

# E-Commerce in India – Challenges and Prospects

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## Abstract:

E-commerce stands for electronic commerce. E-commerce is doing business online and electronically. This paper attempts to highlight the different challenges faced by e-commerce in India and to understand the essential growth factors required for e-commerce. This paper describes the different services and opportunities offered by E-commerce to business, Producers, Distributers and Customers.

**Keywords: - E-commerce, Challenges, Growth Factors.**

## I. INTRODUCTION

Electronic commerce comprises core business processes of buying and selling, goods, services and information over the internet. Electronic commerce refers to wide range of online business activities for products and services [1]. E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform and redefine relationships for value creation between organizations and individuals [2].

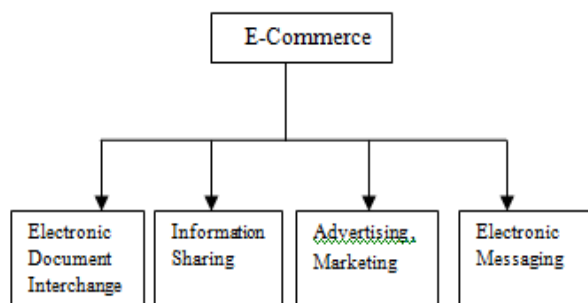


Fig. 1. E-Commerce workflow diagram

E-commerce provides platform by which retailers sales and advertise their product and share information on the internet using the information technology like EDI( Electronic Data Interchange) by which more

and more customers can attract get to it.[2] E-commerce relates to website of the vendor, who sells products or services directly to the customer from portal using digital shopping cart E-mail is one example of how people collaborate to exchange information and work on solution.[2].Today E-commerce is a backbone in Indian society and it has become integral part of our society life. The first e-commerce site in India was rediff.com

E-commerce allows different payment through debit card, credit card of EFT (Electronic fund transfer) payments. E-commerce provides multiple benefits to the customers in form of availability of goods at lower cost, wider choice and saves time [3].

## OBJECTIVES OF STUDY:

The paper has following objectives:

- 1) To explain the concept of e-Commerce.
- 2) To study the India's prospects in e-commerce
- 3) To study the various challenges faced by E-commerce in India.

4) To study essential factors for growth of e-commerce in India

## **II. INDIA'S PROSPECTS IN E-COMMERCE**

There are some essential factors which will significantly contribute to the boom of e-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. E-commerce also provides various types of opportunities for retailers, wholesalers/distributors, producers and also people [4].

### *A. Services for Producers*

Producers can take advantage of e-commerce by linking themselves with on-line, by giving better information about their product to the other links in the business chain and by having brand identity. Producers can sell their goods directly to the consumers and retailers [3]. Providers has easy potential for communication and they can no longer rely on the customer to be forced to communicate with them by sending leaflets or through advertisements.

### *B. Services for whole Distributer*

Wholesalers can take advantage of e-commerce who is capable of establishing contractors with reputed producers and linking their business with the on-line. E-commerce decreases the cost of creating, processing, distributing, storing and retrieving information by digitizing the process [5].

### *C. Services for People*

People can buy with a click of mouse button without moving out of their house or office, online services such as banking, ticketing including airlines, bus, railways,

hotel booking etc have been tremendous benefit for the customers. E-commerce allows consumers to interact in electronic communities and to exchange ideas and compare experiences [6].

### *D. Services for Retailers*

A Retailer can save his existence by linking his business with the on-line distribution [5]. They can make available much additional information about various things to the consumers, meet electronic orders and be in touch with the consumers all the time. Retailer put the information of their product on such web site which is heavily visited by user like yahoo.com etc [6,7]. When their product advertisement is seen by many people, more customers will get attracted and thus merchant can get more orders.

## **III. CHALLENGES IN E-COMMERCE**

There are some barriers responsible for slow growth of e-commerce in India. Hamilton(2002) [2] indicate some barrier in using e-commerce including security problems, lack of skills, cost etc. Customer resistance to changing from a real to virtual store. People do not yet sufficiently trust paperless, faceless transactions. For the growth of E-business in India it needs a focus and should to make country in the lines of E-business [6].

### *A. Security Issues*

Fear of making online payment is a universal psychological factor of Indian customers. 60% of the users do not trust the web as payment channel [7]. Web transaction takes place with credit card, but credit card itself is not safe. Anyone who can transfer the data of credit card on the web is not sure about the salesman identity. Buyer is also not sure that card is not used for malicious

purpose which also causes big challenge for e-commerce in banking also [6].

*B. Customer Acquisition Forces*

Successful e-commerce interaction between markets should be strong. Issues related to lack of supply chain integration, high charges for products, delay in delivery and lack of proper courier services in some areas also make customers frustrated and one of challenge faced by e-commerce. To get people to come on e-commerce site and make purchase involves heavy cost due to advertisement and marketing which is biggest problem that early stage of e-commerce startup will face[8,9].

*C. Product Target*

More companies flood the marketplace with new products; target marketing is becoming an increasingly important tool of differentiation. Product which is not satisfactory for the customers tend to get replaced or returned [7]. Some products take long delivery time to reach customers home. Delivery time of products may range from days to month .This is major issue which leads into overall loss in revenue, loss of shipment costs and reputation. The average Indian customer poses great trust issues for e-commerce transactions.

*D. Less Awareness*

Indian customers are more comfortable in buying products comfortable [8]. They tend to choose the product by touching the product directly. Majority of Indian rural population are unaware of internet and it uses. When it comes to ratio of internet consumers, scenario is not so admirable one. Very few are aware of the online corruption and fraud and thus darkness still exists. A reliable survey reveals that 50% of Indian online users are unaware of solution of online security [8].

*E. Cash on Delivery*

E-commerce companies are offering COD as one of mode of payment for the buyers. It is seen that majority of the customers denied to make the payment at the time of delivery of the product. 30%-50% of buyers are also taking advantage of this while purchase of any product and service over internet. COD has been introduced to counter the payment security issues of online transaction but this mode has been proving expensive to companies [9].

#### **IV. ESSENTIAL FACTORS FOR GROWTH OF E-COMMERCE IN INDIA**

There are few online giants for shopping and travelling like flipkart.com, Snapdeal.com, Makemytrip.com who have overcome the challenges and represents the perfect growth trends of e-commerce in India [9]. “E-commerce space is a booming space as internet audience are likely to double in next two-three years and this industry will require talent from various sectors like technology, product, analytics, sourcing, general management talent, merchandising and marketing”[10].

*A. Customer Convenience*

Providing cash on delivery option service to the customers. A replacement guarantee should be there which offers 30 days replacement guarantee to their customers. The convenience of collecting orders post work while returning should be there. Low cost shipment should be there [9].

*B. Adoption of Multi-Channel Investments*

Multi-Channel e-commerce business is an environment in which company can sell through two or more online channels. Cross-channel investments are highly aggressive in

augmenting both online and offline buying strategies.

*C. Unique or Transparent*

Establishing a reputation and brand for quality products always drives demand. Booming rate of online credit card fraud, online shoppers only want to shop with secure, reputable online retailers. 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 [12].

*D. Location based Services*

Getting the right content and targeting customers with crisp and relevant information is of utmost importance to users on the move. A dedicated 24/7 customer care centre should be there. Customers these days are always as on the move, promoting the right product at the right time and location become an integral aspect [11].

*E. Multiple Payment Option*

Standard credit cards, debit cards and bank payment options should be there [10]. Low credit card access and low trust in online transactions has led to cash on delivery being the preferred payment choice also offered by e-commerce [12]. Mindset of the consumer's that majority of customers does not know how to use internet they prefer traditional approach of buying and selling.

## V. CONCLUSION

In this paper we discuss, E-commerce provides various services to wholesalers who can take advantage of E-commerce and capable of establishing contractors with reputed producers and linking their business with the on-line. Also Retailers meet electronic orders and should be in touch

with consumers all the time with E-commerce. Nowadays, E-commerce is the extensive use of computer network with internet. In this paper, we review there are various segments that would grow in the future like: Travel and Tourism, electronic appliances, hardware product and apparel. E-commerce offers benefits like cost effectiveness, quick comparison shopping, better customer service, information saving and knowledge market development.

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