

# Emerging Trend of E-Commerce in India: Some Issues Advantages and Challenges

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**Abstract-** Since 1991, after economic reforms explicitly took place in India as a result of opening-up of the economy with a view to integrate itself with the global economy, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India's trade and fiscal policies. Electronic commerce (e-commerce) as part of the information technology revolution became widely used in the world trade in general and Indian economy in particular. With advancements in technology, there have been changes in the methodology for business transactions. India, being a rapid adaptor of technology is apace with the current scenario of electronic data exchanges and has taken to e-commerce.

The role of government should be 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. In 2015 our Prime Minister Mr. Narendra Modi has been also innovate the idea of "DIGITAL INDIA".

**Index Terms-** E-commerce, India, internet, online

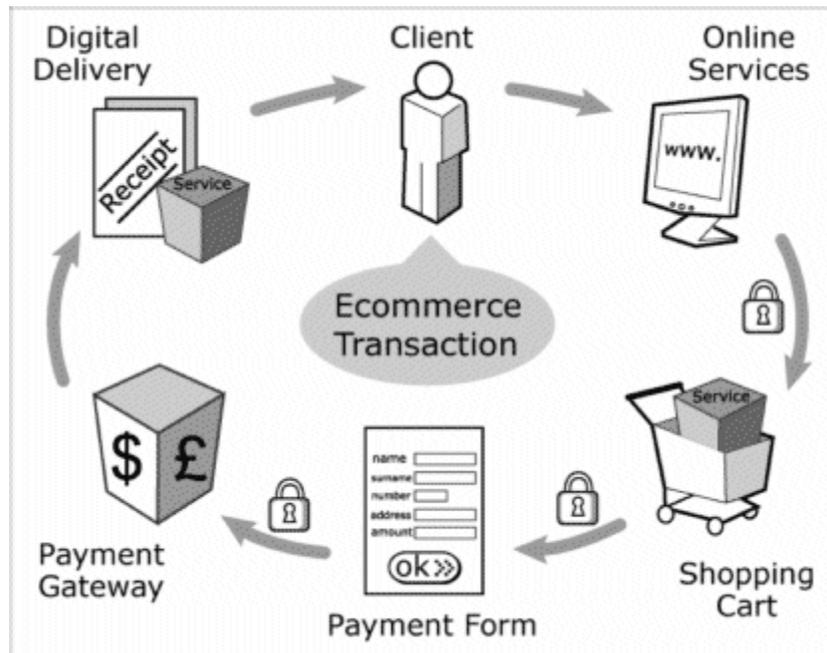
## I. INTRODUCTION

Electronic commerce is presently an indispensable ingredient of India's trade facilitation policy. Since 1991, after economic reforms explicitly took place in India as a result of opening of the economy with a view to integrate itself with the global economy, the need to facilitate international trade both through policy and procedure reforms has become the foundation stone of India's trade and fiscal policies. Resultantly, last few years have witnessed a technological revolution accompanied by the wide spread use of the Internet, web technologies and their applications. Electronic commerce (e-commerce) as part of the information technology revolution became widely used in the world trade in general and Indian economy in particular. As a symbol of globalization, e-commerce represents the cutting edge of success in this digital age and it has changed and is still changing the way business is conducted around the world. The commercialization of the Internet has driven electronic commerce to become one of the most capable channels for inter-organizational business processes.

Although business-to-business transactions play an important part in e-commerce market, a share of e-commerce revenues in rapidly developing countries like India is generated from business to consumer transactions. E-commerce provides

multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves 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 (including airlines, bus, railways), bill payments, hotel booking etc. have been of tremendous benefit for the customers. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow. E-commerce evolved in various means of relationship within the business processes. It can be in the form of electronic advertising, electronic payment system, electronic marketing, electronic customer support service and electronic order and delivery.

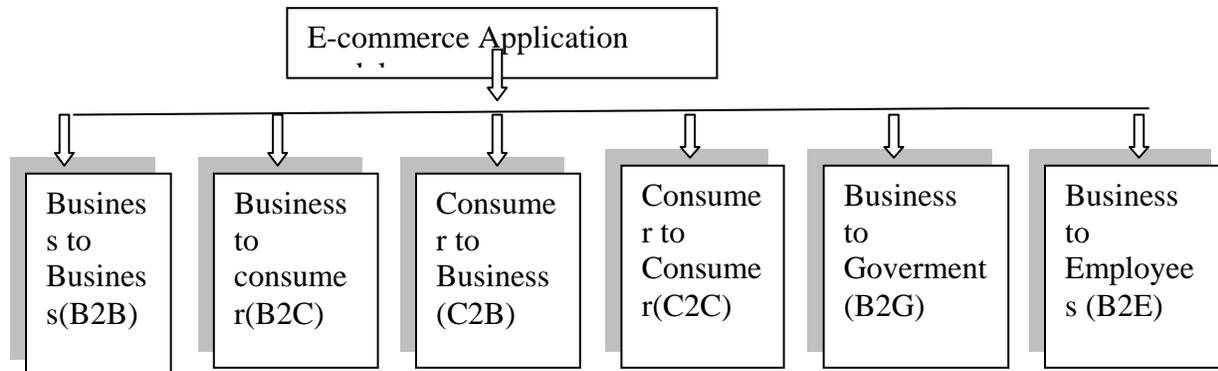
E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium, i.e. the Internet or phone. On the Internet, it pertains to a website, which sells products or services directly from the site using a shopping cart or shopping basket system and allows credit card payments. It involves conducting business with the help of the electronic media, making use of the information technology such as Electronic Data Interchange (EDI). In general connotation, E-Commerce involves paperless transactions and usage of EDI (Electronic Data Interchange), electronic mail, bulletin boards, fax transmissions, and electronic fund transfers. It refers to the process of trading goods and services through an electronic medium such as the internet. With advancements in technology, there have been changes in the methodology for business transactions. India, being a rapid adaptor of technology is apace with the current scenario of electronic data exchanges and has taken to e-Commerce. E-commerce is being used for purchase and sale of multiple products and there are multiple players using various portals and websites for this purpose. The information technology industry might observe it as an electronic business application aimed at commercial transactions. It can involve electronic funds transfer, supply chain management, e-marketing, online marketing, online transaction processing, electronic data interchange (EDI), automated inventory management systems, and automated data collection systems. It typically uses electronic communications technology such as the Internet, extranets, e-mail, e-books, databases, and mobile phones. However, there exists no standard definition for the term and different organizations have defined it in different manner. E-commerce is understood to mean the production, distribution, marketing, sale or delivery of goods and services by electronic means. E-commerce is not a single technology but a combination of sophisticated technologies.



We can visualize the E-commerce from above diagram easily.

II. DISTINCT CATEGORIES OF E-COMMERCE OR E-COMMERCE MODELS:

There are distinct classes of e-commerce applications:



**A. Business to Business(B2B) e-commerce**

B2B refers to the exchange of services, information and/or products from one business to another. B2B transactions are largely between industrial manufacturers, partners, and retailers or between companies. Business-to-Business refers to the full spectrum of e-commerce that can occur between two organizations. Among other activities, B2B e-commerce includes purchasing and procurement, supplier management, inventory management, channel management, sales activities, payment management, and service and support.

**Example:** Intel is selling its chips to computer manufacturer online using B2B website.

B2C transactions take place directly between business establishments and consumers. Although business-to-business transactions play an important part in e-commerce market, a share of e-commerce revenues in developing countries like India is generated from business to consumer transactions. Business-to-Consumer e-commerce refers to exchanges between businesses and consumers, e.g., Amazon.com, Yahoo.com and flipcart.com etc. These are the most common and popular types of e-commerce applications. There are two types of B2C e-commerce sites:

1. Social Sites
2. Transactional sites

**B. Business to Consumer(B2C) e-commerce:**

**C. Consumer to Business(C2B)e-commerce:**

In this type of E-commerce applications, consumers provide information about required work so that needy companies may contact to provide these services. This model is also known as a reverse auction model. Consumers can band together to form and present themselves as a buyer group to businesses in a consumer-to-business relationship.

#### **D. Consumer to Consumer(C2C)e-commerce:**

C2C sites don't form a very high portion of web-based commerce. Most visible examples are the auction sites. Basically, if some one has something to sell, then he gets it listed at an auction sites and others can bid for it. Consumer-to-Consumer exchanges involve transactions between and among consumers. These exchanges may or may not include third-party involvement as in the case of the auction-exchange eBay. Other activities include: jobs (www.monster.com), Web-based communication (www.icq.com), personal services (e.g., Yahoo! Personals, webpersonals.com) and olx.com etc.

#### **E. Business to Government(B2G)e-commerce:**

B2G e-commerce, also known as e-government refers to the use of information and communication technologies to build and strengthen relationship between government and employees, citizens, businesses, non-profit organizations and other government agencies.

#### **F. Business to Employees(B2E)e-commerce:**

B2E e-commerce, from an intra-organizational perspective, has provided the means for a business to offer online products and services to its employees and these also known as intranet applications.

### **III. ADVANTAGES OF E-COMMERCE TO BUSINESSES IN INDIA**

There is a rising awareness among the business community in India about the opportunities offered by e-commerce. Ease of Internet access and navigation are the critical factors that will result in rapid adoption of Net commerce. Safe and secure payment modes are crucial also along with the need to invent and popularize innovations such as Mobile Commerce. India Reports provides accurate and easy to understand India specific reports that capture trends, map business landscapes and custom-made reports for specific needs.

#### **Global Trade :**

E-commerce is one of the major factors in the globalization of business. Other factors include decreases in trade barriers, globalization of capital markets, the movement toward International Financial Reporting Standards (IFRS), and Internet financial reporting. Internet financial reporting has been particularly helpful to e-commerce companies. IFRS is a global standard for accounting and financial reporting.

#### **Virtual Businesses:**

As a result of e-commerce, business firms now have the ability to become virtual businesses. A virtual business is a modular structure of multiple individual business firms connected via online computer technology. The individual firms making up the virtual business are networked, which enables

sharing of skills, costs, and access to markets. An individual business firm contributes only its core competencies. The value of a virtual business is that they have the flexibility required to seize new opportunities and be competitive in a complex market.

#### **Lower search costs:**

The Internet is likely to bring about low search costs and high price transparency. When competitors simply publish their prices on the Internet, it is possible to design search engines that will monitor prices across different websites, and this will be further facilitated by the growth of protocols such as XML. Such price transparency may facilitate collusion. Internet technology could potentially offer an ideal micro-climate for collusion, due to increased communication and transparency in the market, as well as the potential for more frequent market interactions. In particular, collusion concerns may arise with respect to market design and ownership within both online marketplaces and joint Internet sales ventures.

#### **Other benefits of e commerce are as follows:**

- Instant Transaction for business
- Better interaction with consumer.
- It is very reliable network.
- Services can be setup any where.

### **IV. BARRIERS TO E-COMMERCE IN INDIA**

Some of the infrastructural barriers responsible for slow growth of e-Commerce in India are as follows. Some of these even present new business opportunities.

**i). Payment Collection:** When get paid by net banking, one has to end up giving a significant share of revenue even with a business of thin margin. This effectively means one parting away with almost half of profits. Fraudulent charges, charge backs etc. all become merchant's responsibility and hence to be accounted for in the business model.

**ii). Logistics:** Businesses have to deliver the product, safe and secure, in the hands of the right guy in right time frame. Regular post doesn't offer an acceptable service level; couriers have high charges and limited reach. Initially, one might had to take insurance for high value shipped articles increasing the cost.

**iii). Vendor Management:** However advanced system may be, vendor will have to come down and deal in an inefficient system for inventory management. This will slow down drastically. Most of them won't carry any digital data for their products. No nice looking photographs, no digital data sheet, no mechanism to check for daily prices, availability to keep your site updated.

**iv). Taxation:** Octroi, entry tax, VAT and lots of state specific forms which accompany them. This can be confusing at times with lots of exceptions and special rules.

**v). Excessive pricing in e-commerce markets:** Over the short term, excessive pricing is unlikely to be a major issue for e-commerce companies. Few e-commerce operations are currently making any profits, let alone excessive profits. Over the longer term, however, excessive pricing may become a serious concern for those e-commerce companies that develop dominant positions in their relevant markets.

**vi). Collusion:** One of the most widely held competition concerns relating to e-commerce is that it may facilitate such collusive behavior. Much of the recent discussion of this issue has focussed on the development of B2B online marketplaces that are co-owned by a number of significant market participants. More generally, there are a number of characteristics of e-commerce that might be expected to facilitate collusion, even in the absence of joint ventures and online marketplaces.

**vii).Cyber crime in E-Commerce:** Cyber crime is a key alarm that consumers have regarding e-commerce. No one wants to become a victim of cyber crime, which is a real hazard to e-commerce. Cyber crime is an e-crime. Cyber crime is a criminal act that involves computers and networks. Cyber crime includes criminal acts such as computer viruses, phishing, and denial of service attacks that cause e-commerce websites to lose revenues. Understanding and defending against cyber crime is critical for companies involved in e-commerce.

**The following are some pathways to enhance “Online Customers” in India:**

- Goods should have value for the customer along with quality.
- Security is promised.
- Selling Brand articles.
- Establishing trust and winning confidence.
- Providing easy guidance.
- Clear information regarding delivery time.
- Articles ordered and the article delivered should not vary.
- Giving discount offer and other gift items.
- Limited personal information.
- Providing value added service at lower prices.
- Full information regarding the product in simple words.
- Innovative products.
- Social shopping phenomenon.
- Providing price comparison.
- Transparent information regarding the product.

- Indian customers want to buy things that do not cost them much

**V. CONCLUSION**

The bursting of the dotcom bubble has made several companies apprehend that doing business on the Internet is not as easy as it sounds. Undoubtedly, the power of the Internet to reach any part of the world holds terrific potential for enhancing international trade and boosting global economy. However, just as every coin has a flip side; it has been observed that doing business on the Internet also has risks and legal issues associated with it. The rapid pace of e-commerce development has generally left the legal system struggling to keep up and gasping for breath. In much the same way as companies doing e-commerce must invent new business procedures and rules, the legal system is trying to adapt existing laws to fit new settings where it is simply unclear how these laws will apply. In the midst of this legal turmoil, India is one of the few countries across the globe that has enacted an e-commerce legislation. However, much more is needed to effectively regulate the tangled web. Effective risk management strategies coupled with adequate legal documentation will go a long way in protecting e-commerce companies. Although the Internet is a goldmine, without adequate legal protection, it could become a landmine. Nevertheless, 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 should be 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.

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