

E-Commerce Services in India: Prospects and Problems

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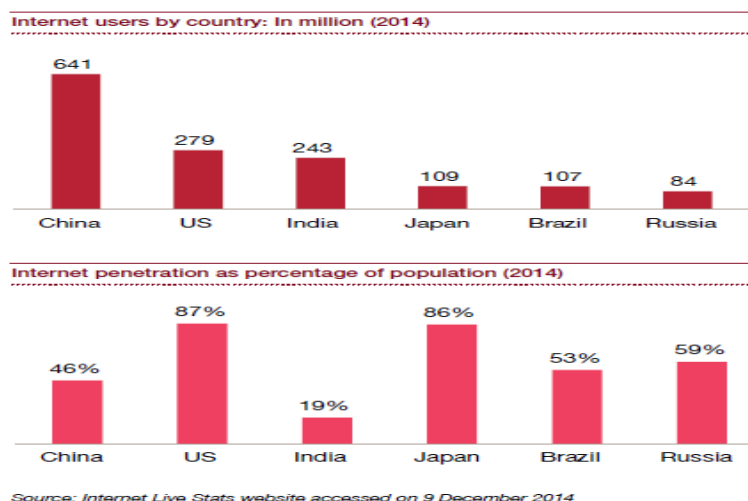
Abstract

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. E-commerce stands for electronic commerce and pertains to trading in goods and services through the electronic medium. India is showing tremendous growth in the Ecommerce. The low cost of the PC and the growing use of the Internet is one of reasons for that. There is a growing awareness among the business community in India about the opportunities offered by e-commerce. Textile Industry is second largest industry in the country contributing 14% to GDP. E-commerce and electronic applications in automation has brought in tremendous growth in India. E-commerce is connecting rural India for the business hence develop village economy. The future does look very bright for e-commerce in India. India is showing tremendous growth in the E-business. India has an internet user base of over 100 million users. The penetration of e-business is low compared to markets like the US and the UK but is growing at a much faster rate with a large number of new entrants. India is yet to witness a breakthrough E-commerce success story particularly in online retail. E-commerce creates new opportunities for business; it also creates new opportunities for education and academics line. It raises key challenges that are being faced by consumers relating to e-commerce viz., Ethical issues, Perceptions of risk in e-service encounters, challenges for e-business education and legal system. The new Innovative Technologies in Electronic and IT applications is backbone of the Industry development. This can happen only when E-commerce supplements and complements development of the Engineering Industry and large-scale Quality manufacturing happens in India. India needs to promote E-commerce business to develop rural India by developing effective communication to map value of the goods produced and make available goods and services at low cost to the consumers. Textile garment Industry has got tremendous support by E-commerce by online web portal but consumer needs to be taken into confidence by educational program in rural India

Key Words: Electronic, services, ethical issues, perceptions, legal system

Introduction

Over last few decades the popularity of e-commerce has tremendously increased due to its quick and convenient way of exchanging goods and regional and global services. India will be booming ground for e-commerce business models; the country already reported 12% growth in e-commerce retail business year in 2010-2011. The present study is conceptual survey with exploratory cum descriptive nature. It attempts to explain the concept of e-commerce, business models for e-commerce, differences between traditional commerce and electronic commerce, merits and limitations of e-commerce, various trends in e-commerce and challenges before e-commerce. It concludes that e-commerce offers several benefits to the various stakeholders. However, at present juncture it has several limitations, legal and technical barriers in the development of e-commerce in India which could fade away in years to come. Hence we should equip ourselves to give warm welcome to e-commerce which is an obvious outcome of globalization and technological revolution around the globe.



In its simplest form e-commerce is the buying and selling of products and services by businesses and consumers over the Internet. Internet sales are increasing rapidly as consumers take advantage of lower prices offer by wholesalers retailing their products. This trend is set to strengthen as web sites address consumer security and privacy concerns. Since last decade the popularity of e-commerce is tremendously increased due to quick and convenient way of exchanging goods and services both regionally and globally. Now-a-days it has become the virtual main street of the world. Today, e-commerce has grown into a huge industry. The total value of E-commerce activities within India has exceeded Rs 5.7 billion during 2004-05, according to a research conducted by Internet & Online Association of India. The objectives of this paper are to study the current position of E-business in India, to analyse the future of electronic Business in India and to study the challenges faced by E-Business players in India. The present study is conceptual survey with exploratory cum descriptive in nature. It is based on the analysis of secondary data. The secondary data is availed from various journals, internet, and books.

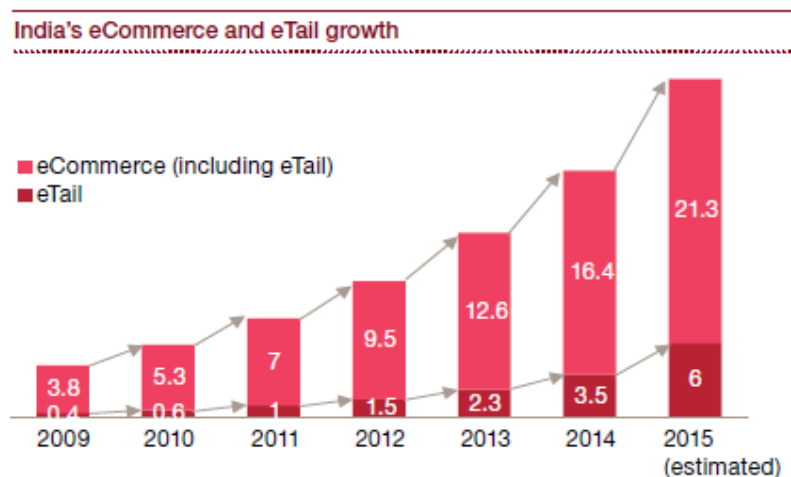
Meaning of E-Commerce

“E-Commerce deals with the buying and selling of information, products and services through computer networks.”

“E-Commerce can also be defined as a new way of conducting managing and executing business transactions using computer and telecommunication networks.”

“E-Commerce is a concept covering any form of business transactions or information exchange executed using information and communication technology between companies and public administration.”

In simple words, E-commerce just means taking things that your company is already doing in person, through the mail, or over the telephone, and doing those things in a new place on the Internet. It also refers to all forms of business activities conducted across the Internet. This can be e-tailing, B2B, intranets and extranets, online advertising, and simply online presences of any form that are used for some type of communication (e.g. customer service). Currently, more than 30.2% of the world has an access to the internet, and hence e-commerce. Reduced internet surfing charges, internet technology development covering expanded bandwidth, and increased speeds and reliability has made e-commerce available to a large pool of emerging market consumers. India's



Source: IAMAI, CRISIL, Gartner, PwC analysis and industry experts

Literature Review

India has an internet user base of about 137 million as of June 2012. The access of e-business is low as compared to markets like the United States and the United Kingdom but is growing at a much faster rate with a large number of new entrants. Cash on delivery is a unique thing to India and is a preferred payment method. India has a vibrant cash economy as a result of which around 80% of Indian e-business tends to be Cash on Delivery. E-business in India is still in burgeoning stage but it offers extensive opportunity in developing countries like India. Highly intense urban areas with very high literacy rates, huge rural population with fast increasing literacy rate, a rapidly growing 14 Bhavya Malhotra internet user base, technology advancement and adoption and such other factors make India a dream destination for e-business players. Moreover, squat cost of personal computers, an emergent installed base for Internet use and a progressively more competitive Internet Service Provider (ISP) market has added fuel to the fire in augmenting e-commerce growth in Asia's second most populous nation. India's e business

industry is on the growth curve and experiencing a surge in growth. The Online Travel Industry is the biggest segment in e business and is flourishing largely due to the Internet-savvy urban population. The other segments, categorized under online non-travel industry, include e-Tailing (online retail), online classifieds and Digital Downloads (still in a blossoming stage). The online travel industry has some private companies such as Makemytrip, Cleartrip and Yatra as well as a strong government presence in terms of IRCTC, which is a successful Indian Railways initiative. The online classifieds segment is broadly divided into three sectors; Jobs, Matrimonial and Real Estate. A description by the Internet and Mobile Association of India has exposed that India's e-business market is mounting at an average rate of 70 percent annually and has grown over 500 percent since 2007. The current estimate of US\$ 6.79 billion for year 2010 is way ahead of the market size in the year 2007 at \$1.75 billion.

Factors Influencing the Distribution and Forms of Global E-Commerce

Table 01 : Factors influencing the distribution and forms of Global e-commerce

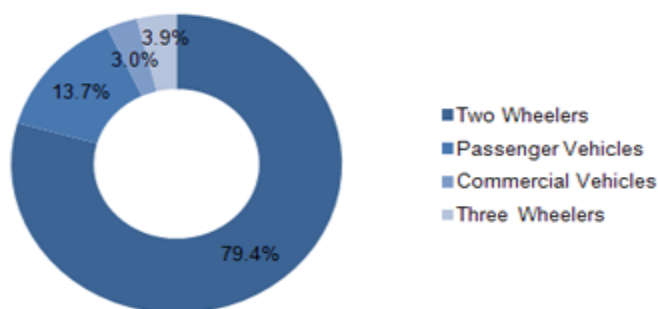
Stage	Economic and infra structure related factors	Socio cultural factors	Political legal factors	Supranational institutions
Internet adoption	Per capita GDP	Literacy rate and computer skill	The internet's democratic nature incompatible with authoritarian political	UNDP-introduction of the internet in many countries.
	Availability of telephone and computer	English language skill	structures	GATS-competition in telecom sectors
	Pricing structure	Viewed as a tool of cultural imperialism in some	Tariff and non tariff barriers to ICT products	ITA- reducing the price of ICT products.
Buying/selling online	Availability of credit	Intellectual property protection	Redress mechanisms in case of problems in online transactions	UNCITRAL model law
Advertising and searching phase	Operating speed of computer and modern size	Influence of language and symbols used on site visited and purchase decision	Ban on some website in authoritarian regimes	Products can be advertised and searched globally on GTPN of UNCTAD
Payment phase	Penetration rate of credit cards	Forms of payment: check, wire transfer, cash on delivery etc.	Governments' concern on the outflow of foreign currency.	UNCTAD smart card
Delivery phase	Delivery means and infrastructure	Products stolen some countries	Tariff and non- tariff barriers	Electronic delivery free of custom duties in WTO member

State of E-Commerce in India

Today E-commerce is a synonym for Indian society and is considered an essential part of our day to day life. Various web sites provide end number of goods and services. Additionally there are those that provide a specific product, together with its allied services Multi-product e-Trade- These e-commerce portals in India provide goods and services in various grouping. Listing just a few, apparels and accessories for man and women, wellbeing and magnificence products, computers and peripherals, vehicles, software, books and magazines, consumer electronics, appliances, jewelry, audio / video, entertainment, goods, articles gift, Real-estate and services from a single product of e-commerce portals Some Indian agreement / websites in a specialized field, such as:

1. Automobiles – These sites provides you an option of buying and selling your products by uploading and sell four wheelers and two wheelers, new and used vehicles, online. Some of the services offered are: car research and reviews, online assessment, technical specifications, vehicle insurance, vehicle financing.

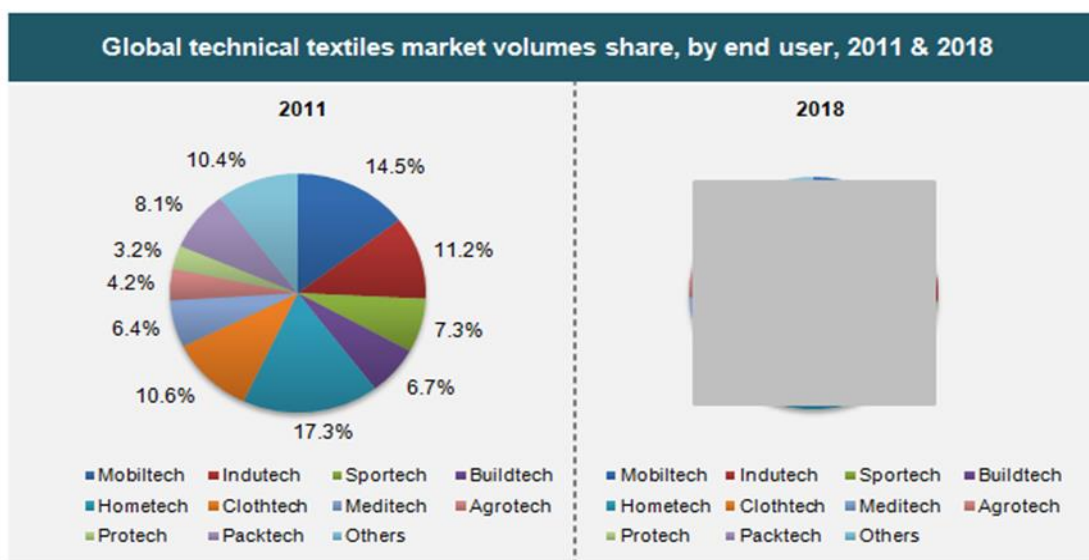
Market share by volume (FY15)



Source: SIAM, TechSci Research

2. Textile –Textiles Industry is second largest in India next to agriculture contribute to 14 % share of the exports and contribute 4 % of the GDP. An opportunity for Textile Industry to grow is immense. Government of India is Promoting Textile Industry modernization by TUFF scheme. New Technical Textiles Industry is likely to develop business from 3billion to 20 billion dollar.

To support farming agrotech Textiles is helping improvement in performance and productivity in agriculture. Present 130 Billion dollar business to 160 US Billion Dollar. Major Markets are India and China and opportunity for Indian youth who can create and develop new market by using e-commerce.



Source: Techtextil, European Association for Textile Polyolefins, United States Industrial Fabrics Institute, International Geosynthetics Society, American Filtration & Separations Society, Synthetic Yarn and Fiber Association, Primary Interviews, Transparency Market Research

3. Stocks and shares and E-trade- In India today, through e – commerce you can even cope in with equity. Following are the services offered to registered users: Online purchase / market analysis and do research, sale of stocks and shares, company information, comparing companies, Research on Equity and mutual funds.

4. Properties and E trade- provide information on new properties and resale properties. With the developer and consultant one can directly deal. Additional Services: Insurance companies, NRI, Packers and Movers services, Housing Finance, architects and interior designers.

5. Lifestyle and E-trade-India with a prosperous background has a sound heritage of electronic commerce and is instrumental, largely in selling India itself being product, cheering Indians and foreign person for its multifaceted culture and beauty. Tourist sites are classified according to topics such as: Adventure - trekking, mountaineering, etc., Eco-Themes belongs to forests, flora and fauna.

6. Gifts and E-trade- In recent days, had to plan what to gift to a loved one, trudging through your favorite store, and browse for hours before buying a gift. The gifts are classified as: Collectibles such as paintings and sculptures,

luxury items such as, household curios and carpets, jewellery boxes, leather goods, perfumes, etc., flowers, toys and games, chocolates, woodwork and metal -art.

7. Hobbies and E-Commerce- The most popular pastimes since time immemorial are reading, music and cinema. The books cover a wide range of topics such as business, art, cooking, Engineering, Stories for Children, Health, Medicine, Biographies, Horror, Home & Garden, etc.

8. Marriage and E- Commerce- In the world of e-commerce that are made about marriage portals .One can find a suitable partner on their websites by region of dwelling (India or a foreign country), creed or social group. Related services for registered users: Health and Beauty, Fashion and Style, Information on traditions and ceremony, legal issues, Wedding Planners, Astrological Services.

9. Employment and E-trade- Two major portals like www.naukri.com and www.monsterindia.com are active in approaching clients with appropriate jobs the click of a mouse. The service is free to job seekers and employers who charge a nominal fee.

Future of E-Commerce in India

India is developing rapidly and if development is to be measured, how can we ignore the role of e commerce in it. The internet user base in India might still be a mere 100 million which is much less when compared to its penetration in the US or UK but it's surely expanding at an alarming rate. The number of new entrants in this sphere is escalating daily and with growth rate reaching its zenith it can be presumed that in years to come, customary retailers will feel the need to switch to online business. Insights into increasing demand for broadband services, rising standards of living, availability of wider product ranges, reduced prices and busy lifestyles reveal this fact more prominently thereby giving way to online deals on gift vouchers. Going by the statistics, the E commerce market in India was worth about \$2.5 billion in 2009. It rose to \$8.5 billion by 2011 thus depicting a definite surge in the last two years. According to a statement released by the Internet and Mobile Association of India (IAMAI), these figures would reach up to \$12 billion by 2012! To understand this scenario, we can divide E-commerce into three broad categories which include physical services, physical goods and virtual goods. Another category that is gradually making its mark is the local commerce (couponing, yellow pages, classifieds etc.) which offers significant overlaps with E-commerce. The 1st category of physical services is definitely the major contributor which includes travel ticketing, jobs, matrimonial and event management websites with travel sites accounting for 75% of all E-commerce industries! It provides attractive deals too. The 2nd category of physical goods is the one currently gaining considerable attention, thanks to the hype created by new startups/stores being launched daily. Leaders in this division are Flipkart, Infibeam, Homeshop18, Indiatimes, Naaptol, Letsbuy etc. each of which offers everything from mobile phones to pet food. The 3rd and final category of virtual goods and gift vouchers like online music, software's, movies, games, Taj Hotel gift vouchers, Reebok gift vouchers, Pizza Hut gift vouchers etc. have been relatively lagging behind in India as compared to Europe and America, primarily due to piracy concerns and the social perspective of Indians. But the scenario is expected to change with the digital downloads segment expected to grow in the Indian E-commerce market due to the explosion of mobile devices and the services available over the Internet at special discounts. Certain unique attributes of the E-commerce industry in India such as cash on delivery mode of payment and direct imports that lower costs considerably are probably going to bring about a speedy growth in this industry in years to come. According to the latest research by Forrester, a leading global research and advisory firm, 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. The report, titled "Asia Pacific Online Retail Forecast, 2011 To 2016," has been issued by Forrester Research Inc. Analyst Zia Daniell Wigder, with Steven Noble, Vikram Sehgal and Lily Varon.

Country	Sales in \$ Billion	
	2012	2016
India	1.6	8.8
Australia	23.2	35.4
Japan	63.9	97.6
China	169.4	356.1

Source: Forrester

A new report by the Boston Consulting Group says online retail in India could be a \$84-billion industry by 2016 — more than 10 times its worth in 2010 — and will account for 4.5 per cent of total retail. The e-commerce platforms maximize its reach to the potential customers and provide them with a convenient, satisfying & secure shopping experience.

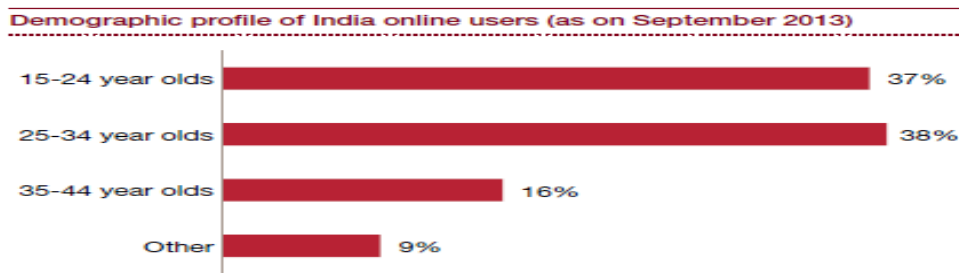
Top 20 PE deals in the eCommerce sector in 2014

Date	Company	Amount (million USD)	Key Investors
Jul-14	Flipkart	1,000	Morgan Stanley, GIC, Tiger Global, Accel India, Iconiq Capital, DST Global
Dec-14	Flipkart	700	Tiger Global, Iconiq Capital, DST Global, Steadview, Qatar Investment Authority
Oct-14	Snapdeal.com	637	Temasek, PremjiInvest, SoftBank Corp
May-14	Flipkart	210	Tiger Global, Iconiq Capital, DST Global
Oct-14	Olacabs	210	Tiger Global, Matrix Partners India, SoftBank Corp, Steadview
Feb-14	Snapdeal.com	134	Kalaari Capital, Intel Capital, Nexus Ventures, Bessemer, Saama Capital
May-14	Snapdeal.com	100	Temasek, PremjiInvest
Nov-14	Housing.com	90	Helion Ventures, Nexus Ventures, Qualcomm Ventures, SoftBank Corp, DST Global, Falcon Edge Capital
Mar-14	Quikr	90	Warburg Pincus, Norwest, Matrix Partners India, Nokia Growth Partners, Omidyar Network, Kinnevik
Sep-14	Quikr	60	Warburg Pincus, Norwest, Tiger Global, Matrix Partners India, Nokia Growth Partners, Omidyar Network, Kinnevik
Nov-14	Zomato Media	60	Sequoia Capital India, Vy Capital
Feb-14	Myntra	50	Kalaari Capital, Tiger Global, IDG Ventures India, Accel India, PremjiInvest
Aug-14	Snapdeal.com	50	Ratan Tata
Jul-14	Olacabs	41.6	Sequoia Capital India, Tiger Global, Matrix Partners India, Steadview
Nov-14	Proptiger Realty	37	SAIF, Accel India, Horizon Ventures
Sep-14	Freecharge.in	33	Sequoia Capital India, Ru-Net Holdings
Sep-14	BigBasket	32.7	Helion Ventures, Ascent Capital, Zodius Capital, Lionrock Capital
Jun-14	Amazon.com India	30	Catamaran Ventures
Oct-14	CarTrade.com	30	Warburg Pincus, Tiger Global, Canaan Partners
Sep-14	CommonFloor	30	Tiger Global

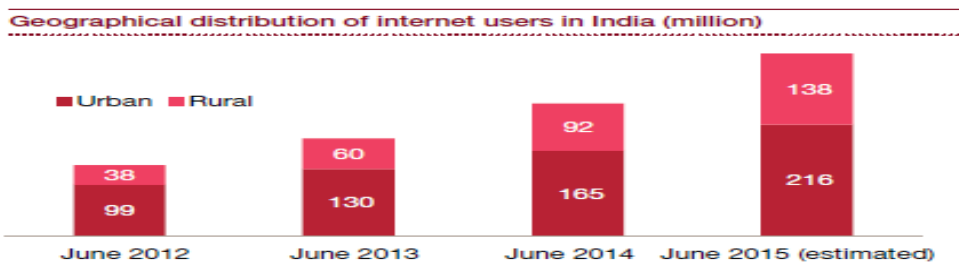
Source: Venture Intelligence

Apparently, more online users in India are willing to make purchases through the Internet. Overall e-commerce industry is on the edge to experience a high growth in the next couple of years. The e-commerce market in India was largely dominated by the online travel industry with 80% market share while electronic retail (E-Tailing) held second place with 6.48% market share. E-Tailing and digital downloads are expected to grow at a faster rate, while online travel will continue to rule the major proportion of market share. Due to increased ecommerce initiatives and awareness by brands, e-Tailing has experienced decent growth. According to the Indian Ecommerce Report released by Internet and Mobile Association of India (IAMAI) and IMRB International, “The total online transactions in India was Rs. 7080 crores (approx \$1.75 billion) in the year 2006-2007 and it was grown by 30% to touch Rs. 9210 crores (approx \$2.15 billion) by the year 2007-2008. India's e-commerce market was worth about \$2.5 billion in 2009, it went up to \$6.3 billion in 2011 and to \$14 billion in 2012. About 75% of this is travel related (airline tickets, railway tickets, hotel bookings, online mobile recharge etc.). Online Retailing comprises about 12.5% (\$300 Million as of 2009). India has close to 10 million online shoppers and is growing at an estimated 30% CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales. As per "India Goes Digital", a report by Avendus Capital, a leading Indian Investment Bank specializing in digital media and technology sector, the Indian ecommerce market was 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 is expected to reach Rs 54,800 Crore (\$12.2 billion) in size by 2015. Indian e-tailing industry is estimated to grow to Rs 53,000 Crore (\$11.8 billion) in 2015.



Source: Statista website accessed on 9 Dec 2014



Source: IAMAI-IMRB

Conclusion

The e-commerce market in India has grown by 34 percent in the last seven years, was about USD 600 million in 2011-12 and is expected to touch USD 9 billion by 2016 and USD 70 billion by 2020. According to Forrester, the Indian e-commerce market is expected to grow at a CAGR of over 57 percent between 2012 and 2016, which is the fastest within Asia-Pacific region. The key factors that are driving this growth are the rise of Internet usage (growing at 20 percent) & 3G penetration, and increasing smartphone users with availability of Internet on mobile phones. It is estimated that currently there are 27 million mobile Internet users in India out of which 4 percent are buying products on mobile. On account of increasing awareness among consumers about product quality, change in consumer attitude and shopping habits, India's e-commerce market is expected to grow at a burgeoning rate through 2020. Rising number of high speed internet users is encouraging businesses to innovate and offer a diversified array of products & services online. Over the last few years, with significant improvements in the payment structure in e-commerce market, consumers in India are gradually shifting towards online space and are shedding their belief of online shopping medium being unsafe. Consumer electronics, online travel and apparel & accessories are the market segments exhibiting promising growth. With the option of same day delivery, online groceries stores are also entering into the country's online space. According to recently released TechSci Research report "[India E-commerce Market Forecast & Opportunities, 2020](#)", the country's e-commerce market is forecast to grow at a CAGR of over 36% during 2015 - 2020, on account of expanding smartphone user base, huge discounts and offers extended to customers by the e-commerce companies, increasing per capita disposable income and growing youth population. India's e-commerce market is dominated by e-services segment, on account of booming online travel market, which is emerging as the most preferred medium for planning holidays, making hotel bookings and buying tickets for travel by various modes including air, bus and rail. "India's workforce majorly comprises of young consumers who have less time for going out and shopping at regular brick and mortar stores. Such a scenario creates humongous potential for online shopping in a market as huge as India. Moreover, great offers and discounts by the leading e-commerce players further increase consumer interest towards the products." said Mr. Karan Chechi, Research Director with [TechSci Research](#), a research based global management consulting firm. Application of electronic Gadgets and IT I large scale manufacturing is need of the hour and e-commerce can help boost quality manufacturing.

Books:

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