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**E-COMMERCE IN INDIA – GROWTH & CHALLENGES: A THEORETICAL PERSPECTIVE**

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**MAHARISHI MARKANDESHWAR UNIVERSITY**  
**MULLANA**

**ABSTRACT**

*E-Commerce has unleashed yet another revolution, which is changing the way businesses buy and sell products and services. The term Electronic commerce or e-commerce consists of all business activities carried on with the use of electronic media, that is, computer network. E-business all over the world has become a popular medium for buyer-seller transaction as a means that complements and supplements the experiences of a physical store. India is showing tremendous growth in the Ecommerce. The low cost of the PC and the growing use of the Internet is one of reasons for that. Undoubtedly, with the middle class of 288 million people, online shopping shows unlimited potential in India. The future does look very bright for ecommerce in India where you can buy a car to cake online or find a suitable match for marriage. By the year 2015 the size of online market in India is expected to touch 7000cr, at an annual growth rate of 35%.*

**KEYWORDS**

e-Commerce, online business in India, online shopping.

**1. INTRODUCTION**

With rapid economic growth and increase in prosperity, Indian consumer markets have seen unprecedented expansion in interest and activity in the last 15-20 years. Better social attainment in terms of education coupled with advent of internet, telecommunication and media has further intensified this growth, closing many gaps between urban and up-country tastes and preferences as well as consumption patterns. In this scenario, consumer e-commerce is becoming increasingly relevant as an efficient alternative distribution channel to reach out to the consumers, across geographies as well as products and services categories.

In the present dynamic scenario, e-commerce market in the B2C space is growing in demand as well as in the array of services. The internet user base in India might still be a mere 100 million which is much less when compared to its penetration in the US or UK but it's surely expanding at an alarming rate.

Indian middle class of 288 million people is equal to the entire U.S. consumer base. This makes India a real attractive market for e-commerce. To make a successful e-commerce transaction both the payment and delivery services must be made efficient. 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.

According to latest ASSOCHAM Report 1 out of every 10 Indians are online, making it a 10% online user penetration in India.

**2. DIFFERENT TYPES OF E-COMMERCE**

Business to Business (**B2B**), where businesses or organizations (including government) transact among each other to create value. What distinguishes this form from the others is the potential of using private or limited networks, and customized infrastructure to carry out the transactions e.g. customer to supplier and intra government networks.

Business to Consumer (**B2C**), where businesses or organizations (including government) transact with consumers or public at large to market their products and services and satisfy consumer demand.

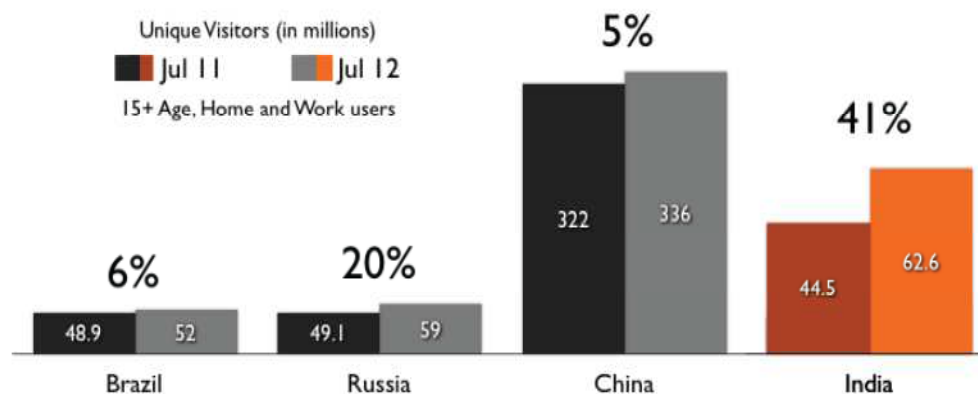
Consumer to Consumer (**C2C**) and Consumer to Business (**C2B**), where individuals or groups of individuals transact among each other or with businesses using either public platforms (selling their produce) or private networks (Reverse auctions).

**3. E-COMMERCE IN INDIA**

An increasing number of global companies are eyeing the rapidly growing eCommerce market in India as improvements in infrastructure are made and India's economy grows.

E-commerce can be defined as modern business methodology that addresses the needs of the organization, merchants and consumers to cut costs while improving the quality of goods and services and speed of service delivery. E-commerce is associated with the buying and selling of information, products, and services via computer networks. A key element of e-commerce is information processing. According to Forrester Research Online Retail Forecast, 2011 To 2016 (Asia Pacific) the total retail revenues was \$1.6 Billion in 2012 in India. According to ASSOCHAM Sept 2012 report among the BRIC Nations, India has been the fastest growing market adding over 18 million internet users and growing at an annual rate of 41%. India is also among the top 3 fastest growing markets worldwide in the last 12 months.

FIG. 1



Source-State of Ecommerce in India - Sept 2012

According to the ASSOCHAM Report the online travel transactions are leap forward when it is compared with the retail transactions. The total percentage reach of 44% in travel transactions in India is much more than the worldwide average of 39%. But in retail transactions the Indian reach of 59.9% is much lower when it comes into the comparison with the worldwide average of 72.3%.

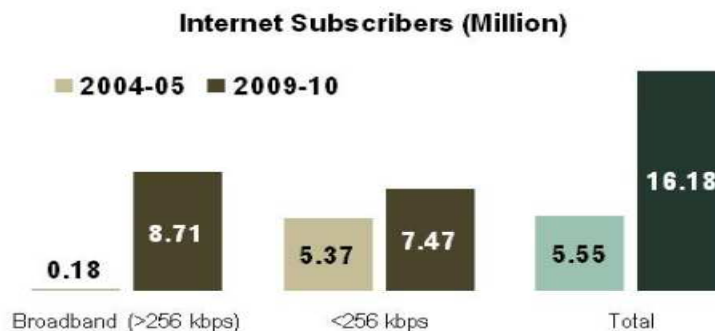
**4. FUTURE OF E-COMMERCE IN INDIA**

Indian e-commerce market is growing rapidly, and was estimated to be worth Rs.46, 520 crore or USD 10 billion in 2011 .The current e-commerce user base is estimated at around 10 million people. Assuming two users per household, the current overall potential for e- commerce in India is 292 million people. Considering this as the base, the current adoption of e-commerce is only 3.5 per cent. In a business as usual case, the adoption is expected to increase to 15 percent of overall potential by 2024-25.

Besides the significant acceleration in growth since 2000-01, what is perhaps more important is the nature of this growth. The recent growth experience has been more broad based. Although the change is immediately visible in urban metropolises and large towns, the growth has not been restricted to urban parts of India. Rural parts of the country, which accounts for 70 percent of India’s population, have also been an important part of this growth and have contributed significantly to the performance of the economy.

The sustained growth in economy has brought about significant increase in incomes and level of well being. According to IAMAI May 2011 report Per capita income has more than doubled from Rs.16,700 in 2000-01 to Rs.44,300 in 2009-10.Household ownership of PC near about doubled from 1% in 2005 to 2.2% in 2010 and internet accessibility from home also doubled from .4% in 2005 to 1.1% in 2010. There has been a significant increase in internet subscribers. More important, most of the growth after 2004-05 has come from the broadband segment, where the current uptake is over 200,000 Connections per month.

FIG. 2



Source:-IAMAI May 2011 report

According to ASSOCHAM and Forester, August 2012 Report, Trends in India’s ecommerce market, online retail revenues are going to be \$8.8 Billion by 2016.Given the strong penetration of mobile phones in India, mobile based digital payments, which is currently the most preferred mode of payment among only one percent of the online shoppers, has huge potential in this regard. Certain unique attributes of the E-commerce industry in India such as cash on delivery mode of payment and convenient delivery and efficiency that lower costs considerably are probably going to bring about a speedy growth in this industry in years to come.

The E-Commerce market size has increased many folds in recent years from Rs.8146 in 2007 to Rs.46520 in 2011 and the major portion of revenues coming from online travel industry revenues.

FIG. 3



Source: Consumer E-commerce Potential in India, IAMAI, May-2011

E-commerce can become an integral part of sales strategy while it is one of the cheapest medium to reach out the new markets, through ecommerce companies maximize its reach to its potential customers, if implemented successfully, it offer a smart way of expansion & doing e-commerce attribute to the successful implementation to carefully understanding the products & services and providing consumers with convenient, satisfying and secure shopping experience.

**5. BENEFITS OF ECOMMERCE FOR CONSUMERS & BUSINESSES**

From the point of view of consumers, there are three key benefits of using e-commerce:

- **Cost Saving:** - Transparent pricing often leads to a direct cost saving for the consumers. Apart from this, there are indirect cost savings such as in travelling and time saving and arranging for physical delivery.
- **Convenience:** - This is a result of 24x7 availability, that the online portals are available, the time saved in travelling and waiting in queues and provides the ability to carry out transactions from the comfort of home.
- **Competitive offerings:** - As there a lot of portals are selling same kind of products consumers can compare the quality and the prices online, hence offering more variety to consumers. Besides, transparent information helps in easy and effective decision making.

For businesses, there are three key benefits of using ecommerce to distribute their products and services:

- **Accessibility:** - In the current economic environment, reaching out to newer markets at a reasonable cost is one of the biggest benefits for ecommerce as an alternative distribution model. With the help of ecommerce new markets can be easily accessed where it is difficult to be present physically.
- **Efficiency:** - the product and the service efficiency also improves with the one stop solution for all, the consumer feedback can easily be tracked and to incorporate the new changes according the tastes of consumers.



- **Lower costs:** - less requirement of manpower and no physical presence at each stop lower the operating cost and with efficient distribution channel the products can be offered at lower price.

## 6. E-COMMERCE: CHALLENGES

- **Security of financial transactions:** -As no direct physical communication takes place the consumer remains worried about the safety of online financial transactions.
- **Quality of merchandise:** - No physical inspection of products are done, the consumers hesitate to purchase the products online, this mostly happens in the clothing and fashion segment.
- **Authenticity of website:** - while some fake websites also come up to dupe investors the inclination of consumers decreases towards the online shopping.
- **Payment gateways:** - poor payment gateway infrastructure results in high transaction failures and poor customer satisfaction, the ability to make digital payments outside cities is very limited.
- **Digital Literacy:** - India with majority of population living in rural areas and low literacy level it becomes difficult to reach to each and every individual.
- **Internet penetration:** - Low internet density also blocks the way in the growth of the ecommerce in India, the current connectivity infrastructure available to consumers in terms of quality is of very low level.
- **Penetration of credit/Debit cards:** - Online usability knowledge of credit and debit cards is very low in India.
- **Taxation structure:-** Number of local taxes and levies varies with each state as taxes are charged on central, state and local level.
- **Country wide service providers:** - Supply chain companies that can provide competitive pan India services with justified service level agreements are minimal.
- **Customer Service Standards:** - without the prescribed industry standards it becomes difficult to understand minimum requisite standards for consumers.

## 7. ESSENTIAL FACTORS FOR MAKING ECOMMERCE ACTIVITIES MORE EFFECTIVE

- **Privacy:** - Promising online security and safety of personal information by the portals with whom transactions takes place.
- **Customer convenience:** - By providing Cash on delivery payment option service to customers.
- **Reach:** - Enabling mobile-capable sites and supporting M-Commerce services.
- **Delivery:**-Mention clearly the delivery time and delivering the product within that timeframe.
- **Location based services:** - Since customers these days are always on the move, promoting the right product at the right time and location becomes an integral aspect
- **Multiple payment option:-**standard credit cards, debit cards and bank payments option should be there.
- **Logistical challenges:** - In India, the geographical spread throws logistical challenges. The kind of products being offered by providers should determine the logistics planning.
- **Comparison:** - Providing price comparison to customer.
- **Cyber laws:** - Strong government policies against online frauds and cyber crimes and policies favoring ecommerce industry.
- **Quick Service:-**Timely service provided by the company.
- **Replacement:** Should Offer 30 day replacement guarantee to the customers.
- **Products:** - Products offered and products delivered should not vary.

## 8. CONCLUSION

E-Commerce has unleashed yet another revolution, which is changing the way businesses buy and sell products and services. E-Commerce is the future of shopping. But there is a huge gap between the estimated potential and the current consumer participation in ecommerce, which in spite of favorable growth in the last few years, continues to be limited. With the deployment of 3G and 4G wireless communication technologies, the Internet economy will continue to grow robustly.

Although there are grass root problems, I still believe that Online Shopping in India is in nascent stage; it is evolving fast and has the potential to grow exponentially in the times to come, as the internet penetration reaches far and wide across the rural area.

The medium term outlook for improvement in these areas is positive, be it introduction of 3G services or the government's efforts to improve financial inclusion as well as achieve greater broadband connectivity, digital education and training. However, a lot more will need to be done. These technologies will prove to be a catalyst in the growth of E-commerce and internet users would buy more products and buy more frequently online; both new and established companies will reap profits online.

Thus, with modernization and fast paced life, came the constraints of time and eventually increasing dependence on online shopping.

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