



E-COMMERCE AND ITS CHALLENGES IN INDIA

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ABSTRACT: Electronic commerce is more than just another way to sustain or enhance existing business practices. Rather, e-commerce is a exemplar shift. It is a "disruptive" innovation that changes the traditional way of doing business. It shows incredible business growth in our country. Increasing internet users have added to its growth. Ecommerce has helped online travel industry in many ways and added a new sales avenue through online retail industry in our country. Due to the attractiveness of e-commerce there is a wonderful increase exchange of goods and services both at regional and worldwide level. Today, e-commerce has developed into a gigantic industry. This paper is outcome of a review of various research studies carried out on E-commerce. The present study has been undertaken to analyze & examine the challenges & opportunities of e-commerce in India.

KEYWORDS: E-commerce, prospects, challenges

RESEARCH METHODOLOGY - The researcher has used only secondary data that has been collected from various articles, journals, books, websites etc.

INTRODUCTION - E-commerce is anything that involves an online deal. E-commerce makes available to consumers the goods at lower cost, wider choice and saves time. E-merchandise and E-finance are the two twigs of e-commerce. E-commerce involves conducting business using Internet. Online businesses like financial services, travel, entertainment, and groceries etc. are provided to the customers. Growth of e-commerce is affected by economic factors, political factors and cultural factors. The benefits of e-commerce include it's around-the clock availability, the speed of access, the wide convenience of goods and services



for the consumer, easy accessibility, and international reach. The cutting edge for business today is e-commerce. E-Commerce stands for electronic commerce. It means dealing in goods and services through the electronic media and internet. On the internet, it relates to a website of the vendor, who sells products or services directly to the customer from the portal using a digital shopping cart or digital shopping basket system and allows payment through credit card, debit card or EFT (Electronic fund transfer) payments. Ecommerce or E-business involves carrying on a business with the help of the internet and by using the information technology like Electronic Data Interchange (EDI). More simply put, E-Commerce is the movement of business onto the World Wide Web. E-Commerce has almost suddenly become the leading online activity. There is no single definition of E-Commerce, it means only commercial activity which is performed or linked to or supported by Electronic Communication. The special effects of e-commerce are already appearing in all areas of business, from customer service to new product design. It facilitates new types of

information based business processes for reaching and interacting with customers like online advertising and marketing, online order taking and online customer service. It can also reduce costs in managing orders and interacting with a wide range of suppliers and trading partners, areas that typically add significant overheads to the cost of products and services. For developing countries like India, E-Commerce offers considerable opportunity. In India it is still in budding stage, but even the gloomiest projections indicate a boom. There has been a rise in the number of companies' taking up e-commerce in the recent past. Major Indian portal sites have also shifted towards E-Commerce instead of depending on advertising revenue. Many 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. With stock exchanges coming online the time for true E-Commerce in India has finally at home. The buying and selling of products and services by businesses and consumers through an electronic medium, without using any paper documents. E-commerce is widely



considered the buying and selling of products over the internet, but any transaction that is completed solely through electronic measures can be considered E-Commerce. “E-Commerce is a concept covering any form of business transactions or information exchange executed using information and communication technology between companies and public administration. E-Commerce facilitates new types of information based business processes for reaching and interacting with customers. It can also reduce costs in managing orders and interacting with a wide range of suppliers and trading partners. For developing countries like India, E-Commerce offers considerable opportunities. Electronic commerce or 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. 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. Elizabeth Goldsmith and others (2000) reported that the general category of e-commerce can be broken down into two parts: 1. E-merchandise: selling goods and services electronically and moving items through distribution channels, for example through Internet shopping for groceries, tickets, music, clothes, hardware, travel, books, flowers or gifts. 2. E-finance: banking, debit cards, smart cards, banking machines, telephone and Internet banking, insurance, financial services and mortgages online.

REVIEW OF LITERATURE:

Centeno (2004) argues that speed, the convenience of remote access, 7/24 availability and price incentives are the main motivation factors for the consumers to use internet banking.

Durkin, et. al. (2008) notes that the simplicity of the products offered via internet banking facilitates the adoption of internet banking by consumers.

Calisir and Gumussoy(2008) compare the consumer perception of internet banking and

other banking channels and report that internet banking, ATM and phone banking substitute each other.

Farooq Ahmed (2001) reported that the enormous flexibility of the internet has made possible what is popularly called e-commerce which has made inroads in the traditional methods of business management. All the facets the business tradition, which we are accustomed to in physical environment, can be now executed. In the emerging global economy, e-commerce and e-business have increasingly become a necessary component of business strategy and a strong catalyst for economic development.

Anukrati Sharma (2013) The article entitled “A study on E-commerce and Online Shopping: Issues and Influences”. In this article an attempt is made 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.

Guerrero, et.al. (2007) examine the usage of internet banking by Europeans and their results indicate that ownership of diverse financial products and services, attitude towards finances and trust in the internet as a banking channel influence clients, usage of internet banking.

Abhijit Mitra (2013) the article entitled “E-Commerce in India-A review”. In this article an attempt is made 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 found that, major Indian portal sites have also shifted towards E-Commerce instead of depending on advertising revenue.

Nisha Chanana and Sangeeta Goele (2012) the article entitled “Future of E-commerce in India”. In this article an attempt is made to study the overview of the future of E-

commerce in India and discusses the future growth segments in India's of E-commerce. The study found that, various factors that were essential for future growth of Indian E-commerce. The study also found that, the overall E-commerce will increase exponentially in coming years in the emerging market of India.

Sarbapriya Ray (2011) the article entitled "Emerging Trends of E-commerce in India: Some Crucial Issues Prospects and Challenges". In this article an attempt is made to present 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 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.

Andrew D. Mitchell (2001) examined the key issues that electronic commerce poses

for Global trade, using as a starting point the General Agreement on Trade in Services (GATS), the World Trade organization (WTO) agreement most relevant to e-commerce.

Nir B.kshetri(2001) This paper attempts to identified and synthesized the available evidence on predictors of magnitude, global distribution and forms of e-commerce. The analysis indicated that the twin forces of globalization and major revolutions in ICT are fuelling the rapid growth of global e-commerce.

Jackie Gilbert Bette Ann Stead (2001) reviewed the incredible growth of electronic commerce (e-commerce) and presented ethical issues that have emerged. Security concerns, spamming, Web sites that do not carry an "advertising" label, cybersquatters, online marketing to children, conflicts of interest, manufacturers competing with intermediaries online, and "dinosaurs" were discussed.

Mauricio S. Featherman, Joseph S. Valacich & John D. Wells (2006) examined whether consumer perceptions of artificiality increase perceptions of eservice risk, which

has been shown to hamper consumer acceptance in a variety of online settings.

Young Jun Choi¹, Chung Suk Suh(2005) examined the impact of the death of geographical distance brought about by e-marketplaces on market equilibrium and social welfare.

Prithviraj Dasgupta and Kasturi Sengupta(2002) examined the future and prospects of ecommerce in Indian Insurance Industry.

Arvind panagariya,(2000) examined Economic issues raised by e-commerce for the WTO and developing countries. E-commerce offers unprecedented opportunities to both developing and developed countries.

CHALLENGES OR BARRIERS OF E-COMMERCE

Poor Knowledge and Awareness: When it comes to ratio of internet consumers, scenario is not so admirable one. Majority of Indian rural population are unaware of internet and it uses. Surprisingly, most of internet savvies or urban population is also suffering from poor knowledge on online

business and its functionalities. Very few are aware of the online corruption and fraud and thus darkness still exists. A reliable survey reveals that 50% of Indian online users are unaware of the solution of online security.

Online Transaction: Most of Indian customers do not possess plastic money, credit card, debit card and net banking system, which is one of the prime reasons to curtail the growth of ecommerce. Nevertheless, in recent years, some of the nationalized banks have started to issue debit cards to all its account holders. This is undoubtedly a positive sign for Indian online entrepreneurs.

Cash on Delivery: Cash on Delivery (COD) has evolved out of less penetration of credit card in India. Most of Indian E-commerce companies are offering COD as one of mode of payment for the buyers. 30%-50% of buyers are also taking advantage of this mode of payment while making purchase of any product and service over internet.

Online Security: In case of start up and small business, Business owners are ignoring the importance of authentic

software due to budget constraints. They are even failing to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which indeed a crucial step for successful online business players.

Logistics and Shipment Services: In India, logistics and courier services required lots of improvement. While, perfect and strong logistics service is one of the key reasons behind the success of any online company, India is lagging far behind in this sector as most of the town and small villages are still not covered under serviceable area of many of the courier and logistic companies. Ecommerce is hampered in a big way owing to the limited services offered by the courier service companies.

Tax Structure: Tax rate system of Indian market is another factor for lesser growth rate of e-commerce in India in comparison to other developed countries like USA and UK.

Fear factor: Fear of making online payment is a universal psychological factor of Indian customers. With the spread of

knowledge on online transactions and its reliability, some percentages of customers have overlooked this fear and they are fearlessly engaging themselves in online shopping. But still, majority of customers are not aware of online transactions and its security. They often reluctant to disclose their credit card and bank details and preferred to stay away from online world of shopping.

‘Touch and Feel’ factors: Indian customers are more comfortable in buying products physically. They tend to choose the product by touching the product directly. Thereby, Indian buyers are more inclined to do ticketing and booking online in Travel sectors, books and electronics. Companies dealing with products like apparel, handicrafts, jewellery have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

E-Commerce including security problems, lack of skills, cost etc. People do not yet sufficiently trust paperless, faceless transactions. For the growth of E-business in

India it needs a focus and should to make country in the lines of E-business.

In India, **Cash on delivery** is the preferred; most of the people prefer to pay cash on delivery due to the low credit card dispersal and low trust in online transactions. Not like electronic payments, manual cash collection is quite perilous, expensive and laborious

Infrastructural Problems: Internet is the spine of E-Commerce. Internet penetration in India is still very low (34.8%) compared to other countries. The quality of connectivity is poor in several regions. But both these are real threats for the growth e-commerce market in India

Incorrect postal address: When the customer places an online order, he will get a call from the company, asking about his exact location. The given address is not enough because there is always a little standardization while writing post addresses. It is also one of the biggest challenges that faced by e-commerce in India.

Absence of Cyber Laws: Other big confront connected with e-commerce is the near absence of cyber laws to regulate

transactions on the Net. WTO is expected to enact cyber laws soon. The India's Information Technology (IT) Bill passed by the Indian Parliament on May 17, 2000 intends to tackle legislatively the growing areas in e-commerce. As it stand today, the Bill deals with only commercial and criminal areas of law. However, it does not take care of issues such as individual property rights, content regulation to privacy and data protection specific legislation.

Privacy and Security Concern: In case of start up and small business, Business owners fail to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which indeed a crucial step for successful online business players. Usage of unauthorized software will not protect the customer.

Shipping Challenges: Issues related to lack of supply chain integration, high delivery charges for products, delay in delivery and lack of proper courier services in some areas also make customers frustrated.

Product Return, Refund etc.: Product which is not satisfactory for the customers



tends to get replaced or returned. This is another major issue which leads into overall loss in revenue, loss of shipment costs and more than all these loss of your reputation

Customer Service: E- Marketers focuses on the website performance ignoring customer relationship and in-personal assistance.

CONCLUSION-The future of E-Commerce is difficult to foresee. There are various factors accountable for the growth of e-commerce. There are some of serious challenges to be faced by the e-commerce industry. In common, today's businesses must always strive to create the best thing that consumers will want because consumers continue to desire their products, services etc. to continuously be better, faster, and cheaper. In this world of new technology, businesses need to accommodate to the new types of consumer needs and trends because it will prove to be vital to their business' success and survival. E-commerce is endlessly progressing and is becoming more and more significant to businesses as technology continues to move forward and is something that should be taken benefit of and implemented. However, just like

anything else, E-Commerce has its disadvantages including consumer uncertainties, but nothing that cannot be resolved or avoided by good decision-making and business practices. If the correct methods and practices are followed, a business will prosper in an E-Commerce setting with much success and profitability.

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