



Impact of E - Commerce on the Indian Economy

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E-commerce is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the Internet. These business transactions occurs business-to-business, business-to-consumer, consumer-to-consumer or consumer-to-business. The terms e - commerce and e - business are often used interchangeably. The term e - tail is also sometimes used in reference to transactional processes around online retail. E- Commerce draws on technologies such as mobile commerce, electronic fund transfer, supply chain management, internet marketing, online transaction processing, electronic data interchange, inventory management software, data collection system E-commerce is conducted using a variety of applications, such as email, fax online catalogs and shopping carts, Electronic Data Interchange , File Transfer Protocol, and Web services. Most of this is business to business, with some companies attempting to use email and fax for unsolicited ads to consumers and other business prospects, as well as to send out e-newsletters to subscribers. E- Commerce is a growing sector in India. Just like the growth of IT industry in India through the 1990s, the 2010s will be remembered for the growth in the E-Commerce industry. In its present state the contribution of E-Commerce to GDP is around 0.2% which is expected to grow 15 times to around 2.5% by 2030. The impact is so huge that the present wave of demonetization could have not been thought if E-Commerce did not exist. E-Commerce to a large extent helped absorb its shock as well as gained the maximum out of it as well. By 2030 the contribution to GDP by E-Commerce is expected to reach to around 300 Billion Dollars which is around 20 Billion Dollars in its present state.

Key Words: E- Commerce, interchangeably, transactional, accessibility, perceived.

I. Introduction:

E-commerce is a transaction of buying or selling online. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle although it may also use other technologies such as e-mail.

E-commerce businesses may employ some or all of the following:

- Online shopping web sites for retail sales direct to consumers
- Providing or participating in online marketplaces, which process third-party business-to-consumer or consumer-to-consumer sales

- Business-to-business buying and selling
- Gathering and using demographic data through web contacts and social media
- Business-to-business (B2B) electronic data interchange
- Marketing to prospective and established customers by e-mail or fax (for example, with newsletters)
- Engaging in launching new products and services
- Online financial exchanges for currency exchanges or trading purposes

In the United States, certain electronic commerce activities are regulated by the Federal Trade Commission (FTC). These activities include but not limit to the use of commercial e-mails, online advertising and consumer privacy. The Federal Trade Commission Act regulates all forms of advertising, including online advertising, and states that advertising must be truthful and non-deceptive. Using its authority under Section 5 of the FTC Act, which prohibits unfair or deceptive practices, the FTC has brought a number of cases to enforce the promises in corporate privacy statements, including promises about the security of consumers' personal information. As a result, any corporate privacy policy related to e-commerce activity may be subject to enforcement by the FTC. The Ryan Haight Online Pharmacy Consumer Protection Act of 2008, which came into law in 2008, amends the Controlled Substances Act to address online pharmacies. Conflict of laws in cyberspace is a major hurdle for harmonization of legal framework for e-commerce around the world. In order to give uniformity to e-commerce law around the world, many countries adopted the UNCITRAL Model Law on Electronic Commerce (1996). Internationally there is the International Consumer Protection and Enforcement Network (ICPEN), which was formed in 1991 from an informal network of government customer fair trade organisations. The purpose was stated as being to find ways of co-operating on tackling consumer problems connected with cross-border transactions in both goods and services, and to help ensure exchanges of information among the participants for mutual benefit and understanding. From this came Econsumer.gov, an ICPEN initiative since April 2001. It is a portal to report complaints about online and related transactions with foreign companies. There is also Asia Pacific Economic Cooperation (APEC) was established in 1989 with the vision of achieving stability, security and prosperity for the region through free and open trade and investment. APEC has an Electronic Commerce Steering Group as well as working on common privacy regulations throughout the APEC region. In Australia, Trade is covered under Australian Treasury Guidelines for electronic commerce, and the Australian Competition and Consumer Commission regulates and offers advice on how to deal with businesses online, and offers specific advice on what happens if things go wrong. In the United Kingdom, The Financial Services Authority (FSA) was formerly the regulating authority for most aspects of the EU's Payment Services Directive (PSD), until its replacement in 2013 by the Prudential Regulation Authority and the Financial Conduct Authority. The UK implemented the PSD through the Payment Services Regulations 2009 (PSRs), which came into effect on 1 November 2009. In India, the Information Technology Act 2000 governs the basic applicability of e-commerce. In China, the Telecommunications Regulations of the People's Republic of China (promulgated on 25 September 2000), stipulated the Ministry of Industry and Information Technology (MIIT) as the government department regulating all telecommunications related activities, including electronic commerce. On the same day, The Administrative Measures on Internet Information Services released, is the first administrative regulation to address profit-generating activities conducted through the Internet, and lay the foundation for future regulations governing e-commerce in China. In 2010, the United Kingdom had the biggest e-commerce market in the world when measured by the amount spent per capita. As of 2013, the Czech Republic was the European country where ecommerce delivers the biggest contribution to the enterprises' total revenue. Almost a quarter (24%) of the country's total turnover is generated via the online channel. Among emerging economies, China's e-commerce presence continues to expand every year. With 668 million internet users, China's online shopping sales reached \$253 billion in the first half of 2015, accounting for 10% of total Chinese consumer retail sales in the same period. The Chinese retailers have been able to help consumers feel more comfortable shopping online. E-commerce transactions between China and other countries increased 32% to 2.3 trillion yuan (\$375.8

billion) in 2012 and accounted for 9.6% of China's total international trade. In 2013, Alibaba had an e-commerce market share of 80% in China. In 2014, there were 600 million Internet users in China (twice as many than in the US), making it the world's biggest online market. China is also the largest e-commerce market in the world by value of sales, with an estimated US\$899 billion in 2016. In 2013, Brazil's e-Commerce was growing quickly with retail e-Commerce sales expected to grow at a healthy double-digit pace through 2014. By 2016, e-Marketer expected retail ecommerce sales in Brazil to reach \$17.3 billion. India has an internet user base of about 243.2 million as of January 2014. Despite being third largest user base in world, the penetration of Internet is low compared to markets like the United States, United Kingdom or France but is growing at a much faster rate, adding around 6 million new entrants every month. In India, cash on delivery is the most preferred payment method, accumulating 75% of the e-retail activities. E-commerce has become an important tool for small and large businesses worldwide, not only to sell to customers, but also to engage them. In 2012, e-commerce sales topped \$1 trillion for the first time in history. Mobile devices are playing an increasing role in the mix of e-Commerce; this is also commonly called mobile commerce, or m-commerce. In 2014, one estimate saw purchases made on mobile devices making up 25% of the market by 2017. For traditional businesses, one research stated that information technology and cross-border e-commerce is a good opportunity for the rapid development and growth of enterprises. Many companies have invested enormous volume of investment in mobile applications. The DeLone and McLean Model stated that 3 perspectives are contributed to a successful e-business, including information system quality, service quality and users satisfaction. There is no limit of time and space, there are more opportunities to reach out to customers around the world, and to cut down unnecessary intermediate links, thereby reducing the cost price, and can benefit from one on one large customer data analysis, to achieve a high degree of personal customization strategic plan, in order to fully enhance the core competitiveness of the products in company

A. Impact on markets and retailers:

Economists have theorised that e-commerce ought to lead to intensified price competition, as it increases consumers' ability to gather information about products and prices. Research by four economists at the University of Chicago has found that the growth of online shopping has also affected industry structure in two areas that have seen significant growth in e-commerce, bookshops and travel agencies. Generally, larger firms are able to use economies of scale and offer lower prices. The lone exception to this pattern has been the very smallest category of bookseller, shops with between one and four employees, which appear to have withstood the trend. Depending on the category, e-commerce may shift the switching costs—procedural, relational, and financial—experienced by customers. Individual or business involved in e-commerce whether buyers or sellers rely on Internet-based technology in order to accomplish their transactions. E-commerce is recognized for its ability to allow business to communicate and to form transaction anytime and anyplace. Whether an individual is in the US or overseas, business can be conducted through the internet. The power of e-commerce allows geophysical barriers to disappear, making all consumers and businesses on earth potential customers and suppliers. Thus, switching barriers and switching costs may shift. eBay is a good example of e-commerce business individuals and businesses are able to post their items and sell them around the Globe. In e-commerce activities, supply chain and logistics are two most crucial factors need to be considered. Typically, cross-border logistics need about few weeks time round Based on this low efficiency of the supply chain service, customer satisfaction will be greatly reduced. Some researcher stated that combining e-commerce competence and IT setup could well enhance company's overall business worth. Other researcher stated that e-commerce need to consider the establishment of warehouse centers in foreign countries, to create high efficiency of the logistics system, not only improve customers' satisfaction, but also can improve customers' loyalty.

B. Impact on supply chain management:

For a long time, companies had been troubled by the gap between the benefits which supply chain technology has and the solutions to deliver those benefits. However, the emergence of e-commerce has provided a more practical and effective way of delivering the benefits of the new supply chain technologies. E-commerce has the capability to integrate all inter-company and intra-company functions, meaning that the three flows (physical flow, financial flow and information flow) of the supply chain could be also affected by e-commerce. The affections on physical flows improved the way of product and inventory movement level for companies. For the information flows, e-commerce optimised the capacity of information processing than companies used to have, and for the financial flows, e-commerce allows companies to have more efficient payment and settlement solutions. In addition, e-commerce has a more sophisticated level of impact on supply chains: Firstly, the performance gap will be eliminated since companies can identify gaps between different levels of supply chains by electronic means of solutions; Secondly, as a result of e-commerce emergence, new capabilities such implementing ERP systems, like SAP ERP, Xero, or Megaventory, have helped companies to manage operations with customers and suppliers. Yet these new capabilities are still not fully exploited. Thirdly, technology companies would keep investing on new e-commerce software solutions as they are expecting investment return. Fourthly, e-commerce would help to solve many aspects of issues that companies may feel difficult to cope with, such as political barriers or cross-country changes. Finally, e-commerce provides companies a more efficient and effective way to collaborate with each other within the supply chain.

C. Social impact:

Along with the e-commerce and its unique charm that has appeared gradually, virtual enterprise, virtual bank, network marketing, online shopping, payment and advertising, such this new vocabulary which is unheard-of and now has become as familiar to people. This reflects that the e-commerce has huge impact on the economy and society from the other side. For instance, B2B is a rapidly growing business in the world that leads to lower cost and then improves the economic efficiency and also bring along the growth of employment. To understand how the e-commerce has affected the society and economy, this article will mention six issues below:

- E-commerce has changed the relative importance of time, but as the pillars of indicator of the country's economic state that the importance of time should not be ignored.
- E-commerce offers the consumer or enterprise various information they need, making information into total transparency, and enterprises are no longer is able to use the mode of space or advertisement to raise their competitive edge. Moreover, in theory, perfect competition between the consumer sovereignty and industry will maximize social welfare.
- In fact, during the economic activity in the past, large enterprises frequently had the advantage of information resources at the expense of consumers. Nowadays, the transparent and real-time information protects the rights of consumers, because the consumers can use the internet to pick out the portfolio to their own benefit. The competitiveness of enterprises will be much more obvious than before; consequently, social welfare would be improved by the development of e-commerce.
- The new economy led by e-commerce changes humanistic spirit as well, but above all, employee loyalty. Due to the market with competition, the employee's level of professionalism becomes crucial for enterprise in the niche market. The enterprises must pay attention to how to build up the enterprises inner culture and a set of interactive mechanisms and it is the prime problem for them. Furthermore, though the mode of e-commerce decreases the information cost and transaction cost, its development also makes human beings overly computer literate. Emphasizing a more humanistic attitude to work is another project for enterprise to development. Life is the root of all and technology is merely an assistive tool to support quality of life.

- Online merchants gather purchase activity and interests of their customers. This information is being used by the online marketers to promote relevant products and services. This creates an extra convenience for online shoppers.
- Online merchandise is searchable, which makes it more accessible to shoppers. Many online retailers offer a review mechanism, which helps shoppers decide on the product to purchase. This is another convenience and a satisfaction improvement factor.

E-commerce is not a new industry, technically speaking, but it is creating a new economic model. Most people agree that e-commerce will positively impact economic society in the future, but in its early stages its impacts are difficult to gauge. Some have noted that e-commerce is a sort of incorporeal revolution. E-commerce has numerous social benefits: one, the cost of running an e-commerce business is very low when compared with running a physical store; two, there is no rent to pay on expensive premises; and three, business processes are simplified and less man-hours are required to run a typical business smoothly. In the area of law, education, culture and also policy, e-commerce will continue to rise in impact. E-commerce will truly take human beings into the information society.

D. Distribution channels:

E-commerce has grown in importance as companies have adopted pure-click and brick-and-click channel systems. We can distinguish pure-click and brick-and-click channel system adopted by companies.

- Pure-click or pure-play companies are those that have launched a website without any previous existence as a firm.
- Bricks-and-clicks companies are those existing companies that have added an online site for e-commerce.
- Click-to-brick online retailers that later open physical locations to supplement their online efforts.

II. OBJECTIVES OF STUDY:

The paper has following objectives:

- To explain the concept of e-commerce.
- To study the India's prospects in e-commerce
- To study the various challenges faced by e-commerce in India.
- To study essential factors for growth of e-commerce in India.
- To study the impact of e-commerce on Indian economy.
- To study the growth and contribution of e-commerce.

III. RESEARCH METHODOLOGY:

This research is based on secondary data which are collected from several sources i.e. research papers, publications from Ministry of Commerce, Govt. of India etc which is available on the internet.

IV. IMPACT OF E-COMMERCE ON INDIAN ECONOMY:

A. India's prospects in e-commerce:

India had an internet user base of about 354 million as of June 2015 and reached to 462 million in 2016 which contributes 34.8% share of India Population as depicted in the Table 1. 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 million, 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 tail items) is growing much faster than in-country supply from authorised distributors and e-commerce offerings. In 2015, the largest e-commerce companies in India are Flipkart, Snapdeal, Amazon India, and Paytm.

Internet Users in India in 2016 was 462,124,989

Share of India Population 34.8% (penetration)

Total Population: 1,326,801,576

Share of World Internet users: 13.5%

Internet Users in the world: 3,424,971,237

Table 1: Internet Users in India

| Year | Internet users* | Penetration | Total Population | Non-User (Internetless) | 1Year User Change | 1Year User Change | Population Change |
|------|-----------------|-------------|------------------|-------------------------|-------------------|-------------------|-------------------|
| 2016 | 462,124,989 | 34.8 % | 1,326,801,576 | 864,676,587 | 30.5 % | 108,010,242 | 1.2 % |
| 2015 | 354,114,747 | 27 % | 1,311,050,527 | 956,935,780 | 51.9 % | 120,962,270 | 1.22 % |
| 2014 | 233,152,478 | 18 % | 1,295,291,543 | 1,062,139,065 | 20.7 % | 39,948,148 | 1.23 % |
| 2013 | 193,204,330 | 15.1 % | 1,279,498,874 | 1,086,294,544 | 21.5 % | 34,243,984 | 1.26 % |
| 2012 | 158,960,346 | 12.6 % | 1,263,589,639 | 1,104,629,293 | 26.5 % | 33,342,533 | 1.29 % |
| 2011 | 125,617,813 | 10.1 % | 1,247,446,011 | 1,121,828,198 | 36.1 % | 33,293,976 | 1.34 % |
| 2010 | 92,323,838 | 7.5 % | 1,230,984,504 | 1,138,660,666 | 48.5 % | 30,157,710 | 1.38 % |
| 2009 | 62,166,128 | 5.1 % | 1,214,182,182 | 1,152,016,054 | 18.6 % | 9,734,457 | 1.43 % |
| 2008 | 52,431,671 | 4.4 % | 1,197,070,109 | 1,144,638,438 | 12.5 % | 5,834,088 | 1.47 % |
| 2007 | 46,597,582 | 4 % | 1,179,685,631 | 1,133,088,049 | 42.9 % | 13,995,197 | 1.51 % |
| 2006 | 32,602,386 | 2.8 % | 1,162,088,305 | 1,129,485,919 | 19.3 % | 5,275,016 | 1.55 % |

| | | | | | | | |
|------|------------|-------|---------------|---------------|---------|-----------|--------|
| 2005 | 27,327,370 | 2.4 % | 1,144,326,293 | 1,116,998,923 | 22.8 % | 5,067,787 | 1.59 % |
| 2004 | 22,259,583 | 2 % | 1,126,419,321 | 1,104,159,738 | 19.1 % | 3,567,041 | 1.63 % |
| 2003 | 18,692,542 | 1.7 % | 1,108,369,577 | 1,089,677,035 | 11.5 % | 1,926,786 | 1.67 % |
| 2002 | 16,765,756 | 1.5 % | 1,090,189,358 | 1,073,423,602 | 136.9 % | 9,689,725 | 1.71 % |
| 2001 | 7,076,031 | 0.7 % | 1,071,888,190 | 1,064,812,159 | 27.3 % | 1,518,576 | 1.75 % |

- ***Internet User** = individual who can access the Internet at home, via any device type and connection.
- Source: **Internet Live Stats**
- Elaboration of data by International Telecommunication Union (ITU), World Bank, and United Nations Population Division.

B. Market size and growth:

India's e-commerce market was worth about \$3.9 billion in 2009, it went up to \$12.6 billion in 2013. In 2013, the e-retail segment was worth US\$2.3 billion. About 70% of India's e-commerce market is travel related. According to Google India, there were 35 million online shoppers in India in 2014 Q1 and is expected to cross 100 million mark by end of year 2016. CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales. According to a study conducted by the Internet and Mobile Association of India, the e-commerce sector reached to ₹ 211,005 crore in December 2016. The study also stated that online travel accounts for 61% of the e-commerce market. By 2020, India is expected to generate \$100 billion online retail revenue out of which \$35 billion will be through fashion e-commerce. Online apparel sales are set to grow four times in coming years. India's retail market is estimated at \$470 billion in 2011, \$675 Bn in 2016 and expected to grow to \$850 billion by 2020, – estimated CAGR of 10%. According to Forrester, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012–16.

As per "India Goes Digital", a report by Aventus Capital, the Indian e-commerce market is estimated at Rs 28,500 Crore (\$6.3 billion) for the year 2011. Online travel constitutes a sizable portion (87%) of this market today. Online travel market in India had a growth rate of 22% over the next 4 years and reached ₹ 54,800 crore (\$12.2 billion) in size by 2015. Overall e-commerce market had reached Rs 1,07,800 crores (US\$24 billion) by the year 2015 with both online travel and e-tailing contributing equally. Another big segment in e-commerce is mobile / DTH recharge with nearly 1 million transactions daily by operator websites. A new sector in e-commerce is online medicine, selling complementary and alternative medicine or prescription medicine online. There are no dedicated online pharmacy laws in India and it is permissible to sell prescription medicine online with a legitimate license. Online sales of luxury products like jewellery also increased over the years. Most of the retail brands have also started entering into the market and they expect at least 20% sales through online in next 2–3 years.

C. Closures:

Though the sector has witnessed tremendous growth and is expected to grow, many e-commerce ventures have faced tremendous pressure to ensure cash flows. But it has not worked out for all the e-commerce websites. Many of them like Dhingana, Rock.in, Seventy MM amongst others had to close down or change their business models to survive.

D. Infrastructure:

There are many hosting companies working in India but most of them are not suitable for e - Commerce hosting purpose, because they are providing much less secure and threat protected shared hosting. E - Commerce demand highly secure, stable and protected hosting. Trends are changing with some of e - Commerce companies starting to offer software as a service (SaaS) for hosting web stores with minimal onetime costs. There could be various methods of ecommerce marketing such as blog, forums, search engines and some online advertising sites like Google adwords and Adroll. India has got its own version of Cyber Monday known as Great Online Shopping Festival which started in December 2012, when Google India partnered with e-commerce companies including Flipkart, Home Shop18, Snapdeal, Indiatimes, shopping and Make my trip. "Cyber Monday" is a term coined in the USA for the Monday coming after Black Friday, which is the Friday after Thanksgiving Day. Most recent GOSF (Great Online Shopping Festival) was held during Dec 10 to 12, 2014. In early June 2013, Amazon.com launched their Amazon India marketplace without any marketing campaigns. In July 2014, Amazon had said it will invest \$2 billion (₹ 12,000 crore) in India to expand business, after its largest Indian rival Flipkart announced \$1 billion in funding. In June 2016, Amazon agreed to invest another \$3 billion to further pressure rivals Flipkart & Snapdeal Amazon has also entered grocery segment with its Kirana now in Bangalore and is also planning to enter in various other cities like Delhi, Mumbai and Chennai and faces stiff competition with Indian startups.

E. Funding:

Examples of venture capital firms having invested in e-commerce companies in India are:

Flipkart.com raised about USD 2.3 billion. On 10 July 2013, Flipkart announced it had received \$200 million from existing investors Tiger Global, Naspers, Accel Partners, and ICONIQ Capital, and an additional \$160 million from Dragoneer Investment Group, Morgan Stanley Wealth Management, Sofina, Vulcan Inc. and more from Tiger Global. In February 2014, online fashion retailer Myntra.com raised \$50 million from a group of investors led by Premji Invest, the investment company floated by Azim Premji, Chairman of Wipro. May 2014 also witnessed an acquisition of Myntra by Flipkart reportedly for ₹ 2,000 crores. In September 2015, Pepper Tap raised \$36 million from Snapdeal and others.

F. Niche retailer:

The spread of e-commerce has led to the rise of several niche players who largely specialize their products around a specific theme. As many as 1,06,086 websites are registered daily and more than 25% are for niche businesses. During 2014, Royal Enfield sold 200 bikes of special series Online. Online apparel is one of the more popular verticals, which along with computers and consumer electronics make up 42% of the total retail e-commerce sales. Niche online merchandising brands like Headbanger's Merch, Redwolf and No Nasties partner with and even help sustain independent musicians. Some established brands like Arvind are now creating clothing lines just for the e-commerce markets. Some of the bigger online retailer like VoxPop Clothing have secured multiple rounds of funding, the last round raising \$1 million from Blume Ventures in 2014. As these niche businesses get popular, they are slowly getting acquired by the big players. Baby Oye was acquired by Mahindra Retail, part of the \$17 billion Mahindra Group. Ekstop was acquired by the Godrej Group to complement their offline chain of Nature's Basket stores.

G. Vertical specific E-Commerce in India:

Vertical specific e-tailer focuses on a niche product or service as their services are different from other mainstream e-commerce players. The value addition by taking this venture helps them to raise funds. The critical aspect of this industry specific risk offers a user-friendly experience driven by convenience, more information and cost

effectiveness. e.g. Ola Cabs, a cab service provider, differentiates its services by providing a great user-friendly experience to people looking for car rentals and cab service. Table 2 shows the vertical specific e-commerce in India.

Table 2: Vertical specific e-commerce players in India

| Travel | Real Estate | Fashion | Furniture | Health | Education |
|------------|-------------|---------------|--------------|-------------------------|-------------|
| MakemyTrip | MagicBricks | Jabong | FabFurninsh | Healthkart | EduKart |
| Goibibo | CommonFloor | Myntra | Pepperfry | LensKart | Meritnation |
| Yatra | 99acres | YepMe | Urban Ladder | Portea | Edureka |
| IRCTC | Housing | Zovi | Zansaar | Medical | Toppr |
| Cleartrip | ZRICKS | FashionandYou | InLiving | Indianhealthconsultants | embibe |

V. Challenges in e-commerce:

The growth of ecommerce volumes in India is attracting the attention of players around the globe. India, the second most populous country in the world, is home to 1.2 billion people. To put that number into perspective, consider this: the combined populations of Germany, UK, France, Italy, Netherlands, Belgium, and Greece equal one-fourth the population of India alone! Despite lower per-capita purchasing power, this still makes India one of the most attractive emerging markets for e-commerce. But India is far from being a bed of roses. Here are the top eight challenges that ecommerce businesses face in India.

A. Indian customers return much of the merchandise they purchase online:

E-commerce in India has many first time buyers. This means that they have not yet made up their mind about what to expect from e-commerce websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is delivered, they demonstrate remorse and return the goods. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers. Returns are expensive for ecommerce players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border ecommerce.

B. Cash on delivery is the preferred payment mode:

Low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive.

C. Payment gateways have a high failure rate:

As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. E-commerce companies using Indian payment gateways are losing out on business, as several customers do not reattempt payment after a transaction fails.

D. Internet penetration is low:

Internet penetration in India is still a small fraction of what you would find in several western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are fast disappearing. The day is not far when connectivity issues would not feature in a list of challenges to ecommerce in India.

E. Feature phones still rule the roost:

Though the total number of mobile phone users in India is very high, a significant majority still use feature phones, not smart phones. So, for all practical purposes this consumer group is unable to make ecommerce purchases on the move. Though we are still a couple of years away from the scales tipping in favor of smart phones, the rapid downward spiral in the price of entry-level smart phones is an encouraging sign. I expect that the next few quarters will witness announcements of new smart phones in India at the \$30-40 price point. That should spur growth in smart phone ownership.

F. Postal addresses are not standardized:

If you place an online order in India, you will quite likely get a call from the logistics company to ask you about your exact location. Clearly your address is not enough. This is because there is little standardization in the way postal addresses are written. Last mile issues add to ecommerce logistics problems.

G. Logistics is a problem in thousands of Indian towns:

The logistics challenge in India is not just about the lack of standardization in postal addresses. Given the large size of the country, there are thousands of towns that are not easily accessible. Metropolitan cities and other major urban centers have a fairly robust logistics infrastructure. But since the real charm of the Indian market lies in its large population, absence of seamless access to a significant proportion of prospective customers is a dampener. The problem with logistics is compounded by the fact that cash on delivery is the preferred payment option in India. International logistics providers, private Indian companies, and the government-owned postal services are making a valiant effort to solve the logistics problem. If someone could convert the sheer size of the problem into an opportunity, we might soon hear of a great success story coming out of the Indian logistics industry.

H. Overfunded competitors are driving up cost of customer acquisition:

The vibrancy in the Indian startup ecosystem over the past couple of years has channeled a lot of investment into the ecommerce sector. The long-term prospects for ecommerce companies are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice. However, this trend has reversed as investors are getting worried about slipping further down a slippery slope, and I expect more rational behavior in 2014. While this article focuses on ecommerce challenges in India, an intrinsically one-sided topic, it is important to note that ecommerce giants are increasingly attracted to India. Cross-border ecommerce to India is growing, and many large international players are also making a significant investment in setting up shop in India.

VI. Essential Factors for growth of e-commerce in India:

One of the best ways to secure funds in our current economy is to look into the business of E-Commerce. With the advent of the Internet, merchants were offered a new way of doing business that could yield profits at a lower cost. But much has changed over the past few years and more than ever, online merchants can rapidly build an e-commerce website and expand their online presence. Here are five essential tips for e-commerce merchants to ensure their success and longevity online.

A. Harness the Power of Social Networking Websites:

The social innovation of the Internet that has occurred over the past few years has given merchants an entirely new way to market themselves and connect with prospective customers. Join social networking websites such as Twitter and Face book to establish awareness and generate buzz about your brand. There are also dozens of online marketplaces that allow you to advertise your products - some charge while others are free. Essentially, be in as many online places as possible.

B. Know the Economics of your Business:

Crucial to your success is a sound understanding of the economics of your business and how the costs you incur will affect your bottom line. For example, if you choose to advertise a product on a particular online marketplace, how will that cost affect your profit margins? Understand and manage your finances efficiently in order to ensure profits.

C. Be Transparent:

With the booming rate of online credit card fraud, savvy online shoppers only want to shop with secure, reputable online retailers. Thus, you must be upfront and transparent about your business. Giving insight into you and your business will help build trust with shoppers and lend you an air of authenticity. Offer secure payment processing and comprehensive customer service.

D. Make Customer Service a Priority:

While the customer service are rendered through an online business will obviously differ from that of a brick-and-mortar retailer, it is still an essential component of any successful business. Word of good customer service can spread quickly but the bad seems to travel quicker. Make sure you offer customers a wide range of options (including email support and a valid toll-free number) and make sure all interactions with customers are pleasant and enjoyable.

E. Re-evaluate your Payment Processing:

Make sure you are still getting the most out of your payment processing service without overpaying. This is especially crucial, if you want to expand internationally and support global payments. Speak with a customer service rep, from your provider and make sure your current offerings are still a good fit for your website.

F. Customer convenience:

By providing Cash on delivery payment option service to customers.

G. Replacement guarantee:

Should 30 day replacement guarantee to their customers.

H. Reach:

Enabling mobile-capable sites and supporting M-Commerce services.

I. 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.

J. Multiple payment option:

Standard credit cards, debit cards and bank payments option should be there.

K. Right content:

Getting the right content and targeting customers with crisp and relevant information is of utmost importance to users on the move.

L. Price comparison:

Providers offering instant price comparison are highly popular amongst the price conscious customers.

M. Shipment option:

Low cost shipment should be there. The convenience of collecting orders post work while returning home should be there.

N. Logistical challenges:

In India, the geographical spread throws logistical challenges. The kind of products being offered by providers should determine the logistics planning.

O. Legal challenges:

There should be legal requirement of generating invoices for online transactions.

P. Quick Service:

Timely service provided by the company.

Q. Terms and condition:

Terms and conditions should be clear & realistic.

R. Quality:

The product quality should be same as shown on the portal.

S. Customer care centre:

A dedicated 24/7 customer care centre should be there.

VII. Conclusion:

The concept of e-commerce is all about using the Internet to do business better and faster. It is about giving customers controlled access to your computer systems and letting people serve themselves. It is about committing your company to a serious online effort and integrating your Web site with the heart of your business. India will have 30 to 70 million Internet users which will equal, if not surpass, many of the developed countries. Internet economy will then become more meaningful in India. With the rapid expansion of internet, E-commerce, is set to play a very important role in the 21st century, the new opportunities that will be thrown open will be accessible to both large corporations and small companies. The role of government is to provide a legal framework for E-Commerce so that while domestic and international trade are allowed to expand their horizons, basic rights such as privacy, intellectual property, prevention of fraud, consumer protection etc are all taken care of. We found various types of opportunities for retailers, wholesalers/distributors, producers and also for people. Retailers meet electronic orders and should be in touch with the consumers all the time. Wholesalers can take advantage through E-Commerce of those who are capable of establishing contracts with reputed producers and link their business with

the on- line. Producers can also link themselves with on-line, by giving better information about their products to the other links in the business chain and by a having a brand identity. As more people are getting linked through E-commerce, the demand for centers providing internet facility or cyber cafe is also increasing. Hence, the people who wish to take advantage of it can establish cyber network and have their benefits. People could found various opportunities of employment. On the behalf of above mentioned reports and experts views showed that the future of e-commerce in India would be bright in the upcoming years, if all essential factors would be implemented.

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