

E-COMMERCE IN INDIA: CHALLENGES AND OPPORTUNITIES

Mohammed Avais¹

Abstract

E-Commerce has transformed the way of doing business for the different companies operating in a market place. The market for producers is extended globally through e-commerce route. Offering for product and services through e-commerce route is increasing with each passing day through the up gradation of technology and increasing use of internet across the world. This paper attempts to highlight different initiatives taken in India to promote e-commerce, and potential threats and opportunities faced by e-commerce industry in current scenario.

Keywords: e-commerce, internet, digital economy

INTRODUCTION

The advent of technology has changed people's way of life. Gone are the days when customers have to rely only on traditional commerce route for sale and purchase of goods or services, today e-commerce is providing the alternative for each of traditional platform. Internet has made it easy for the firms to reach the customers globally through e-commerce route. According to RBI e-commerce means "buying and selling of goods and services including digital products over digital & electronic network."

Robin (2001) pointed that electronic commerce is expected to enable firms to increase in their economic efficiency by reducing the setting up and transaction completion cost. With the change in technology sector and more access to online devices, economies are transforming into digital economies. (UNCTAD (2017) illustrates that because of significant development opportunities, digitalization of economy is encouraged by most of the countries and integration in global e-value chain or global market access by local firm can be attained with digital development. E-commerce is one of the steps towards the attainment of digital economy, as the online marketplace is surging its market place from groceries, movies, employment, education, matrimonial, hotel to electronic gadget, health, real estate,

¹ Assistant Professor, The Business School, Bhaderwah Campus, University of Jammu, India

automobile, fashion accessories, financial products and even its domain is increasing to many new fields by each passing day.

E-commerce has become the integral part of consumer's everyday life. E-commerce can be associated with wider buying options, convenience and accessibility across the regions, any time any where shopping, reduced cost and abundant information about the product just to name few potential benefits. For example with the introduction of a digital payment system M-Pesa in Kenya, cost of sending remittance was reduced up to 90 percent (World Bank, 2016). KPMG (2017) surveyed 18430 customers in more than 50 countries and finds that 77 percent of consumers prefer shopping online and rest 23 percent of consumers prefer visiting shops to enjoy shopping experience.

Models of e-commerce

B2B(Business to Business). In B2B model of e-commerce there is electronic transaction of business between two firms. Platforms for such type of model include Amazonbusiness.com, Industrybuying.com, msupply and cloudbuy.com etc

B2C (Business to Consumer) In B2C model of e-commerce there is electronic transaction of business between vendor and end consumers. By the removal of intermediaries the products are generally offered at discount. Platform for this model include Amazon.com, Uber.com Flipkart.com FirstCry.com, Snapdeal.com etc. In 2016, India with estimation 44.7 billion dollar market is 9th largest B2C market in the world and has grown from 25.5 billion dollar market in 2015. (Statista, 2017)

C2C (Consumer to Consumer) In this model of e-commerce both the parties involved in business are the end consumers using platform like olx.com and quicker.com etc.

C2B (Consumer to Business) In C2B business model of e-commerce there is electronic transaction of business between the consumers who want to sell idea, services or goods and business that are ready to pay for it. Platform for this model of e-commerce include quora.com, guru.com and BlaBlaCar etc.

Others: B2G (Business to Government) In this model the two parties involved are firms and public sector. For example use of internet for licensing, tax payment, selling goods or services to government agencies via e-procurement and G2B Government to Business etc.

Objectives

To examine the concept of e-commerce

To study the major barriers faced by e-commerce sector in India.

To find out future growth factors of e-commerce sector in India.

Research Methodology

The study is descriptive and explorative in nature. The study is based on the analysis of secondary data from various reports, Journals, websites, magazines and newspaper analysis.

Review of literature

(Khaskheli et.al 2016) concluded that SMEs in developing countries can be helped for exports through e-commerce route to reach the customers worldwide by joining some platform like eBay, Alibaba or amazon. Companies like Alibaba can really transform the face of SMEs and benefit the people dependent on them. Global economies are well affected by the increasing use of internet. Internet is the most attractive method to reach global audience and expand the market of SMEs (Lawrence 2008). The performance of SMEs is largely transformed by the use of internet. Lawrence (as cited in Lawrence, 2009) noted “Given the strategic importance of the SME sector to growth and job creation and the large base of current Internet users as well as potential users, the success of SMEs gaining business leverage from the Internet is critical to the future of global economies”. Jennex, et.al. (2004) in their study found that, for B2B e-commerce relationship client interface, worker’s skill and technical infrastructure were most important success factors. Gunawardana (2016) identified E- Marketing and Supplier service in their study as success factors in adoption of e-Commerce. Although e-commerce is expanding at an enormous rate across the globe but there are still many barriers to the growth of e-commerce. Rahayua and Day 2015 in their study on adaptation of e-commerce by Indonesian SMEs found technology readiness, owner’s innovativeness, perceived benefits, IT experience and IT ability of owner were the determinants factors. Lawrence and Tar(2010) concluded that unavailability of infrastructure, lack of banking facilities ,absence of government policies, user ignorance, IT skills and level of education are among the hindrance towards the adoption of e-commerce. Elms D.K 2016 in his work on “Evolving Digital and E-Commerce Trade Rules for Northeast Asia” conclude that to monitor digital economy at domestic, regional and global levels governments are not easy with the regulations and companies are facing risk and uncertainties in their business models. Kalia et.al (2017) highlighting the deficiencies of IT legislation governing e-commerce in India and finds issues like intellectual property, spamming and junk mail, payment, taxation of electronic commerce transactions, and consumer protection are not

addressed by IT Act. For e-commerce performance among Chinese SMEs Sohn et.al (2016) concluded that internal human resources and e-commerce strategies were found statistically significant success factors.

Discussion

With the pace of new technology, the number of internet users around the world have shown a tremendous growth of 976.4% from 2000 to 2017 and as on June 30 2017 there are 3.8 billion internet users reflecting 51.7% of world population (Internet world Stat).

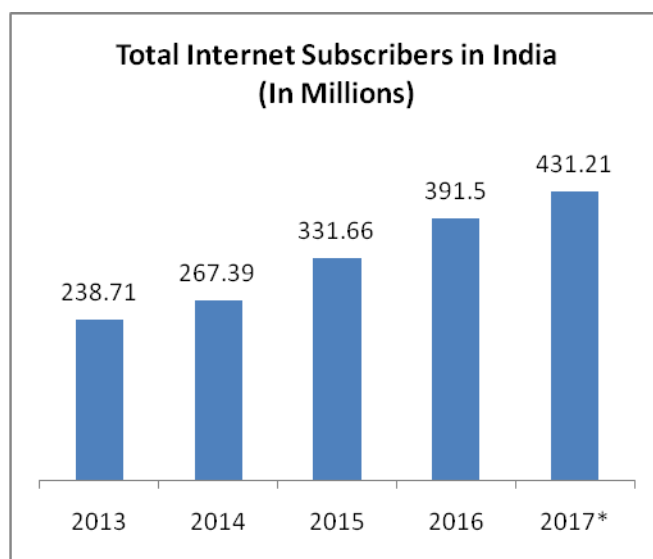
Figure 1

Year	Number of Internet Users (In Million)	Percentage of World Population
Dec, 2011	2,267	32.7 %
Dec, 2012	2,497	35.7 %
Dec, 2013	2,802	39.0 %
Dec, 2014	3,079	42.4 %
Dec, 2015	3,366	46.4 %
Dec. 2016	3,696	49.5 %

Source: <http://www.internetworldstats.com> Accessed on 29-09-2017

Internet is a key driver of e-commerce and building block of digital economy. In the recent past there has been a huge surge in internet subscribers around the world which suggests an increase in customer base for e-commerce.

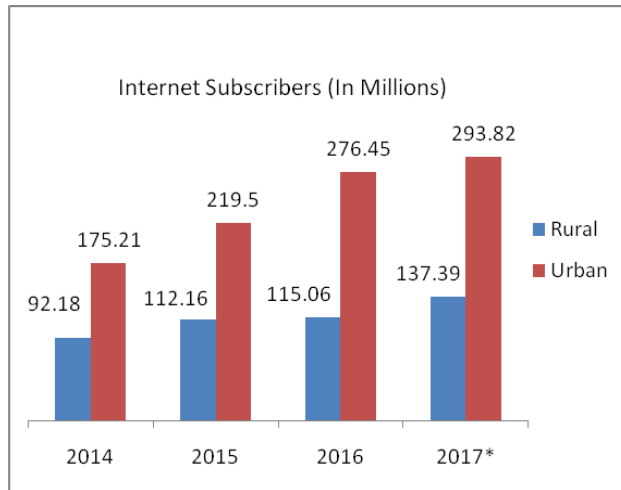
Figure 2



Source: TRAI, Data for 2017 used up to 30th June 2017

India's internet subscriber base increased by 80% from 2013 to ending of second quarter 2017 which shows a rapid growth in number of potential e-commerce customers base

Figure 3

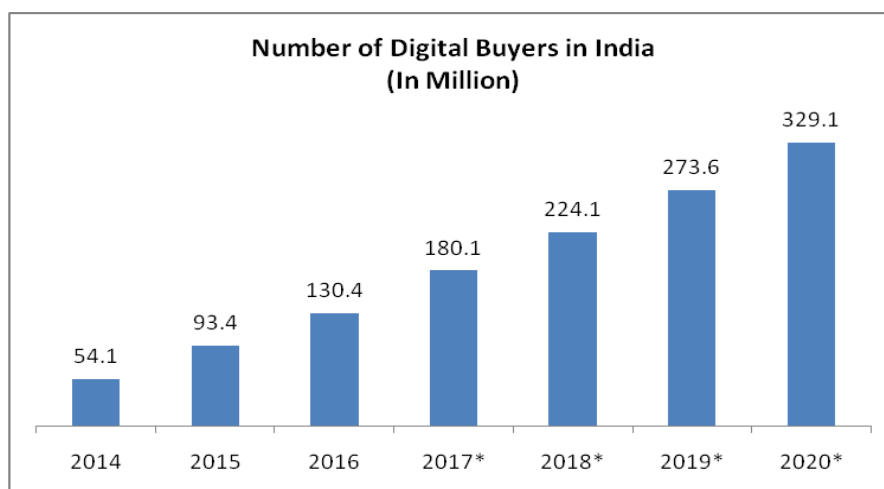


Source: TRAI, Data for 2017 used up to 30th June 2017

As on 30th June 2017 Urban and Rural Internet Subscribers per 100 population was 72.51 and 15.56 respectively (TRAI), which clearly shows that there is still a large untapped market for internet providing firms for in rural area which is a potential e-commerce market.

According to IAMAI & KANTAR IMRB Report 2016 Mobile is considered as a primary device for accessing internet comprising 77% of urban users and 92% of rural users. The report also finds that e-commerce activities like online shopping is much prevalent in urban area as compare to rural areas.

Figure 4



Source: <http://www.statista.com/statistics> Accessed on 07-10-2017

There is a huge surge in number of digital buyers in India over the past few years. From 54.1 million in 2014, number of digital buyers across India are expected to increase up to 329.1 million in 2020.

The use of smart phone is also growing across the world. India with 347 million smart phone connection became the second largest market of smart phone in 2016 and is expected to grow up to 686 million by 2020 (GSMA, 2017).

Initiatives taken in India to promote e-commerce

e-chopal was one of the early step in the direction of E-commerce in India. E-chopal (2017), of ITC, illustrates that through e-chopal farmers can have the access to computer and internet which facilitates them to directly negotiate the sale of their produce. With 6100 kiosks in 35000 villages across 10 states it now reaches to over 4 million farmers (The Status of Execution Section).

One of the initiative to boost e-commerce in agriculture sector was the introduction of e-NAM, a trading platform for agriculture products and there are live 455 mandis on e Nam across 13 states as on 31 July 2017(www.enam.gov.in)

Demonetisation: One of the reason for demonetization was to encourage digital payments despite of other objectives such as illegal transaction, black money and reduction of corruption.

India undertook various steps at state and central level to simplify the process of doing business and results are reflected in World Bank's Doing Business Report 2018, India ranked improved to 100 in 2018 from 130 in 2017. (World Bank)

100 percent FDI was permitted in e- commerce market place model under automatic route in 2016.

Introduction of e Biz, an online portal for Government to Business (G2B) services a convenient and transparent interface that helps to start a business by reducing delays in regulatory process and creates an investor friendly environment.

To boost the women entrepreneur Mahila E-Haat was introduced that allows women to display their products online. All the information of producer are displayed on E-Haat portal to facilitate the buyers for communication and booking orders. This will help the women in rural areas to increase their socioeconomic status by boosting the trade through e-commerce route.

Opportunity for e-commerce in India

Since the internet penetration in rural areas is still very low, an increase in internet penetration will expand the potential market base for e-commerce players in rural area.

E-commerce can boost the growth in employment of rural area, can provide an opportunity for small entrepreneurship to expand their business to new markets.

E-commerce can encourage innovation, person with innovative idea or skill can approach through e-commerce route to the desired industry or organisation to sell them easily.

Logistic sector in India is growing which in turn will make it feasible for e-commerce sector to make their products or services to rural areas in less time.

Growth of smart phone users is expected to boost the growing sector of e-commerce across India. With 347 million number of smart phone users in 2016, India is expected to grow to 686 million smart phone users in 2020(GSMA,2017). A survey conducted by Statista in 2017 finds that 48% of users preferred mobile device for the use of digital payment. Thus there is a huge potential market of e-commerce players in India expected to be covered in near future.

Challenges/ Major barriers for e-commerce in India

Low internet penetration and non availability of high speed network is a big issue that hampers the growth of e-commerce in rural areas.

Cash on Delivery is still most preferred method of online shopping among low income group across India and accounted for 57% of transaction in 2015 and by 2020 it is expected to decline to 25% (Statista, 2017)

Poor logistic services are also hampering the growth of e-commerce in India. In logistic performance index, India is ranked 35th in the world for the year 2016. India's logistic network is facing the challenges of connectivity congestion, Unfavourable model mix, Low standardisation and Tax and regulatory inefficiencies (IMAP 2017). Thus an improvement in logistic sector will enable the delivery of goods to far-flung areas in less time which will boost the growth of e-commerce in rural areas also.

Conclusion

Despite the tremendous growth rate of e-commerce there is still a huge market that is yet to be covered by it. Rural areas of India in which internet penetration is still very low needs to be connected to outer world through high speed internet for the expansion of e-commerce.

Increase in the subscriber base in rural areas will in turn boost the growth of digital economy. Logistic status though improving needs special attention by the policy makers to make all e-commerce products accessible for remote areas also. The rapid increase in e-commerce will prove a blessing for SMEs by increasing the demand of their products to a bigger market which in turn will be helpful to generate the employment in this sector.

References

1. Elms,D. K. (2016). Evolving Digital and E-Commerce Trade Rules for Northeast Asia. *KIEP Research Paper, Studies in Comprehensive Regional Strategies*, 16-09.
2. e-Choupal. (2017, October 7). The Status of Execution. Retrieved from <http://www.itcportal.com/businesses/agri-business/e-choupal.aspx>
3. GSMA.(2017). The Mobile Economy 2017. Retrieved from <https://www.gsmainelligence.com/research/?file=9e927fd6896724e7b26f33f61db5b9d5&download>
4. Gunawardana, K. D. (2006). The Impact of Firm-Based Characteristics on Adoption of E-Commerce in SME in Sri Lanka. *Asia Pacific Industrial Engineering and Management Society (APIEMS) Conference Proceedings* (2006) Retrieved from <https://ssrn.com/abstract=2931998>
5. IAMAI. (2016). IAMAI & KANTAR IMRB Report “Internet IAMAI in India - 2016” Retrieved from <http://bestmediainfo.com/wp-content/uploads/2017/03/Internet-in-India-2016.pdf> on 29-09-2017
6. IMAP.(2017). Logistics - India 2017 Retrieved from <http://www.imap.com/Reports/Logistics%20India%202017.pdf>
7. Jennex, M. E., Amoroso, D. & Adelakun, O. (2004). E-Commerce Infrastructure Success Factors for Small Companies in Developing Economies. *Electronic Commerce Research* 4(3), 263–286.
8. DOI <https://doi.org/10.1023/B:ELEC.0000027983.36409.d4>
9. Kalia, P., Arora,R. and Law, P. (2017). Information Technology Act in India: e-Commerce value chain analysis.*NTUT Journal of Intellectual Property Law and Management*. 5 (2), 55–97

10. Khaskheli, A., Jun, Y. and Sanjrani, H.A,(2016). Role of E-Commerce in Export Development for SMEs in Developing Countries. *European Journal of Business and Management*, 8(21).
11. KPMG. (2017). “The truth about online consumers” Global Online Consumer Report 2017
12. Lawrence, J.E.(2008). The challenges and utilization of e- commerce: Use of internet by Small to Medium-sized Enterprises in the United Kingdom. *Information, Society and Justice* 1(2), 99-113
13. Lawrence, J.E. (2009). The Internet and Small to Medium-sized Enterprises: Research Notes. *Information, Society and Justice*, 2(2), 221-235
14. Lawrence, J.E. and Tar, U.A. (2010). Barriers to ecommerce in developing countries. *Information Society and Justice*, 3(1), 23-35
15. Rahayua, R., Day, J.(2015). Factors of E-commerce Adoption by SMEs in Developing Country: Evidence from Indonesia , *World Conference on Technology, Innovation and Entrepreneurship Procedia, Social and Behavioral Sciences* 195, 142 –150.
16. Robin, M. (2001). Digital opportunities and the missing link for developing countries. *Oxford Review of Economic Policy*, 17(2) 282-295.
17. RBI (2017). Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017. Notification No. FEMA 20(R)/ 2017-RB Retrieved from <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/N20RB29574DA17294D5C93E4951B2FC86666.PDF>
18. Sohn, Sung-Pyo and Chung, C.K. (2016). Evaluating the Factors that Influence E-Commerce Performance on SMEs in China. *Journal of International Trade & Commerce*, 12(6), .23-35
19. Statista. (2017). Cash on Delivery is still most preferred method of online shopping among low income group across India. Retrieved from <https://www.statista.com/statistics/717794/preferred-online-payment-methods-by-type-india/>
20. UNCTAD (2017). World Investment Report 2017.Investment and the Digital Economy. New York and Geneva: United Nations.

21. World Bank Group. (2016). Digital dividends. *World Development Report 2016*. Retrieved from [http://documents.worldbank.org/curated/en/896971468194972881/pdf/102725-PUB-
Replacement-PUBLIC.pdf](http://documents.worldbank.org/curated/en/896971468194972881/pdf/102725-PUB-Replacement-PUBLIC.pdf)
22. World Bank Group (2018). Doing Business 2018/ India. Reforming to create Jobs. Retrieved From [http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Countr
y/IND.pdf](http://www.doingbusiness.org/~media/WBG/DoingBusiness/Documents/Profiles/Country/IND.pdf)