

A STUDY OF E-COMMERCE IN INDIA – PROBLEMS AND PROSPECTS

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ABSTRACT

Over the last few decades, the popularity of e-commerce has tremendously increased as it facilitates a quick and convenient way of exchanging goods and services across the globe. India will be a booming ground for e-commerce business models; the country already reported USD 795 billion growth in e-commerce retail business in the year in 2017-2018. The present study is a conceptual survey of exploratory cum descriptive nature. It attempts to explain the concept of e-commerce; business models for e-commerce; differences between traditional commerce and electronic commerce; merits and limitations of e-commerce; various trends in e-commerce and challenges facing e-commerce. It concludes that e-commerce offers several benefits to the various stakeholders. Hence we should equip ourselves to give warm welcome to e-commerce which is an obvious outcome of globalization and technological revolution around the globe.

Key words: e-tailing, intranet, extranet, online, brick-and-mortar.

INTRODUCTION

In its simplest form, e-commerce is the buying and selling of goods and services through the online medium. Internet sales are increasing rapidly as consumers take advantage of the lower prices offered by wholesalers retailing their products. This trend is set to strengthen as websites address consumer security and privacy concerns. Since the last decade, the popularity of e-commerce has tremendously increased due to quickness and convenience of exchanging goods and services, both regionally and globally. Now-a-days, it has become the virtual main street of the world. The total value of E-commerce activities within India has exceeded Rs. 2,11,005 crore during 2016-17, according to a research conducted by Internet & Online Association of India (IOAI). India will be a booming ground for e-commerce business models; the country already reported USD 795 billion growth in e-commerce retail business in the year in 2017-2018.

OBJECTIVES OF THE STUDY

The paper has following objectives:

- To explain the concept of E-Commerce.
- To study the merits and limitations of e-commerce.
- To study the various trends in e-commerce.
- To study the challenges facing the recent trends of e-commerce.

METHODOLOGY

The present study is a conceptual survey that is exploratory cum descriptive in nature. It is based on the analysis of secondary data. The secondary data is availed from various journals, the internet, and books.

MEANING OF E-COMMERCE

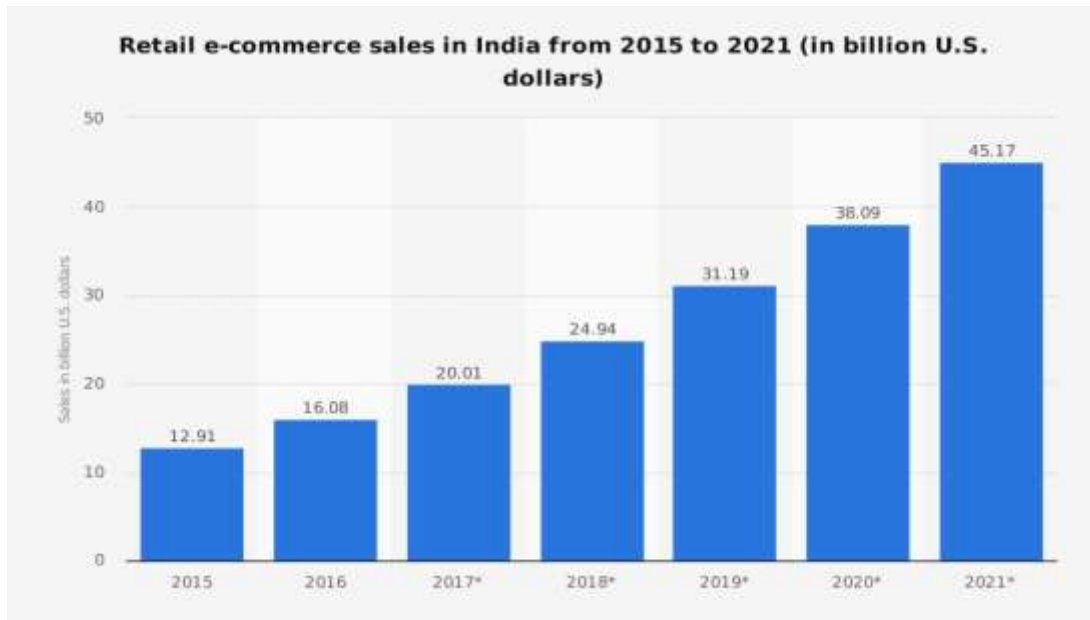
Some of the definitions of e-commerce are as under:

“The e-commerce concept relates to business or financial transactions that facilitate electronic payments of items purchased from online stores and service vendors.” – Techopedia.

According to Roger Clarke, electronic commerce is defined as the conduct of commerce in goods and services, with the assistance of telecommunication and telecommunication based tools.

In simple words, E-commerce just means taking things that a company is already doing in person, through the mail, or over the telephone, and doing those things in a new way on the Internet. It also refers to all forms of business activities conducted across the Internet. This can be e-tailing, B2B, intranets and extranets, online advertising, and simply online presence of any form that is used for some type of communication (e.g. customer service) Currently, more than 30.20% of the world has got an access to the internet, and hence e-commerce. Reduced internet surfing charges, advanced internet technology development covering expanded bandwidth, and increased speeds and reliability have made e-commerce available to a large pool of emerging market consumers.

**Figure1: Estimated E-Commerce retail sales in India
TRENDS OF E-COMMERCE IN INDIA**



Source: Statista (Digital Market Outlook) DMO, 2016

India is one of the fastest growing e-commerce markets worldwide, with millions of new internet users taking advantage of cheap mobile connections to send mobile messages, watch online videos, use mobile services, and of course, to shop. As of 2016, only 26 percent of the local population was using the internet; almost ten times the audience size from a decade prior. According to recent market research, mobile phone internet user penetration in India is projected to reach 37.36 percent of the population in 2021, representing a huge potential in terms of digital and mobile buyer audience. Total internet audiences in India are estimated to surpass 635 million in 2021.

As of 2015, the majority of online users in India were male, and the same held true for online shoppers. In India, men accounted for almost two thirds of online shopping audiences. Despite this imbalance in online presence and digital spending, female online shoppers are estimated to account for 42 percent of all Indian e-retail spending in 2020, up from only 20 percent of total retail e-commerce expenditure in 2015. Average annual e-commerce sales per digital buyer in India were 247 U.S. dollars in 2014 and are projected to reach 424 U.S. dollars in 2020.

Table 1: Top 10 E-Commerce companies in India

Rank	Companies	Headquarters	Founder
1	Flipkart	India	Sachin & Binny Bansal
2	Amazon	U.S.A	Jeff Bezos
3	Snapdeal	India	Kunal Bahl & Rohit Bansal
4	Paytm	India	Vijay Shekhar Sharma
5	Myntra	India	Mukesh Bansal
6	E-Bay	U.S.A	Pierre Omidyar
7	Shopclues	India	Radhika & Sandeep Agarwal
8	Makemytrip	India	Deep Kalra
9	Quikr	India	Pranay Chulet & Jiby Thomas
10	Goibibo	India	Ashish Kashyap

Source: Business India, 2016

India is one of the best places to launch an online shopping website. A huge number of people are now adopting this model of buying products online and few E-Commerce giants are cashing on this huge market in some style. The aforementioned 10 E-Commerce giants are biggest and most valuable online shopping marketplaces in India based on their market capitalization as of March 2016.

ADVANTAGES OF E-COMMERCE

1. Lower Cost

Doing e-business is cost effective; it reduces logistical problems and puts a small business on par with giants such as Amazon.com or General Motors. In a commercial bank, for example, a basic over-the-counter transaction costs Re. 0.50 to process; over the Internet, the same transaction costs about Re. 0.01. Every financial transaction eventually turns into an electronic process. The sooner it makes the conversion, the more cost-effective the transaction becomes.

2. *Economy*

Unlike the brick-and-mortar environment, in e-commerce there is no physical store space, insurance, or infrastructure investment. All you need is an idea, a unique product, and a well – designed web storefront to reach your customers, plus a partner to do fulfillment. This makes e-commerce a lot more economical.

3. *Higher Margins*

E-commerce means higher margins. For example, one travel agency may quote cost of processing an airline ticket as Rs. 5, while another agency, processing the same ticket may quote Re. 1. Along with higher margins, businesses can gain more control and flexibility and are able to save time when manual transactions are done electronically.

Better Customer Service

E-commerce means better and quicker customer service. Online customer service makes customers happier. Instead of calling a company on the phone, the web merchant gives customers direct access to their personal account online. This saves time and money. For companies that do business with other companies, adding customer service online is a competitive advantage.

4. *Quick Comparison Shopping*

E-commerce helps consumers to do comparison shopping. Automated online shopping assistants called hop bots scour online stores and find best deals on everything from apples to printer ribbons.

CHALLENGES FACING E-COMMERCE

- *Costly Consumer Search*

Search for complete database on a web incurs some amount of cost to consumer. Time required for search is more and it is costly too. Many sellers do not provide all necessary or required information.

- *More Computer Illiteracy*

In India only 60 million (or 5.2%) of total 1.20 billion population currently have access to the internet. Corresponding proportion in China is 29%.

- *Legal Hassles*

While marketing on the web, some legal hassles arise such as validity of an electronic signature, non-reputability of some shops on the web, legal aspect of electronic contract, copyright violations etc.

Mindset of Consumers

Majority of customers do not know how to use internet so they prefer traditional approach of buying and selling.

- ***Privacy and Security Problems***

60% of the users do not trust the web as a payment channel. Web transaction takes place with credit card, but credit card itself is not safe. Anyone who transfers the data of the credit card on the web is not sure about the salesman identity. Buyer is also not sure that his credit card is not misused for some malicious purpose.

PRECAUTIONS WHILE USING E-COMMERCE

Here are a few tips to keep oneself, one's computer and one's bank account protected while one shops online:

- Do not give one's personal information
- Arm one's computer using security programs
- Read the fine print contents
- Do not respond to unsolicited e-mails
- Ensure one's connection is secure
- Research unknown retailers

CONCLUSION

E-commerce is an emerging trend in Indian economy in the post economic reforms era. The revolution in the IT sector in the recent past has been instrumental in a greater development of e-commerce. E-commerce offers many benefits to the various stakeholders. These benefits are cost-effectiveness, quick comparison shopping, better customer service, higher business margins resulting from economy in business operations, information saving and knowledge market development etc. At present there are several stumbling blocks in the development of e-commerce such as computer initial investment, technological issues, computer illiteracy, legal hassles, adverse mindset of consumers, privacy and security issues. However, these barriers to e-commerce are bound to be taken care of in due course and hence e-commerce has bright prospects in India. We need to update ourselves to welcome e-commerce and reap its benefits.

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