and minimize obstacles in growth, which improves their competitiveness globally.

Goel. S. Chanana, (2012) mentioned in their study that some of the industries like Travel and tourism, electronic, hardware products and apparel are going to boom in coming future with the help of E-Commerce. Some of the factors which will contribute to this growth are M-Commerce, replacement guarantees, different payment methods, logistics and shipment options, product quality standards, consumer care services. Thus, there a growing interest in the use of E-Commerce as a means to perform business transaction.

Shahjee R., (2016). Reported that E-Commerce has been given a platform to companies to display their products and to make it easy for consumers to quickly find out products of their interest, which was comparatively difficult by marketing traditionally. But on the contrary, E-Commerce is facing lot of difficulties related to infrastructural capabilities and computer and internet lack of knowledge among consumers, especially in rural areas.

Gunasekaran, Marri, McGaughey, & Nebhwani (2002) give a wide viewpoint of electronic business inside hierarchical framework in “E-Commerce and its impact on operations management” characterizing and expounding how it has pervaded each field of business. The paper distinguishes the progressive pretended by before web applications like email and electronic information exchange and subtitles the progressive changes got by the web advances fabricating, promoting, buying, plan, creation, selling and appropriation, warehousing and human asset the executives. Web based innovations have empowered organizations to abbreviate improvement, buy and acquirement cycles, keep up with up-to-date item and market data, fundamentally speed up correspondences and increment the nature of client connections by working with close contact and consistent correspondence. The paper concentrates inside and out, the meaning of online advances in various business tasks, in this way, working out their proficiency through compelling B2B online business. Pandey and Parmar, (2019) expected to examine the variables influencing shopper’s web-based shopping behavior. The concentrate on results recommend that consumers online shopping conduct is being impacted by a consumers’ online shopping conduct is being impacted by a few elements like segment factors, social variables, customer internet shopping experience, information on utilizing web and PC, web

architecture, virtual entertainment, situational factors, social variables, working with conditions, item qualities, deals limited time plot, installment choice, conveyance of products and after deals administrations assumes a significant part in internet shopping . Through “Problems and Prospects of E-Commerce”, Raghunath & Panga (2013) present an expansive examination of various nuances of online business while featuring that, in present time every business development, be it publicizing, mentioning portion etc, can be acted in the mechanized organic framework. The paper more over enlists different spotlights on the meaning of online business which are responsible for its improvement as the new show, It has engaged the creation and cheating of new business open enter ways, all the while extending say of clients in the progression of new things and the organizations Online business has not recently extended the show of internal business the leaders , yet, has more over engaged better client associations by propelling a strategy that is essentially established on information sharing.

The receptiveness of web accessibility and other electronic devices agent one more surprise. .

### III. SCOPE OF THE STUDY

Online shopping is a reality in India. The market place is flooded with several E-Commerce options for shoppers to choose from. There is enough scope for online businesses in the future if they understand the Indian customers psychology and cater to their needs. The present study is limited to provide information on growth of E-Commerce in India, opportunities and Challenges for E-Commerce in India.

### IV. OBJECTIVES OF THE STUDY

- To understand the basic concepts of E-Commerce
- To study the growth of E-Commerce in India
- To study the opportunities for E-
- To understand the various challenges of E-Commerce

### V. RESEARCH METHODOLOGY

The present study is descriptive in nature. The data is collected mainly from secondary sources such as journals, websites, books and magazines.

## VI. BASIC CONCEPTS OF E-COMMERCE

### E-Commerce

E-Commerce means Electronic Commerce. It means dealing in goods and services through the electronic media and internet. It involves carrying on a business with the help of internet and by using the Information Technology like Electronic Data Interchange. E-Commerce relates to a website of the vendor on the internet, who trades products and services directly to customers from the portal. The portal uses a digital shopping cart or digital shopping basket system and allows payment through credit card, debit card or Electronic Fund Transfer payments.

According to Thomas L. Massenbug “E-Commerce is usually associated with buying and selling over the internet, or conducting any transaction involving the transfer of ownership or rights to use goods or services through a computer –mediated network”

According to Anitha Rosen “E-Commerce refers to a wide range of online activities for products and services”

### E-Commerce Business Models:

E-Commerce business models can generally be categorized into the following types.

#### Business to Business, (B2B)

A type of commerce transaction that exists between businesses, such as those involving a manufacturer and a retailer is known as Business to Business. IBM, Hewlett Packard (HP), CISCO, Dell are the examples of B2B that brings two firms tighter on the virtual market

#### Business to Consumer, (B2C)

It is a model involving business and consumers over the internet. B2C means selling directly to the end consumers or selling to an individual rather than a company. Popular items sold using B2C model are airline tickets, books, computers, videotapes, toys, music, health and beauty products, jewellery etc.

#### Consumer to Consumer (C2C)

It is a model which involves electronically facilitated transactions between individuals, often through a third party. One common example is online auctions, such as Ebay, where an individual can list an item for sale and other individuals can bid to purchase it. Auction sites normally charge commission to the sellers using them. Consumer to Business (C2B)

In this model individual customers offer to sell products and services to companies who are prepared to purchase them. Online advertising sites like Google, AdSense, Commission Junction and Amazon are the best examples of C2B.

#### Business to Government (B2G)

This model is concerned with the need for business to sell goods or services to government or government agencies. Such activities include supplying the army, police force, hospitals and schools with products and services.

#### Government to Business (G2B)

In this model, the exchange of information, services and products between government agencies and business organizations.

#### Government to Consumer (G2C)

Government sites offering information, forms and facilities to conduct transactions for individuals, including paying bills and submitting official forms online such as tax returns.

## VII. FACILITATORS OF E-COMMERCE:

**Internet:** Internet and smart phones are becoming an integral part of everyone's life. Internet is no more a source of information, but it has become an important tool for shopping, learning, communicating and even getting services.

**Payment Gateways:** The important variable of online business is the payment routes, which comprises of credit cards, debit cards, online banking payments, Electronic Fund Transfer. The world is changing from cash to digital money.

**Analytics:** Analytics is the scientific process of converting data insight for making sensor decisions. Analytics help businesses to collect, organize, examine and report on all their customer actions. There are basic analytics available for E-Commerce players like average order value, basket size, analysis, conversion ratios etc.

**Social media:** Businesses are increasingly using social media; social media comprises of websites and computer programs that enable people to communicate and share information on

internet by using a computer or smart phones. Social media plays a greater role in brand building and informing various offers to the customers.

Autonomous vehicles: Autonomous vehicles are motor vehicles that use artificial intelligence, sensors and global positioning systems, manages to drive itself without the active interference of human operations. Buyers of Autonomous vehicles will have more time to search the web, view mails, buy new products and see advertisements all around.

VIII. GROWTH OF E-COMMERCE IN INDIA:

Increasing internet and mobile penetration, growing acceptability of online payments have provided the E-Commerce sector in India, the unique opportunity to companies connects with their customers. There would be over a five to seven fold increase in revenue generated through E-Commerce as compared to last year with all branded apparel , accessories, jewellery, gift, footwear are available at cheaper rates and delivered at the door step (as per industry body Assoc ham.).It is noted that the buying trends during 2016 will witness a significant upward movement due to aggressive online discounts, rising fuel price under and abundant choice will hit, the E-Commerce industry in 2016.

Shopping online through smart phones is proving to be a game changer and industry leaders believe that m-commerce could contribute up to 70% of the total revenue. In India roughly 60-65% of the total E-Commerce sales are being generated by mobile devices and tablets, increased by 50% than in the year 2015 and also likely to continue upwards.

In 2015, the highest growth rate was seen in the apparel segment almost 69.5% over last year following by electronic items by 62%, baby care products at 52% and home furnishing at 49%. It is revealed that Mumbai ranks first in online shopping followed by Delhi, Ahmedabad, Bangalore and kolkatta. On the mode of payment over credit cards (16%) and debit cards (21%). Only 10% opted for internet banking and 7% preferred cash cards, mobile wallets and other modes. 18-25 years of age group has been the fastest growing age group online with user growth being contributed by both male and female segments. The survey revealed that 38% of regular shoppers are in 18-25 age group, 52% in 26-35, 8% in 35-45 and 2% in the age group of 45-60.

The following table depicts the market size of E-Commerce and sales revenue of E-Commerce.

Market size of E-Commerce

Year	Value in billion U.S. Dollars
2020	30
2021	67
2022	84
2023	102
2024	123

Sales revenue of E-Commerce. For the year 2023

Particulars	Sales volume
Amazon	\$ 74.785
Flipkart	Rs.17,907 crores
e-Bay	\$ 10.112 billion
Alibaba group	413,206in million yaun
FSN E-Commerce	Rs.51,740million

IX. OPPORTUNITIES FOR E-COMMERCE

E-Commerce is presently an essential ingredient of Indi’s trade facilitation policy. Since 1991, after economic reforms explicitly took place in India, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India’s trade and fiscal policies. E-Commerce has changed and is still changing the way business is conducted around the world. E-Commerce provides a new place for connecting with consumers and conducting transactions.

Global trade: E-Commerce is one of the major factors in the globalization of business. Other factors include decrease in the trade barriers, globalization of capital markets.

Virtual business: Business firms have now the ability to become virtual E-business. Virtual business uses electronic media to transact the businesses opposed to the traditional means of face-to-face transaction

Lower search costs: The internet brings low search costs and high price lucidity. E-Commerce has proved to be highly cost-effective for business concerns as it cut down the cost of marketing, processing inventory management, customer care etc.

Round the clock: Customers can do transactions for the products or enquiry about any products or services provided by a company anytime, anywhere from any location.

Economy efficiency: Greater economic efficiency and more rapid exchange (high speed, accelerated or real

time interaction) are achieved with the help of electronic business.

#### X. CHALLENGES FOR E-COMMERCE

**Logistics issue:** Logistics is one of the foremost hindrances of E-Commerce in India. There is not much facility of delivering goods in remote and rural areas. Issues like lack of supply chain integration, high delivery charges of products, and delay in delivery also frustrate the consumers. This issue can be addressed by regionalization. To tackle this situation E-Commerce companies could start their own in-house logistic operations. For example, Amazon started its own logistic arm i.e. Amazon transportation services private limited.

**Trust issues:** Indian customers are still reluctant to purchase the products online. They are often reluctant to disclose their credit card and bank details online due to the fear of online fraud. To address this issue, the companies should open for all payment gateways like e-wallets, Cash on delivery, prepaid cards etc. Thus, trust is the issues that need to be addressed.

**Cash on delivery is preferred payment mode in India:** In India most people prefer to pay on COD basis and for E-Commerce companies manual cash collection is quite expensive, time consuming and laborious. According to statistics, the most popular digital payment methods in India in 2015 is Cash on Delivery, accounted for 57% of all digital shopping transaction. With the introduction of financial inclusion project of Government of India, more people shall have banking access, mobile wallet launched by digital companies like pay tm, mobikwik, apple pay, Google wallet is user friendly and secure.

**Indian customers return much of their products they buy online:** Indian E-Commerce has lot of first-time buyers who come to site to try the products and most of the time return them. Managing returns involve a lot of cost for sellers and E-Commerce market place.

**Tax structure:** Tax rate system in India is another major factor in the growth of E-Commerce in India as compared to developed countries like USA and UK. In those countries tax rate is uniform for all the sectors where as in India it varies from sector to sector. This creates accounting problem for Indian online businesses. Also, there is no Special Provisions for taxation E-commerce companies in India. GST when implemented in India is expected to impact the E-

Commerce positively through simple interstate goods, uniform tax structure, merchant compliance and easiest tax refund by eliminating the incident of double taxation etc.

**Privacy:** Privacy is the major issue that need to be addressed. Customers are much concerned about sharing their information because of the fear of cybercrime. There can be severe risk, like data transfer risk, financial fraud, reputation damage etc. Therefore, E-Commerce companies should set their risk appetite and set strategies accordingly. Companies must fully integrate cyber risk management in their IT discipline and it should be made at an enterprise level issue. Companies must prepare for cyber-attack by restructuring security data, penetration game etc.

#### XI. CONCLUSION

Growth of E-Commerce depends on effective IT security system for which necessary technological and legal provisions need to be put in place and strengthened constantly. With the explosion of internet connectivity through mobile devices like smart phone and tablets, millions of consumers are making decisions online and, in this way, enterprises can build the brand digitality and enhance productivity. The government policies must ensure the cost-effective methods or solutions. The challenge of establishing consumer trust in E-Commerce poses problems issues that need further research.

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