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## **A Critical Study of E-Commerce Market of India**

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## **ABSTRACT**

E-commerce stands for electronic commerce. E-commerce means doing business electronically and online. The conventional idea of business has been completely revolutionized by e-commerce. E-commerce deals with the internet and computer networks for the sale and purchase of goods and services. This paper seeks to highlight India's e-commerce market, with e-commerce growing at a rapid pace in India. With growing base of internet users and favourable demographics, in recent years, the Indian e-commerce industry has recorded impressive growth. In the future, there are also enormous opportunities for growth in e-commerce. But there are certain challenges that need to be properly tackled. An attempt has been made in the present paper to study the current e-Commerce market in India, examine the challenges of e-Commerce and discuss the future of e-Commerce in India.

**Key Words: E-commerce, Market, Indian Market, E-Commerce Market**

## **Introduction**

In the last two decades, a concept of E-commerce was born due to the increased advancement of technology and the advent of the Internet and the World Wide Web. From the mid-1990s, E-commerce started to expand rapidly and to reshape a variety of industries. The significance of this problem has been growing every year since the very beginning, and today e-commerce is seen as a promising tool for achieving the company's goals – increased sales and revenue. Before discussing other aspects, the various definitions of 'E-Commerce' are explained here.



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## Definitions of E-Commerce

In simple terms, E-commerce is defined as a process of buying and selling of goods over the Internet. Rainer and Cegielski (2011) define E-commerce as a “process of buying, selling, transferring, or exchanging of products, services, and/or information via computer networks, including the Internet”. Moreover, this supposes continuous flow of information, before and after the process of sales. Rayport and Jaworski (2002) add that the process of exchange is technology mediated and that it is based on inter and intra organizational activities for facilitating such exchange.

Whiteley (2000) stated that e-commerce uses Information Systems, Information Technology or Information and Communication Technologies to achieve the provision of information and buying and selling goods and services among business stakeholders. Internet based technology is one of e-commerce's impacts that provides the widest network of information systems.

According to Businesstown (2001-2003), e-commerce is the pre-eminent buzzword of the online business transformation. The idea of e-commerce actually is to use the Internet to enhance business operations. In other words, customers are given access to company computer systems and allowed to serve themselves. It is more about committing a company to serious online efforts and linking its website to the nature of its business.

## Literature Review

**Shahjee, R. (2016)** states that E-commerce has provided companies with a platform to show their diverse products and to make it easy for customers to quickly find products of their interest that have been comparatively difficult to market traditionally. On the contrary, e-commerce faces many challenges related to infrastructural capabilities and the lack of knowledge of computers and the internet among consumers, particularly rural consumers.

**Mitra (2013)** presents the importance of e-commerce stating that this will be the future for buying



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and shopping. In the legal framework, the government needs to provide assistance to companies that could broaden their horizons and work with new advanced technologies and business practises, along with secured transactions.

**Abhijit (2013)** in his paper stated that Another revolution has been unleashed by e-commerce, which is shifting the way companies buy and sell products and services. It has evolved new methodologies. The role of geographic distances is reduced in the formation of business relationships. The Internet economy will continue to grow robustly with the development of 3G and 4G wireless communication technologies.

**Mallikarjun Rao (2006)** while studying *The Factors affecting growth of e-commerce in India* sums up that There was a close association between online purchasing and the availability of vendor information, thus suggesting that more information would increase the comfort level of online trade among respondents.

**Gnana (2006)** concluded that many companies are now accepting e-commerce as an alternative/additional mode, but the rate of e-commerce adoption varies in different industries, for example, in India, a traditional industry such as the automotive industry has yet to adopt e-commerce in a large way.

**Sarbapriya Ray (2011)** published an article entitled *Emerging Trends of E-commerce in India: Some Crucial Issues Prospects and Challenges*. An attempt is made in this article to present a snapshot of the evolution of e-commerce business showing the chronological order, the category of e-commerce business, the description of e-business organisations in India. The research found that the government's role should be to provide e-commerce with a legal framework so that while domestic and international trade are allowed to broaden their horizons, basic rights such as privacy, intellectual property, fraud prevention, consumer protection, etc. are all taken care of.



## **Types of E-Commerce**

Business Based Electronic commerce can be classified on the type of Participants. The two most common people associated with e-commerce are businesses and consumers. Based on this division electronic commerce could be divided into the following primary e-commerce types:

### **1. Business to Business (B2B)**

Business to Business E-commerce refers to the full range of e-commerce that can take place between two B2B e-commerce organisations, including procurement and supplier management, inventory management, channel management, sales activities, payment management, and support and service.

### **2. Business to Consumer (B2C)**

Business to Consumer E-commerce refers to business and consumer exchanges. There has always been direct dealing between business and consumer, but such transactions have gained further momentum with e-commerce. Business through Amazon.com, Yahoo.com. etc are the example of Business to Consumer.



### **3. Consumer to Consumer (C2C)**

Consumer to Consumers involves transactions between and among consumers. These exchanges may or may not include the involvement of third parties. Consumers have traditionally had relationships with other consumers, but only a few of those activities have been conducted in a commercial sense. E-commerce has made it possible to bring strangers together and provide them with a platform for trade.

### **4. Consumer to Business (C2B)**

Consumer to Business is a relatively new business model and is a reverse of traditional models of



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commerce. Here, consumers provide companies with services or goods and create value for the company. Consumers can band together to form and present themselves to companies in a consumer-to-business relationship as a buyer group. As with the request aggregator, these groups can be economically motivated. This type of transaction can be seen in internet forums where product development ideas and product review are provided by customers; these are used for product advertising.

### E-Commerce Market of India

The key market companies in E-commerce of India include Amazon, Snapdeal, Flipkart, Myntra, Jabong among others. Given the background, the variety of variables depends on e-commerce in India. Although e-commerce is becoming popular on a daily basis, its size is not as big as it should be in terms of population size. E-commerce has shown enormous growth in the last decade. There are many limitations to e-commerce: payment system, targeted variety, limited options, replacement and delivery timings.

There is no doubt that e-commerce growth has increased significantly over the last 10-12 years, but growth cannot be said to be very impressive. E-commerce is used in a situation where customers are too sure of their choice and prices as compared to market prices. There are many products that have to be chosen by the consumer while going to physical stores. He would be reluctant to purchase from e-commerce unless he is dedicated and ensured that this is his ultimate decision. There are certain products that hit the market for the first time and the supplier does not want to sell it through ordinary outlets until its popularity is increased, so the direct benefit was given to customers to try and come out with the opinion to reduce the cost of the sale as it goes through different stores and once mouth word popularity is increased, the products come in.

The customers are attracted to the cash back if the transaction is made with a specific bank in order to gain the trust of the customers and also to increase the saving base of the particular banks. With e-



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commerce becoming a popular purchasing method, banks also benefit from linking customers to them for further transactions. Among them, the metropolitan cities and Delhi are making the biggest sales through e-commerce.

The one significant advantage of e-commerce is that it is not possible to sell the item with the expiry date that is quite near. Because of the design system, it is. Because e-commerce companies are expected to save from short circuiting the supply chain or distribution network, their direct sourcing is from companies or entire sales distributors, where due to stocking and large inventory costs, the old stock can not continue to lie for a long time. The product continues to move through the distribution channel and the product could be nearer to expiry and is therefore very highly likely to be cheated by customers. Although products are put up for sale on the expiry methods, it is still not possible to ensure durability after the expiry. There are many products that may have an expiry period of two years, but the life of the products is almost worn out when they have already entered the last month of the expiry period. Secondly, it is also possible for retailers to sell used items in India. In this situation, the customers remain in a state of concern as if they were seriously cheated. There is no doubt that the customer has an option to save from discounts within the given range, and a truncated distribution channel where the cost of products continues to increase from one point to another, but in very limited products, e-commerce is still possible. Second, it is the time and space that makes it possible for e-commerce to become a means of buying. In the capital cities where the products come for the first point of distribution, most of the big distributors are there, stochastically determining the chances of selling through e-commerce.

### Government Initiatives

Different initiatives have been announced by the Government of India since 2014, including Digital India, Make in India, Start-up India, Skill India and the Innovation Fund. E-commerce growth in the country is likely to be supported by the timely and effective implementation of such programmes. Some of the



government's significant initiatives to promote e-commerce in India are as follows:

- A Memorandum of Understanding (MoU) was signed with the Union Bank of India by Government e-Marketplace (GeM) to facilitate a cashless, paperless and transparent payment system for a range of services in October 2019.
- Under the Digital India movement, the government launched various initiatives to boost digitalization, such as Umang, Start-up India Portal, Bharat Interface for Money (BHIM), etc.
- In October 2020, Mr. Piyush Goyal, Minister of Commerce and Industry, invited start-ups to register at the public procurement portal, GeM, and provide government organisations and PSUs with goods and services.
- In October 2020, the government ordered foreign companies operating e-commerce platforms in India to have permanent account numbers in order to amend the 2016 equalisation levy rules (PAN). It imposed a 2 percent tax on the sale of goods or the provision of services through a non-resident e-commerce operator in the FY21 budget.
- In order to increase the participation of foreign players in E-commerce, Indian Government hiked the limit of FDI in E-commerce marketplace model to up to 100% (in B2B models).
- Heavy investment made by the Government in rolling out fibre network for 5G will help boost E-commerce in India.

### **Challenges of E-Commerce in India**

When using e-commerce, there are several challenges faced by Indian people that are discussed here. The backbone of e-commerce is considered to be the Internet. But there is much less penetration of Internet facilities in India, particularly in rural areas. Internet speed is also the main challenge in our country. We are moving towards 4G internet services, no doubt, but there is still a lot to be done.





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One of our nation's major and ongoing challenges for e-commerce is feeling unsafe by customers. Prior to making any purchase order online, customers must be confident about the integrity of the e-dealers and the payment process. There are also hacking and cyber-crime risks. With identity theft and impersonation, privacy has also become a major concern for customers. Security problems are not limited to customers only in e-commerce, as their vital information, records and reputation are at stake, corporate firms also face security challenges. The major challenge for e-commerce businesses has been logistics and the supply chain. In India, most of the population lives in villages. It's a great challenge to reach the consumer in the village. In order to ensure that customers receive orders from the nearest suppliers, e-commerce companies need to invest more in setting up warehouses and signing up more suppliers across the country.

In the e-commerce market, there is a cut throat rivalry between the players. The profitability of companies decreases with intense competition as they use an aggressive pricing strategy and offer enormous discounts and commissions. Another e-commerce bottleneck in India is the absence of cyber laws to regulate online business transactions. The new technology in our country has created huge legal uncertainty. To update and widen the scope of the Act, the existing Consumer Protection Act 1986 needs to be amended. Most Indian customers are more comfortable physically purchasing a product. Before buying, they want to see and touch the product. So, they don't prefer to purchase an online product.

### **Conclusion**

E-Commerce has made it easy to shop. Despite many challenges, the e-Commerce industry in India is growing rapidly. The e-commerce industry is currently one of India's largest growth industries. Sales in the e-commerce industry are projected to increase by almost 4 times by 2021 compared to 2015. This unprecedented growth in e-commerce is due to an increase in smart phones and internet users, 3G/4G internet services, public awareness, digitalisation initiative by the government, advanced shipping and



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payment options, the entry of foreign e-business players, etc. In order to minimise the obstacles to the growth of e-commerce, government should take steps to provide a proper legal framework.

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