



E-COMMERCE GROWTH AND CHALLENGES IN INDIAN SENARIO

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Abstract

India is in the platform of Digital revolution. Science & Technology has always influenced modes, practices and procedures of business and trade. E-Commerce is a business issue rather than a technology issue. It involves a number of forms, varying level of cost and complexity, depending on business need. It can also improve the operations through greater use of electronic book-keeping and records management. The changing lifestyles of the country's urban population have also led many people relying on the e-commerce. E-Commerce is not confined to business alone but also includes media sector also such as telephone, television and electronic payments.

Introduction

The use of internet has made the world small and through it business transactions are conducted globally at a faster pace. The age of connectivity has reduced distances and brought people closer. This can be directly attributed to the development of electronics and communication technology. India had an internet user base of about 354 million as of June 2015 and is expected to cross 500 million in 2016.

Despite being the second-largest user base in world, only behind China (650 million, 48% of population), the penetration of e-commerce is low compared to markets like the United States (266 million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month. The industry consensus is that growth is at an inflection point.

In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. Demand for international consumer products (including long-tail items) is growing much faster than in-country supply from authorised distributors and e-commerce offerings.

Electronic Commerce is more than just buying and selling products online. It also includes the entire online process of developing, marketing, selling, delivering, servicing and paying for products and services. India has shown tremendous growth in the E-commerce segment. With an internet user base of over 300 million, India has third largest internet population after US & China.

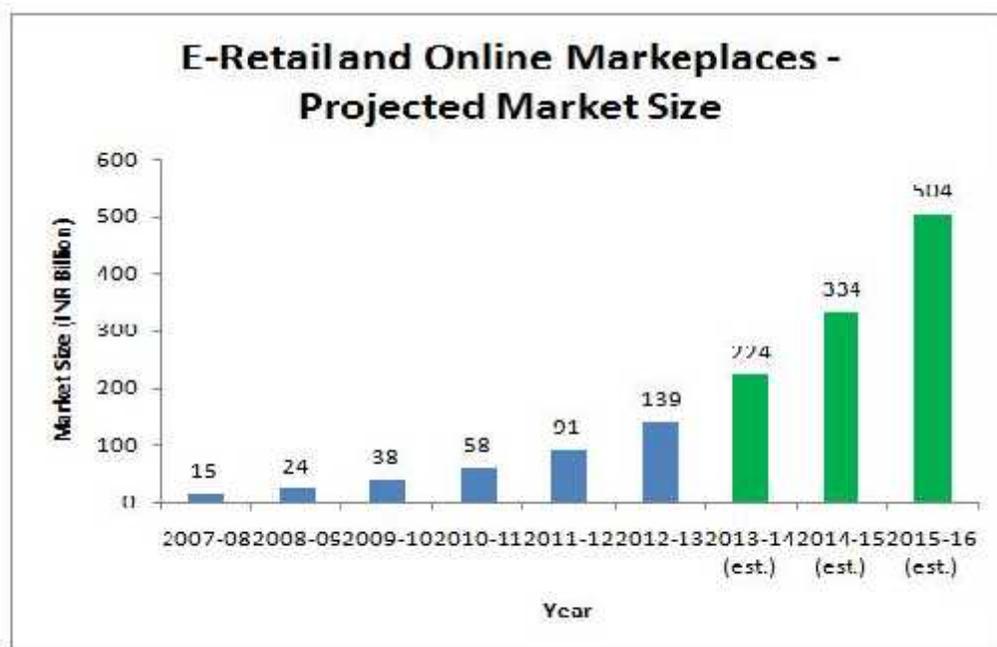


Exhibit 2 Growth Forecast for online retailing and marketplaces in India

Source: CRISIL



Types of E-Commerce

1. **Business-to-Business (B2B):** Business-to-Business (B2B) e-commerce encompasses all electronic transactions of goods or services conducted between companies. Producers and traditional commerce wholesalers typically operate with this type of electronic commerce.
2. **Business-to-Consumer (B2C):** The Business-to-Consumer type of e-commerce is distinguished by the establishment of electronic business relationships between businesses and final consumers. It corresponds to the retail section of e-commerce, where traditional retail trade normally operates.

These types of relationships can be easier and more dynamic, but also more sporadic or discontinued. This type of commerce has developed greatly, due to the advent of the web, and there are already many virtual stores and malls on the Internet, which sell all kinds of consumer goods, such as computers, software, books, shoes, cars, food, financial products, digital publications, etc.

3. **Consumer-to-Consumer (C2C):** Consumer-to-Consumer (C2C) type e-commerce encompasses all electronic transactions of goods or services conducted between consumers. Generally, these transactions are conducted through a third party, which provides the online platform where the transactions are actually carried out.
4. **Consumer-to-Business (C2B):** In C2B there is a complete reversal of the traditional sense of exchanging goods. This type of e-commerce is very common in crowd sourcing based projects. A large number of individuals make their services or products available for purchase for companies seeking precisely these types of services or products.
5. **Business-to-Administration (B2A):** This part of e-commerce encompasses all transactions conducted online between companies and public administration. This is an area that involves a large amount and a variety of services, particularly in areas such as fiscal, social security, employment, legal documents and registers, etc. These types of services have increased considerably in recent years with investments made in e-government.
6. **Consumer-to-Administration (C2A):** The Consumer-to-Administration model encompasses all electronic transactions conducted between individuals and public administration.

Examples of applications include: Education, Social Security, Taxes, Health.

Both models involving Public Administration (B2A and C2A) are strongly associated to the idea of efficiency and easy usability of the services provided to citizens by the government, with the support of information and communication technologies.

Challenges in E-Commerce

The following are the challenges encountered by e-commerce firms:

1. **Logistics:** logistics is a key element in providing essential customer service, but remains a major challenge for all e-commerce players. As most emerging Asian markets are large and fragmented with poor logistics infrastructure, local logistics firms have only partial coverage in large countries like India and china and are generally viewed as unreliable.
2. **Digital Infrastructure:** While logistics play a major role in establishing and sustaining e-commerce in emerging Asian markets, the challenge is not limited to physical infrastructure alone. However, linking businesses to create centralized systems for e-commerce can bring its own challenges.
3. **Payment:** Many emerging markets in Asia continue to be cash-based societies due to limited banking and credit card penetration, and in certain cases, the existence of parallel cash economies. While COD solves the challenges, it imposes significant financial cost for firms in the form of labor, cash handling, and higher returns of purchased items.
4. **Cultural Differences:** Poor broadband penetration and challenges with online payments only partly explain this capital-intensive move. The experience of Indian online travel agents such as Yatra and MakeMyTrip shows that Indian consumers may be comfortable with online searches for travel, but they still want to talk to someone in



person to discuss the details of their travel plans, and especially vacation packages, before booking their tickets. As a result both Yatra and MakeMyTrip decided to invest in offline stores a few years ago.

5. **Price Sensitive Consumers:** Even though average incomes in Asia are rising and the middle-income group is growing, the per capita income of most consumers in emerging Asian markets remains less than a tenth of those in developed countries like the United States and Singapore. Low incomes and a mindset of “every penny counts” make Asians among the most price sensitive consumers in the world. This mentality has been compounded by e-commerce offers price-sensitive shoppers the ease of being able to compare prices online.

Conclusion

India is on the threshold of emerging as a key player in global electronic commerce especially in terms of third largest reservoir of technical human resource. It is not that Internet is new to India but in fact it has existed here for the last 10 years in the form of ERNET. Internet-users have grown phenomenally in the past 3 years and their number is expected to touch the figure of more than 5 lakh by the end of this year. Electronic Commerce provides new opportunities for all overseas firms to access India's domestic market and vice versa. The rapid growth in electronic commerce around world has prompted many to look for better ways of measuring the phenomenon. As more and more countries and international agencies become involved, it is important to develop plans to ensure that there is no unnecessary duplication of effort and that users have the data necessary for informed decision making at the earliest possible opportunity.

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