

## E-commerce in India: Growth and Challenges

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Received: May 30, 2018

Accepted: July 10, 2018

### ABSTRACT

*There are two phase of the evolution of E-commerce in India. The first phase start in 1995 and the second phase start from 2005. The global annual growth rate of E-commerce has been estimated up to 28 percent, while some individual countries have recorded much higher growth rates in e-commerce marketing. For example, India has projected as high as 51 percent annual growth rate in e-commerce marketing. The Online retail developed in 2007 as the second phase in India when launched the multiple online retail websites. The growth of online retail was partly arriving by changing lifestyle of urban consumer and the need of convenience of shopping at home. Indian people like to carry their money in cash. So they make all transaction in cash. Out of Total E-commerce transaction in India 60 to 80 percent transaction were cash on delivery. The worth of e-commerce in India was Rs. 351 billion which went up to Rs. 1257 billion in 2015 and which is expected to Rs. 2110 billion in 2016. In 2013 3G/4G internet users were 42 million which increased by 5.21 times and went up to 219 million during in 2016 in India. The number of Internet user's in India were high but out of them only few people's were like to online shopping. In 2013, out of total 42 million Internet users only 9 percent people made online shopping. Its percentage increased up to 11 percent in India during 2013 to 2016.*

**Keywords:** E-commerce, Goods & Service Tax, E-Commerce, demonetization

### Introduction:

Electronic commerce means buying and selling products by online. It is also includes the entire online process of marketing, selling, delivering, servicing, paying for products, services and developments. In case process of trading goods and services through an electronic system such as internet with advancements in technology has shown tremendous growth in E-commerce in India. There have been changes in the methodology for business transactions. India being a rapid adaptor of technology with the current scenario of electronic data exchanges in E-commerce.

E-commerce provides multiple benefits to the consumers such as availability of goods at lower cost, multiple choices and save the time. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as Banking, Ticketing, Bill payment, Hotel Booking etc. have been tremendous benefit to the customers. E-commerce is the media to develop relationship within the business process. It can be in the electronic payment system, advertising, marketing, customer support service and electronic order and delivery are the main success to develop relationship between customers and producers.

### Definition:

There is no standard definition of E-commerce; different people and organization have defined it different manner.

**The Asia Pacific Economic Co-operation** defines all business activity conducted using a combination of electronic communication and information processing technology means e-commerce.

**Work Programme of the World Trade Organization** defines E-commerce as a commercial process includes production, distribution, marketing sale or delivery of goods and services with the help of electronic mode.

**As per the United Nations Economic and Social Commission for Asia and Pacific** "E-commerce deals with the process of using electronic mode and procedures to conduct all forms of business activity".

### Objective:-

- 1) To study the Growth of E-commerce in India.
- 2) To study the obstacles' in the growth of E-commerce in India.
- 3) To study the growth factor's of E-commerce in India.

**Review of Literature:**

The recent and relevant review of literature regarding e-commerce is presented in this section:

Rajendra Madhukar Sarode, (2015) has undertaken a study on "Future of E-commerce in India Challenge and Opportunities". This study has been undertaken to describe the present status and future growth of e-commerce in India. This paper analyzes the present trends of e-commerce in India and examines the challenges and opportunities of e-commerce in India. He observe that in India the price has been the dominating factor in the Indian market and the customer is not hesitant in changing brand's frequently to avail the lucrative offers gives by producers. He also observe that there is a lot of e-commerce player's in India would have to do to make their customer's fell special to retain them, as the loyalty erodes fast when the shopper is confronted with promotions and deal's. He argued that the weak cyber law is the main challenge in the growth of e-commerce in India.

Miss. Pinky Dholakia (Feb-2015) in her paper "Prospects of E-commerce and its future implication's in India." argued that, the future look's extremely brilliant for the e-commerce in India with the stock market's coming online that provides a portfolio of equity and online status with a delay of fifteen minutes in prices. The day may not be for off when it the RBI regulations will be able to see values transfer and sale through the network with specialized services the day may not be take off.

Rina, (April 2016) has examine the "Challenge and future of E- commerce in India." She told that the applications and future of e-commerce and discusses the various factors that are important for the growth of E-commerce in India. She examines the Drone Delivery method; which is very unique in all paper's on E-commerce. She stated that if everything goes as per the plan, then India might become the first country in the world to allow the use of drones for civil purposes. She argued that the future of e-commerce would be very bright in India if implanted with the all essential factors.

**Categories of E-commerce:-**

E-commerce has been refers to buying, selling, marketing and servicing of products or services over internet which is classified into four broad categories:

**1. Business to Business:**

Business to Business transactions are largely going on between industrial manufacture's partner's and retailer's or between companies. The most common users of Business to Business e-commerce are micro, small and medium enterprise. The small businesses lack the requisite financial resources so there is difficult to market their products and services. Trade through online B2B portals increases the visibility of micro, small and medium enterprises in the market place. Business to Business e-commerce help's micro, small and medium enterprises to overcome barriers of time, communication and geography.

**2. Business to Consumer:**

Business to consumer transactions is directly between producers and consumers. The business to business transactions play an important role in E-commerce market, but a share of E-commerce revenues in developing countries like India is generated from Business to Consumer transactions. The online travel has typically held a major share of the Business to Consumer market. The online retail is also growing rapidly and is expected that there share in Business to Consumer transactions significantly increased.

**3. Consumer to consumer E-commerce:**

Consumer to consumer E-commerce means consumers sell products to other consumer's. The Consumer to Consumer market in India is small. The example of Consumer to Consumer transactions is the auction site's, if someone has something to sell, then he gets it listed at an auction site's and other's can bid for its. EBay's auction service is the best example of where person to person transactions take place. These transactions may be including third-party involvement.

**4. Consumer to Business E-commerce:**

Consumer to Business electronic e-commerce includes consumers selling products and services to businesses. A consumer posts his project with a set budget by online. In this business companies review the consumer's requirements within hours and bid on the project. In this business consumer reviews the bid and then selects the company who will complete the project.

**Evolution of E-commerce in India:**

There are two phase of the evolution of E-commerce in India. The first phase start in 1995 and the second phase start from 2005.

**1. First Phase:****a) Online Naukari and Shaadi.**

The introduction of internet is the beginning of the first phase of E-commerce in India which began from 1991. The implementation of liberalization policies led to the demise of the license regime, high taxes and import restrictions as well as facilitated the growth of SME's. The early adopters of internet were the IT industry and SME's. This leads to the job searches and matrimonial portals for the consumers and producers.

**b) Online Matrimonial:**

The first online matrimonial portal was launched in India in 1996. A concept unique to India, one online matrimonial portal transformed the perception about the match making process from "Marriages are made in heaven" to "marriages are made in cyber space."

**c) Online recruitment:**

The first online recruitment industry took shape in 1997 in India. The launch of economic reforms in 1991, resulted in growth in service sector, additional job's, internet an efficient medium proved too allowed employer's and job seeker to connect.

**2. Second Phase:**

Is the entry of low cost carrier's in the Indian aviation sector in 2005. The second phase of E-Commerce in India. In this regard travel emerged as the largest segment in India. People began to use internet for search travel-related information to book travel tickets. As a ripple effect, the success of online travel made consumers comfortable for shopping which lead to the development of online retail.

**a) Online travel:**

Prior to the entry of Low cost carriers in 2005-06, air travel was considered a luxury meant only for the rich and for corporate travel. LCC's changed the scenario by making air travel affordable for a large number of people. They developed their own website and partnered with online travel agents to distribute their tickets online and thus contain cost's.

**b) Online retail:**

The Online retail developed in 2007 as the second phase in India when launched the multiple online retail websites. The growth of online retail was partly arriving by changing lifestyle of urban consumer and the need of convenience of shopping at home.

**Advantages of E-commerce:****1. Global Trade:**

E-commerce is one of the major factors in the globalization to develop business. The E-commerce made entire world as a market for producer's, any person shall sell their products in all overcome the world. The global annual growth rate of E-commerce has been estimated up to 28 percent, while some individual countries have recorded much higher growth rates in e-commerce marketing. For example, India has projected as high as 51 percent annual growth rate in e-commerce marketing.

**2. E-commerce allows small companies to compete with the large companies:**

Small companies are confronting with one less barrier in penetrating the markets already dominated by the large companies due to small expenses incurred by a virtual shop. The small company has major advantage in comparison with a large one dominated by birocracy and conservatorium due to their flexibility and perception towards new business.

**3. 24 hours Services to customers:**

A website is offering information about the company and product's is taking orders for 24 hours with minimum costs continuously. The 24 hours service is more helpful for foreign customer's it is more difficult to foreign customer to contacts between the companies due to time regime. It also improves the communication to obtain information and place order's any time.

**4. Functioning costs is very low:**

E-commerce transactions are carrying via internet so required very low man power. Due to automatic process of marketing the working cost is very low.

**5. No need to going in shop:**

In E-commerce transaction's there is no need to go in real shop for customer to purchase goods and services in virtual shops with the help of mobile phones and computers.

**6. Cash on delivery:**

Indian people like to carry their money in cash. So they make all transaction in cash. Out of Total E-commerce transaction in India 60 to 80 percent transaction were cash on delivery.

**7. Free and quick delivery:**

Many E-commerce companies sell their products without shipping charges. They give fast delivery to customers.

**Disadvantages of E-commerce:****1. Absence of human contact:**

This is the obvious inconvenient generated by the electronic commerce. The absence of the seller, the human presence to which the buyer may appeal to in case he has doubts represents an obstacle in spending this form of commerce.

**2. Security:**

Customer paid bills online with credit cards and online banking in E-commerce transactions. It's very risky if customer is uneducated or careless, because there are many hacker's trying to hack our information such as credit card number, bank account details etc. and it's very harmful for customers. This is the important reason for which Indian people hesitate to use E-commerce services.

**3. Intimacy:**

Another important problem is the attempt to the personal intimacy. Because when customer search any product the server save all the information about customer's searching and his preference with the help of that producer or seller trying to Intimacy with customer.

**Economics of E-commerce in India:**

The E-commerce business in India has seen exponential growth over the last decade. In India the growth of E-commerce is being driven by greater customer choice and improved convenience. The growth of E-commerce is due to many contributory factors like rapid adoption of technology by Indian consumers, large increase in internet users, new enabling technologies, innovative business models and too many alternative payment options offered by E-commerce companies. The high growth of E-commerce is continues unabated, with the sector expecting to witness a steep increase in revenues in the coming years. The worth of e-commerce in India was Rs. 351 billion which went up to Rs. 1257 billion in 2015 and which is expected to Rs. 2110 billion in 2016. The size of e-commerce in terms of earning increased by 6.01 times during 2011 to 2016. It recorded on an average 45 percent annual growth rate during 2011 to 2016 in the size of e-commerce in India.

Table No. 1: the size of E-commerce sector in India

Year	Amount in Billion Rs.	Change (%)
2011	351	34%
2012	413	35%
2013	533	13%
2014	815	53%
2015	1257	54%
2016 (est.)	2110	68%

**E-commerce resources in India:****1. Smart phone & Internet users:**

At the time of launching smart Phone and Internet the purchasing cost is very high in India. But in recent the market rate of smart phones and the data charges are in lower range so that the number of Smart Phone and Internet User's increased rapidly in India.

Table No. 2: Smart Phone and Internet Users in India (in millions)

Sr.No.	Year	3G / 4G Subscriber (in millions)	Mobile Internet User's (in millions)
1.	2013	42	150
2.	2014	82	173
3.	2015	146	306
4.	2016 (est.)	219	371

**Source: Mobile Internet in India, 2015 IAMAI**

Table no.2 shows Smart phone and Internet users in India during 2013 to 2016. In 2013 3G/4G internet users were 42 million which increased by 5.21 times and went up to 219 million during in 2016 in India. Whereas, mobile internet users were 150 million in 2013, which went up to 371 million in 2016. In India the number of 3G / 4G subscriber and mobile internet user's increasing rapidly due to decrease in

prices of phones and charges of internet. It is good sign for IT companies for the expansion and rapid growth of E-commerce in India. The number of Internet user's in India were high but out of them only few people's were like to online shopping. In 2013, out of total 42 million Internet users only 9 percent people made online shopping. Its percentage increased up to 11 percent in India during 2013 to 2016.

## 2. Mobile Based E-commerce:

Smart Phones are expected to exhibit massive growth in the coming years in India. India ranks No.1 globally for highest share of mobile based e-commerce transactions according to a report by venture capital. The leading e-commerce companies assured that 70-75 percent of their online tariff comes from mobile phones and so that the higher revenues are comes from mobile applications.

Table No.3: Mobile base E-commerce sale's in different countries

Sr.No.	Countries	Percentage
1.	India	41%
2.	China	37%
3.	UK	21%
4.	France	20%
5.	Brazil	20%
6.	Australia	17%
7.	USA	15%

Source: Internet Trend's 2015, KPCB

Table no.3 shows that mobile base e-commerce selling is highest 41 percent in India followed by 37 percent China, 21 percent UK, 20 percent France and Brazil,17 percent Australia and lastly 15 percent in USA.

## 3. Government Initiatives for E-commerce:

To promote e-commerce in India the Government of India announced different policy and programmes. For sells vegetables and products the government has launched an e-market platform to connect farmers with the market within the states. The governments of India also start flagship initiatives like digital India and Start-up India, Innovation fund, skill India, Make in India etc. programmes also contributing the growth of e-commerce industry in India.

## 4. New Payment system and E-commerce:

The Indian governments launched 'Jandhan Yojana' for initiative to extend banking facilities in unbanked citizens. To increase in electronic payment government has added significant number of debit cards (over 110 million). The government has also launch electronic wallets and digital payment products's from traditional banks for faster check in and check-out of e-commerce transactions for easy payment process in e-commerce industry.

Table No. 4: The mode's of payment of e-commerce in India

Sr.No.	Mode's	Percentage
1.	Cash on Delivery	60%
2.	Credit Card's	17%
3.	Debit Card's	13%
4.	Net Banking	9%
5.	EMI	<1%
6.	3 <sup>rd</sup> Party Wallet's	<0.5%

## Conclusion:

The growth of E-commerce in India is very fast. The future of E-commerce in India is Golden, because there is lots of area's still to in the process of improvements like high speed data connectivity in rural areas is challenge as well as a huge opportunity for India. If government work for that the e-commerce market increase tremendously. Government also makes demonitiation and encourages people to do digital payments and go towards a cashless economy. Government also permitted FDI in e-commerce market this is a good for growth of e-commerce in India. Also Rising standards of living and burgeoning upwardly mobile middle class with high disposable income, Busy lifestyles, urban traffic, congestion and lack of time for offline shopping. Availability of much wider product range compared to what is available at brick and mortar retailer's, these are the key driver's and resone of growth of E-commerce is at an inflation point.

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marketing. For example, India has projected as high as 51 percent annual growth rate in e-commerce marketing. The Online retail developed in 2007 as the second phase in India when launched the multiple online retail websites. The growth of online retail was partly arriving by changing lifestyle of urban consumer and the need of convenience of shopping at home. Indian people like to carry their money in cash. So they make all transaction in cash. Out of Total E-commerce transaction in India 60 to 80 percent transaction were cash on delivery. The worth of e-commerce in India was Rs. 351 billion which went up to Rs. 1257 billion in 2015 and which is expected to Rs. 2110 billion in 2016. In 2013 3G/4G internet users were 42 million which increased by 5.21 times and went up to 219 million during in 2016 in India. The number of Internet user's in India were high but out of them only few people's were like to online shopping. In 2013, out of total 42 million Internet users only 9 percent people made online shopping. Its percentage increased up to 11 percent in India during 2013 to 2016.

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