

# Rise and fall of e-Commerce and its future prospects in India: A conceptual study

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## ABSTRACT

Electronic commerce popularly known as e-commerce is the most happening platform for retail sales in India. The argument on the global governance, ownership and management of data is today confronted by new realities. The IT services in India who promised to bring the world together and solve most of its problems through innovations have been found searching for new projects in developed economies. Not only have digital platforms serially misused the data that their consumers hand over in trust, they have also done little to generate local value that can create jobs, contextual content and/or spur secondary and tertiary innovation. The paper evaluates various factors which helped e-commerce to develop and also studies the factors responsible for poor performance of some companies.

**KEYWORDS:** e-commerce, e-retailing, online shopping, online business.

## I. INTRODUCTION:

E-commerce refers to selling and buying of goods and services over digital and electronic network. India is emerging as a global power amidst these realities. It certainly does not aspire to re-orient the quay of the liberal international order; having benefited from an extended period of peace for its own development. Nevertheless, there is a growing consensus in India that even as the United States and China force open markets abroad, they are neither interested in creating value *for* those markets nor nurturing sustainable economic development in these destinations. Around the world, nation states are reassessing frameworks of law, regulation and industry practices that have governed the digital economy. India's retail market is estimated approximately around \$600 billion. E-commerce comprises only of 5% of the total. United States of America's e-commerce share is 15% of total retail.

India's objective with regards to its digital economy is three-fold:

**First**, India needs to create regulatory stability (a precondition for investment that scores over other determinants) and a level playing field for all market actors. Ambivalent regulations that merely preserve of the value generated by foreign technology companies will not help Indian consumers in any way. If India's regulatory policy for digital technologies appears in instability, it is because the exact determinants of value creation are uncertain. Regulators around the world are currently attempting to quantify the digital economy and map out the disaggregated set of economic activities that comprise it. However, any sensible policy is likely to have a bias that offsets the current uneven playing field developed and controlled by a handful of transnational corporations.

**Second**, India needs to create opportunities for local enterprise and value chains. For an economy that is aspiring towards a \$5 trillion GDP, this is a natural compulsion both for electoral reasons and for strategic reason. This does not necessarily imply relying on China's market. India does not seek to expel foreign firms from its markets in order to create domestic champions. Rather, it is attempting to create local value through digital supply chains that have high scale and increasing presence. India must respond to the demands of jobs, social mobility and domestic enterprise. It has a once in a century opportunity to use the "data economy" to transform from a mere collective of billion consumers to a large economy.

**Thirdly**, India has to create a globally competitive digital market. This is the biggest challenge in present time. A handful of technology companies are dominate existing and new markets through sheer information asymmetry. Even domestic competitors in the US and European Union are questioning the relevance of competition jurisprudence and theory. It is only to be expected that India should develop its own policy propositions for the same.

## E-Commerce in India:

India has the world's largest population in the 18 to 35 age group at over 440 million. An estimated half of this population is already in the workforce. As income levels rise, so will purchasing power, which in turn will implicate their choices ranging from clothes to shoes to books to gadgets to news to entertainment to food and beverages. People have affordable access to internet and smart phones. This will facilitate both access to information (for instance, comparing prices and features) as well as greater agency (buying what meets your need at the best price). This is the 'millennial opportunity' that India is betting on and e-retail does not want to miss. It is unsurprising then that this sector has proven so controversial—and has become a flashpoint for debate about digital rules, policies and globalization around the world. India is not immune to these either and is witnessing a heated debate on some of its recent policy maneuvers.

Just over two years ago, it seemed like India was willing to fully integrate its emerging e-commerce market with the rapidly expanding global digital commerce, allowing 100% FDI via the automatic route. Big ticket investments by e-commerce giants like Wal-Mart and Amazon were then seen as an endorsement of India's continuing push towards globalization. The assumption was that a \$3 trillion economy aspiring to become a \$5 trillion economy by its next elections cycle of 2024 must comply with the financial and commercial logic of globalization. India, as all other capitalist democracies, would welcome the innovations and efficiencies of global MNCs, even though it ran the risk of their displacing or buying-out local groups.

The electronic commerce retail market in India has seen a major change and has witnessed remarkable growth in the last 10 years. The Overall Retail market is set to cross the \$ 1.7 trillion mark by 2020 from \$795 billion in 2017. India's e-commerce market is also set to grow at a CAGR of 30% for gross merchandise value to be worth \$ 200 billion by 2026.

India ranks among the best countries to invest in online Retail sector. Factors that make India so attractive include the second largest population in the world, a middle class of 600 million people, increasing urbanization, rising household incomes, connected rural consumers and increasing consumer spending. India has been ranked second in Global Retail Development Index (GRDI) in 2019. Retail is India's largest industry, currently accounting for over 10% of the country's GDP and 8% of total employment.

According to different reports and surveys, the compound annual growth rates in the mature E-commerce markets of Japan, South Korea and Australia will run 11% to 12% over the next few years. In the rapidly growing markets of e-commerce in China and India, these growth rates will be 25% and 57% respectively. These surveys also highlight the rapid growth of E-commerce markets in China where, the compound annual growth rates of over 20% will take the market to over \$ 350 billion. A report by the Internet and Mobile Association of India (IMAI) has revealed that India's E-commerce market expected to grow by 37% to reach U.S. Dollar 20 billion by 2015. Though the total spending on e-commerce has increased the overall percentage is very low.

## II. REVIEW OF LITERATURE

- Bingi, P., Mir, A., & Khamalah, J. (2000) in their research "The challenges facing global e-commerce. *Information Systems Management*" found that the power of Web enablement is that geographical boundaries disappear for an enterprise. So E-commerce initiative easily becomes a global E-commerce initiative. The authors were of the view that web-enabled enterprises must consider an array of international economic, technological, social, and legal issues.
- Malhotra, B. (2014). In the research 'E-Business: Issues & Challenges in Indian Perspective' found that the penetration of e-business is low compared to markets like the US and the UK but is growing at a much faster rate with a large number of new entrants. The author says that India is yet to witness a breakthrough in E-commerce particularly in online retail. E-commerce creates new opportunities for business; it also creates new opportunities for education and academics line. There are key challenges that are being faced by consumers relating to e-commerce viz., Ethical issues, Perceptions of risk in e-service encounters, challenges for e-business education and legal system.
- Earl, M., & Khan, B. (2001) in the research 'E-commerce is changing the face of IT' concluded that the managers must adapt the company to the changing technologies and must think globally.
- Singh, M. (2002) in the research 'E-services and their role in B2C e-commerce' suggested that as customers embrace e-commerce their expectations about service, support, and how they make purchases are changing. Services to customers offered electronically to enhance their online shopping experience include search support, e-response to customer queries, orders and transactions, e-payment, e-transaction record management, e-assurance and trust, e-help and other online support in the B2C e-space. The author further discusses the role of e-services in B2C e-commerce and how they can be applied to enhance the online customer shopping experience.
- Hasan, M., & Huda, M. N. (2013) in their research 'E-commerce challenges, solutions and effectiveness perspective' found that the e-commerce is not only about online trading but also it is helpful in generating employment. In country like Bangladesh e-commerce has now started to give results despite of the challenges.
- Ray, S. (2011) in the research 'Emerging trend of e-commerce in India: Some crucial issues, prospects and challenges' discuss 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.
- Khan, A. G. (2016). In their research 'Electronic commerce: A study on benefits and challenges in an emerging economy' suggest that issues related to e-commerce are major issues and they need to find solution. The security and privacy are the factors which the government should try to bring under legal purview.

## III. OBJECTIVE OF STUDY

- To review e-commerce challenges in India
- To suggest ways to improve e-commerce

#### IV. RESEARCH METHODOLOGY

The research is based on secondary data published in various research papers, articles and service providers.

#### V. CHALLENGES OF E-COMMERCE IN INDIA

Retail is one of the most regulated and politically sensitive sectors in India. Most of the retail trade is prohibited for foreigners and foreign capital. In this locale online retail has been a key area where India has seen immense foreign investment from likes of Walmart, Amazon, Alibaba not to name the funds investing in Indian ecommerce space even when profit was nowhere on the sphere. The Department of Industrial Policy and Promotion (DIPP) under the Ministry of Commerce, Government of India, on December 26, 2018, introduced certain changes termed as clarifications to the 2017 policy governing foreign direct investment in ecommerce sector. The policy changes have latent to change the dynamics of Indian ecommerce space presently dominated by American giants namely Walmart and Amazon who between them control more than 75% of the online retail market

Following are some of the basic challenges faced by companies:

##### 1. Indian customers are mostly traditional buyers:

E-commerce came much later in India as compared to the other countries. Indian buyers are mostly traditional buyers. They like to checkout the products in the market and then make a purchase by making a bargain. If we look at the demographic characters also India has low literacy rate and a number of people in rural areas are not averse to online purchasing.

##### 2. Low penetration of Internet:

According to a survey of 2018 even though the number of users of internet has increased, but India is way behind in internet usage. The main reasons are exponentially high internet cost in mobile and broadband. Internet usage is increasing day by day but due to high cost and absence of public platforms for free internet the percentage is extremely low.

##### 3. Low purchasing power:

Rising prices of essential commodities and purchasing power parity is one of the major reasons that people have very less money for impulsive purchase. India's current annual per-capita income in exchange rate terms is a shade under \$2,000, and around \$7,200 in PPP terms. Considering both calculations, India has ranked between 140 and 155 globally. In exchange rate terms, the world's sixth-largest economy has to cross a vast distance before its per capita income hits \$4,500-plus, and an almost unfathomable distance before the average yearly income of its citizens goes past the \$12,500 mark.

##### 4. High Shipping costs

E-commerce providers are charging a very heavy shipping charge to the consumers. The companies are not just charging on single purchase, they are charging customers for each product they purchase in a single transaction also. So the total bill shoots up even after the offers and promotional offers.

##### 5. Average quality products:

The products which are being offered online are mostly non-branded. Even if they are branded they are either products which are left over stock or faulty products. Customers do not find fresh products when they come for online purchase.

##### 6. Inadequate plastic money:

Most of the buyers do not have plastic money for purchases. This is one of the crucial factors which does not allow the customers to make a purchase beyond a limit. The customers who have the plastic money have the option of installments or 'buy now pay later', but a common middle class user cannot go for those options.

##### 7. Old school way of approach to selling:

The reason many e-commerce companies find online selling so thorny is that they are, satirically, stuck in the past. Most of these companies lack the necessary insight into customer behavior and buying patterns, data which can help them thrive in the current e-commerce environment.

### 8. Low customer loyalty:

The e-commerce companies have not done much to gain the confidence of the customers. Customer loyalty has been missing for these companies. Till today the customer feels that there is no surety about the transaction he/she is going to make online.

### 9. Security issues:

In the past few years a number of cases in misuse of data and information and online frauds have come up. The issues are major issues and the companies instead of solving the issues are more inclined towards collecting data via mobile apps, cookies and third parties.

### 10. Returns and refunds:

Return and refunds are available to customers but there are a lot of terms and conditions applicable. A customer does not exercise the refund sometime and does not come afterwards for making a second purchase.

## VI. FUTURE PROSPECTS & SUGGESTIONS:

- Government must focus on FDI in online sector by single brand. This can be done by laying down guideline which is in congruence with the Indian market.
- Purchasing Patterns of Online Customers also helps to help target advertising. Companies must try to analyze the buying pattern and provide the customers with related or other quality products rather than usual product.
- Many e-commerce organizations may find that an e-commerce initiative is too capital intensive, both in terms of start-up costs to create the e-commerce platform and administrative support, and in terms of resources taken away from other development projects and activities. It is therefore important, for business to look for means of support for this type of initiative. Furthermore, it is important for agencies to provide funding and corresponding projects that encourage and support e-commerce by development organizations. This will encourage both the wider propagation of information and products concerning development issues, and alternative methods of generating revenue to counterbalance operational costs, therefore decreasing dependency on benefactor funding.
- Companies must try to develop customer loyalty. Too much focus on sales will only decrease the interest of customers for repeating purchase.
- Shipping charges should be revised with some offers. Excessive charges lead to abandoned carts and losses to companies.
- Instead of selling the traditional way, the companies must try to provide a quality product at a fair price. Big retailers have this advantage but they also price the product at par with the local market, which makes the customer feel that there is nothing new about a meager discount or a 10% offer.
- Refund and returns will automatically minimize if the company provides quality products which do not differ from the shown picture.
- Loyalty programs for customers will allow them to join the company offers for longer durations and help generate more sales.

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