

E-Commerce: Its Future Prospects in India

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ABSTRACT

E-Commerce can be said as one of the business options that one will have to explore in the future. E-commerce brings about paradigm shift in the world of trading. Prediction shows that e-commerce is showing a tremendous growth in our country. The Indian e-commerce has seen an impressive growth in the last few years as there has been increased number of online users and also mobile phone presentation. Also, considering the fact India's demographic dividend and increasing internet accessibility, this sector is slated to rise greater heights.

Although, India's overall retail opportunity is substantial, this sector is beset with some challenges also.

The present study has been done to state the present scenario as well as future growth of electronic commerce in India and also analyzing the present trends of electronic commerce in India, and examining the challenges and opportunities associated with electronic commerce in India.

1. Introduction

E-Commerce or electronic commerce comprises the main business processes of buying and selling the goods and services as well as information over the internet. E-commerce refers to the wide range of online business activities for goods and services. E-commerce means the use of electronic as a medium of communication and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between individuals and organizations.

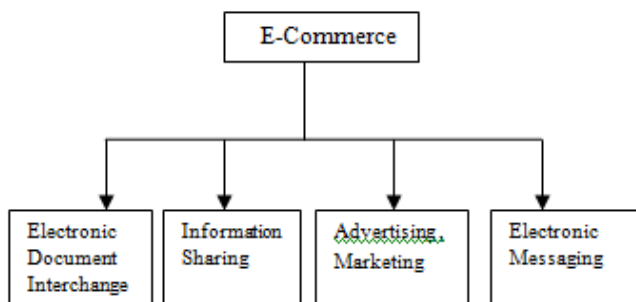


Fig.1. E-Commerce workflow diagram

Electronic Commerce gives a platform through which retailer's sale their products and services as well as advertises their products and share information on the internet using information technology like Electronic Data Interchange (EDI) by which more and more customers or clients can get attracted to it. E-commerce is related to the website of vendors, who sells products and services directly to the customers from their portal using digital shopping cart, E-mail is one example of how people collaborate to exchange information and work on solution. In today's scenario E-commerce is a said to be the spine of Indian economy and it has become internal part of our society life. The first electronic commerce site in India was rediff.com.

Electronic Commerce allows payment through different payment mode like credit card, debit card, use of different

payment applications like paytm, google pay, phonepe etc. Electronic commerce provides different benefits to their customers in form of availability of products and services at lower cost, wider choice and saves time.

2. Objectives of the Study

The objectives of this paper have been given as below.

- 1) To study about the concept of Electronic commerce.
- 2) To study about the India's prospects in Electronic commerce.
- 3) To study about the different challenges and problems faced by electronic commerce in India.

3. Present Trends of E-Commerce in India

As we know India is a developing country and it is developing rapidly and if development is to be measured, how can we ignore the role of electronic commerce in it? The user base of internet in India might be still 100 million which is much less when compared to its penetration in the USA 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. Insight 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 gifts vouchers. If we go through the statistics, released by the Internet and Mobile Association of India (IAMA), the electronic commerce market was expected to touch Rupees 46,520 crore turnover marks in 2011.

The growth in e-commerce business clearly implies the growing number of internet users. The online purchases are limited to certain categories like gaming subscription, food delivery, online classifieds, buying movie tickets, travel related purchases and electronics items etc. The growth in e-commerce industry is mainly driven by online travel industry

which has contributed 80 percent (Rupees 25,298 crore) in 2010 and expected to touch 81 percent (Rupees 37,890 crore) in 2011 of total e-commerce market and is building user confidence. The online travel industry includes sale of domestic air travel, international travel, hotel bookings, railway tickets, tour packages, bus tickets, and travel insurance etc.

4. India's Prospects in Electronic Commerce

There are some vital factors which will significantly contribute to the boom of electronic commerce industry in India i.e. Legal requirement of generating invoices for online transactions, multiple payment option, replacement guarantee, quick service, the product quality and dedicated 24/7 customer care centre should be there. Electronic commerce also provides various types of opportunities for retailers, wholesalers/distributors, producers and also people.

A. Services for Producers

Producers can take advantages of e-commerce by linking themselves online, by providing better information about their products and services to other links in business chain. Producers can sell their goods directly to the consumers and retailers. Providers have better potential for communication and they no longer rely on the consumers to be forced to communicate with them by sending leaflets or through advertisements.

B. Services for whole Distributer

Wholesalers take advantage of electronic commerce that is capable of establishing contractors with reputed producers and linking their business online. Electronic commerce decreases the cost of creating processing, distributing, sorting and retrieving information by digitizing the process.

C. Services for People

Customers can buy any product just with the click of mouse button without moving out of their office or house. Online services such as banking, ticketing such as airlines, bus, railways, hotel booking etc have lots of benefits for the customers. Electronic commerce allows customers to interact in electronic communities and to exchange ideas and compare experiences.

D. Services for Retailers

Retailers can save their business by linking their business with online distribution. They can also make available additional information about various things to the customers, meet electronic orders, meet electronic orders and be in touch with customers all the time. Retailer put the information of their product on such web site which is heavily visited by user like yahoo.com etc. When their product advertisement is seen by many people, more customers will get attracted and thus merchant can get more orders.

5. Challenges of E-Commerce in India

Electronic commerce, in spite of the various opportunities it poses also has certain challenges. These challenges are as follows.

- 1) **E-Infrastructural Issues:** Internet is the backbone of electronic commerce. But unfortunately, in India internet penetration is low at 0.5 percent of the population, penetration of computer system is low at 3.5 per thousands of population and penetration of telephone only 2.1 percent of total population.
- 2) **Branding & Marketing:** To make customers come on electronic commerce site had make purchase involves heavy cost due to marketing and branding. This cost is important and can be brought down to cost per consumers, if the volumes permit to do so. Experts are of the opinion that the average figure for this metric in the current electronic commerce ecosystem is between 500 rupees to 1000 rupees per customers, which isn't sustainable for medium sizes companies.
- 3) **Declining Margins:** With the introduction of large number of sellers in the market, the consumers are pampered with various offers and discounts etc which in result is giving less margins .
- 4) **Logistics & Supply Chain:** Logistics failures in any area can mean to detrimental damage to a startup's future and can hurt the brand overall.
- 5) **Tax related Issues:** Taxation system in Indian market is another factor for lesser growth rate of electronic commerce in India as compared to other developed countries like UK and USA. In those countries tax rates are uniform for all sectors whereas tax structure of India varies from sector to sector. This un-uniformity creates accounting problems for the Indian online business.
- 6) **Touch and Feel:** The consumers of India are more comfortable in buying goods physically. Companies dealing with goods like apparel, jewelry, handicrafts etc. face a challenge to sell their products as the buyers prefer to see and touch those products before buying.

6. Future of E-Commerce in India

Today, we are talking about levels ecommerce progress of India's seventh largest by geographical area, the second most populous country and the most populous democracy in the world. India and e-commerce percentage of space is growing as more and more online retailers are entering the market. Although this level of entry into the e-commerce market is good from a long term perspectives, the challenge is that most of the entrepreneurs do not have the resources or capital than wait years before they earn profit.

The last two years there has been an increase in the number of embracing e-commerce technologies and Internet companies in India. Most e-commerce sites are designed for NRI services delivering gifts, books, audio and video cassettes etc. main portals of India instead of relying on advertising revenue has also shifted towards e-commerce. The web community construct around these sites with content have been targeted effectively to sell everything from event tickets and movie supermarket and computers. This does not mean that the stage of e-commerce has not been good in India as there had been great success to Bazaar India, and various other marts etc. Banks in India is very successful in

adopting the EDI technologies to offer clients with account status in real time, transfer funds, stop payment facilities and chacking accounts, UTI banks, ICICI Bank, and Global TRUST BANK have also set their electronic banking via Internet services in place for next to the e-commerce market normal speed post also to clone the Federal Express history with the package status online at any point in time.

The future looks extremely good for the electronic commerce in India with the stock markets coming online that provides a portfolio of equity and online status with a delay of 15 minutes in prices. The day may not be far off when the RBI (Reserve Bank of India) regulations will be able to see values transfer and sale through the network with specialized services.

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7. Conclusion

The future of electronic commerce cannot be easily predictable but as per the present scenario electronic commerce industry is growing at a very speedy rate. There are some essential factors which will contribute to the boom of electronic commerce industry which includes M-Commerce services, multiple payment options, location based services, replacement guarantee, shipment options and quick services, terms & conditions should be clear and product quality should be the same as displayed on the sites. The total number of internet users is expected to reach 370-400 million by 2016-17. On the behalf of the study and experts views the future of e-commerce would be very bright in India if implemented with the all essential factors.