

## E-Commerce in India- A New Perspective

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### ABSTRACT

As an advancement in technologies based on Web and Internet, the differences between traditional marketplaces and the world's e-commerce market—such as corporate capital size, are becoming meaningless. The strategic positioning or a company's ability to identify emerging opportunities and apply the required human skills (such as intellectual resources) to grab them through an e-business strategy that is simple, workable, and practical in today's business environment and global information scenario and contribute to a new economic environment. E-commerce, when combined with the appropriate strategy and policy approach, allows small and medium-sized firms to compete with large and capital-rich corporations by levelling the playing field.

On a different level, emerging countries are allowed wider reach to world's economy, where they can fight competition with more established economies. Almost all developing countries, if not all, are already involved in electronic commerce, either as manufacturers/sellers or purchasers/customers. However, these countries are having comparatively poor information infrastructure which must be strengthened in order to support e-commerce growth.

*The following are some of the policy areas where action is needed:*

- (1) Limited credit card availability and a common nationwide credit card system;
- (2) High cost of Internet access which includes service fees, communication fees, and hosting charges;
- (3) Poor transportation infrastructure leads to slow and uncertain delivery System;
- (4) Lack of advance technologies (i.e., an insufficient professional IT workforce) and poor skilled human resources and;
- (5) Content restrictions based on some public policy and national security, which have a significant impact on businesses in the information services sector, such as the entertainment industries and media;
- (6) Network security issues and insufficient security safeguards.

In this research paper we will try to find out the current scenario of electronic-commerce in India and also look upon the opportunities and challenges in e-commerce in India.

**Keywords-** E-commerce and e-business, economic development, business strategy, global economy, information and communications technology (ICT), mass customization, technologies based on Web and Internet, global electronic marketplace, emerging countries, developing countries, Network security.

### I. INTRODUCTION

Both nationally and globally, e-commerce plays a key role in the marketplace. It is now a fastest growing field of business as more individuals make online purchases rather than in traditional retail outlets. E-commerce, also known as "electronic commerce," is the electronic way of purchase and sale of products and services using internet and other digital devices. Other

online activities such as online auctions, ticketing, and banking can also be included. Today many businesses that want to sell their products and services online rely on e-commerce for this purpose. India, which has the second-largest population in the world, also has the second-largest digital market in the world, which is growing in both urban and rural areas.

India today has over 500 million internet users and 450 million smartphone users, with one out of every

three individuals watching video material on the internet. This market is rich for opportunity due to the development of regional language usage, access to technology via voice, and a wonderful combination of early and new internet users.

The most traditional forms of e-commerce models are as follows:

**1) Business to Consumer (B2C) e-commerce:** This is the most common form of e-commerce. When you buy a carpet from an internet merchant, you are dealing with a business to consumer transaction.

**2) B2B e-commerce:** B2B form of e-commerce means that a company selling a product or service to some other company, such as a manufacturer and a wholesaler/distributor, or a distributor/wholesaler and a retailer. Business to business e-commerce isn't aimed at consumers, and it frequently involves things such as input required like raw materials, applications and software, or combination of many products. B2B e-commerce allows producers to sell their products/services to merchants directly.

**3) Direct to Consumer (D2C) e-commerce:** It is the newest form of e-commerce, with trends shifting all the time. In this company can sell its product/service directly to its ultimate consumer rather selling through mediators like retailer, distributor, or wholesaler. Subscriptions on various shopping web-sites are a popular D2C form. It also includes social selling through various platforms like Amazon, eBay, Instagram, WhatsApp, Pinterest, Facebook, SnapChat, and others.

**4) Consumer to Consumer (C2C) e-commerce:** This form of electronic-commerce where a consumer can sell a product/service directly to another consumer. It mainly deals with second hand goods/products. Platforms such as eBay, Quikr, OLX and others facilitate this type of services.

**5) Consumer to Business (C2B) e-commerce:** When a person offers his/her services or products to a business entity, this is known as consumer to business. Influencers like celebrities who offer publicity. Some more examples in this category are a professional photographer, consultants, freelance writers.

Consumers are fickle when it comes to e-commerce enterprises. E-commerce has low entrance barriers as well. In comparison to brick-and-mortar shopping, most other costs (mainly employees and products or intermediary commodities developed, such as software development) are temporary, often reversible, and can be partially transferred to other uses or monetized by selling the software.

It is therefore critical for businesses to acquire and keep customers in two-sided markets. Consumers will switch e-tailers in markets providing homogeneous goods or goods that are close substitutes for one another because of price disparities. The expansion of India's e-commerce Industry has been largely fueled by huge discounts offered to customers. E-tailers cross-subsidize products and services or offer packages of services for

subscribers to retain customers and generate loyalty. Amazon Prime members receive discounts on shipping services as well as access to a growing, sophisticated, and popular menu of streaming films and serials, many of which are original productions.

E-commerce allows businesses to cut consumer and seller search cost by removing middlemen from the transaction. E-tailers decrease information gaps between different competitors in the online market by offering a platform for price discovery. The company can save transaction costs and labour needs by improving logistics and optimizing bulk storage and delivery. Consumers start by looking at costs, services supplied by the seller, and the seller's track record, as well as product reviews. Usually there is gap between the information provided by seller and the information received by ultimate consumer/customer. This gap between the customer and the seller is bridged by having all of this information on one webpage.

E-commerce aids in reducing this information gap and improving consumer decision-making efficiency. This, in turn, encourages e-commerce enterprises to compete. Prices on the platform, particularly those of competitors large and small, provide guideposts on cost targets companies must attain for small retailers and producers that were previously constrained to local marketplaces. This is especially important for micro, small, and medium businesses (MSMEs) in India's small towns and semi-urban areas. E-commerce can assist fill "missing markets" by developing markets for rural items and things that were previously untraded. For example, things made by artisans in rural areas, traditional handicrafts, and so on. E-tail expands the market size for a small producer by creating a seamless national and even international market through the platform.

E-commerce companies must adapt to Indian regulations, economic structures, infrastructure, and consumer preferences in order to succeed in an economy with a scattered and overwhelmingly informal retail sector, an overburdened transportation and logistics infrastructure, and distinct consumer preferences.

## II. OBJECTIVES

- [1] To study about e-commerce in India.
- [2] To study about opportunities and challenges faced by Indian e-commerce Industry.

## III. RESEARCH METHODOLOGY

**Type of Research** ---- Exploratory and Descriptive research

**Type of Data** ---- Secondary data

**Source of Data** ---- Secondary data is collected from (1) various reference books related to e-commerce. (2) Secondary data is also collected from national and International Research Journal which are related to this

topic. (3) The data for above objective was collected from reviewed literature on the topic concerned. (4) The secondary data also collected for various website.

#### IV. OPPORTUNITIES

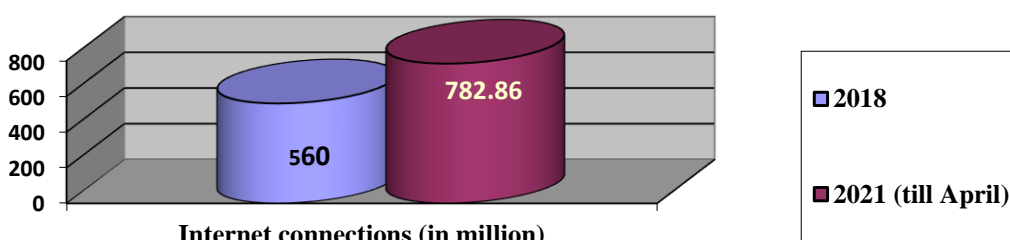
##### I. Growing Internet User

The 'Digital India' programme is expected to expand internet connections in India to 747.41 million by 2020. Wireless connections accounted for 97 percent of all internet accesses. In 2021 India, Internet penetration has climbed to 45% from 4% in 2007. The country has the second-highest active internet users in the world and is one of the world's top data consumers.

With an average monthly data usage of 10.40 GB, it has the greatest data usage per smartphone. According to a research-report by Bain & Company, gross merchandise value (GMV) of social commerce in India in 2020 will be US\$ 2 billion.

**Table 1: Growth in total Internet connections in India**

Year	Internet connections (in million)
2018	560
2021 (till April)	782.86



**Figure 1: Growth in total Internet Connections in India**

*Source: TRAI, Economic Times, Live Mint, Department of Telecommunications, Bain & Company - Unlocking Digital for Bharat*

##### 2) Growth in Online Retail

In India, the online retail sector accounts for 25% of the overall organized retail market and is expected to grow to 37% by 2030.

The e-commerce market is predicted to continue growing at a rapid pace, reaching about 25.75 billion US dollar by Financial Year 2020.

By the Financial Year 2025, the Indian e-retail business is expected to grow to 300-350 million shoppers, bringing the Gross Merchandise Value (GMV) of online shopping to 100-120 billion US dollar.

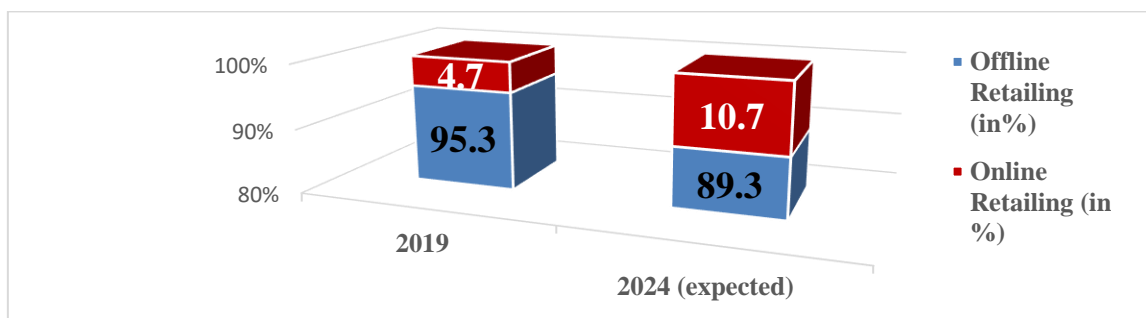
Lower data tariffs and huge investments to improve consumer experience have fueled a significant surge in shopper penetration in Indian e-commerce, as online platforms innovate to increase, next billion of

customers. With India's continuously increasing internet penetration, there are numerous prospects for E-retailers to profit.

By 2024, online retail penetration is predicted to increase to 10.7%, up from 4.7 percent in 2019. Furthermore, by 2025, India's internet buyers are estimated to number 220 million.

**Table 2: Online and Offline Retailing in India**

Year	Offline Retailing (in %)	Online Retailing (in %)
2019	95.3	4.7
2024 (expected)	89.3	10.7



**Figure 2: Online and Offline Retailing in India**

*Source: Redseer, Crisil, Report by EY, Indian Private Equity and Venture Capital Association*

**3) Increase in Smartphone Users**

A major and main factor which is driving India's E-commerce sector's remarkable growth in the demand of Internet combined with mobile/digital devices through affordable broadband options and mobile data. By 2022, India is predicted to have 859 million smartphone users.

Even before the country's next-generation mobile internet technology is rolled out, Indian consumers are increasingly buying 5G handsets.

In 2020, Smartphone shipments in India surpassed 150 million units, with 5G smartphone shipments surpassing 4 million, thanks to strong customer demand following the lockdown.

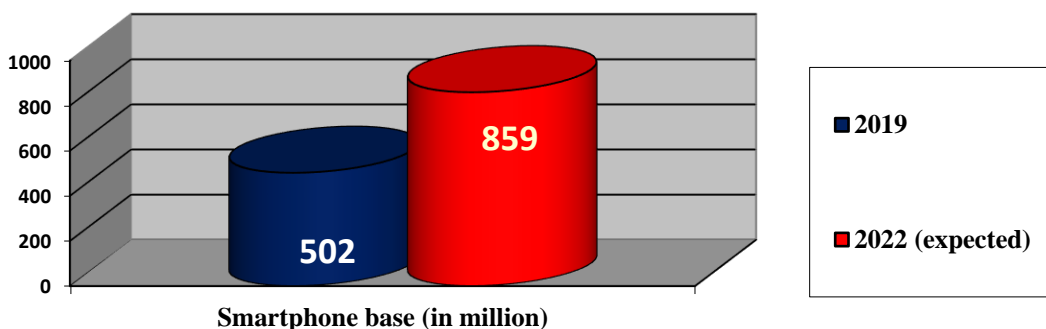
Shipment of smartphones in India by First Quarter of 2021 will increase to 38 million units, which shows an increase by 23%. This is because demand of smartphones and new launches that had been postponed

due to covid in 2020, are now executed. Xiaomi leads Indian Smartphone Market and hold 26% of total market, Samsung stood second with 20% of total share.

On the manufacturing front, the Indian government is emphasizing the importance of increasing local value-added. Mobile phone production is likely to rise in the future years as the government's schemes, such as the Production Related Incentive (PLI), have a greater impact on the overall electronic manufacturing ecosystem. Micromax and Lava are anticipated to take advantage of the 'Atmanirbhar Bharat' programme and return to the market.

**Table 3: Growing Smartphone Users base in India**

Year	Smartphone base (in million)
2019	502
2022 (expected)	859



**Figure 3: Growing Smartphone Users base in India**

**Source:** IMF, World Bank, International Data Corporation (IDC), Counterpoint Research, Media Sources

**4) Some More Factors give boost to e-commerce in India**

**(i) Local language information on the internet**

With a substantial increase of mobile subscribers who are increasingly comfortable with languages other than English, online retailers regard this sector as the next growth driver. By 2021, the number of Indian language internet users is estimated to reach 540 million.

**(ii) Mobile commerce**

As the use of mobile internet grows in towns and cities outside of metro areas, online businesses' reach expands. Increased smartphone ownership is allowing more Indians to readily browse shopping websites. By 2022, India's smartphone users are estimated to total 859 million.

**(iii) Logistics and warehouses are expanding.**

Out of roughly 100,000 pin codes in the country, online shops now deliver to 15,000-20,000. The reach of online retailers to remote locations is projected to expand, with an estimated expenditure of over 2 billion US dollar used in logistics and warehousing by 2020.

**(iv) Spending by consumers**

By 2023, with financial transactions equivalent to 270.7 billion US dollar as estimated to shift to card from cash. And digital payments in India, with the figure rising to US\$ 856.6 billion by the year 2030.

**(v) Modernization of payment**

India has been ahead of the curve in terms of real-time digital payment infrastructure, backed by UPI and 24x7 NEFT. As customers' behavior has switched to cards from cash as a result of the COVID-19 pandemic, digital, contactless payments have increased even more.

**(vi) Increasing investment**

Amazon India spent approximately Rs. 700 crore (US\$ 95.40 million) in its payment unit, Amazon Pay, in October 2020.

**5) Government and private initiatives**

**(a)** The DPIIT i.e. Department for Promotion of Industry and Internal Trade is apparently proposing to use the Open Network for Digital Commerce (ONDC) to create protocols for cataloguing, vendor finding, and price discovery in order to standardize onboarding of retailers on e-commerce platforms. Their goal is to give all marketplace actors equitable opportunities to make best

use of the ecommerce ecosystem in the country's and people best interests.

(b) The Indian government has organized a new steering committee to oversee the improvement and development of a government-based ecommerce network known as the Open Network for Digital Commerce (ONDC).

(c) According to Consumer Protection Rules e-commerce enterprises must indicate the nation of origin alongside product listings, according to the Consumer Protection (E-Commerce) Rules, 2020, which were issued by the Ministry of Consumer Affairs in July. They will also be required to explain the criteria used to determine product listings on their platforms.

(d) The government listed five themes in its proposed national retail policy—ease of doing business, rationalization of the licensing procedure, digitization of retail, focus on reforms, and an open network for digital commerce—stating that offline retail and e-commerce must be managed in combination.

## V. CHALLENGES

### *1. Problems with Infrastructure:*

The Internet is the backbone of e-commerce. Unfortunately, internet penetration in India is dismally low, with only 0.5 percent of the population having access to the internet, compared to 50% in Singapore. Similarly, PC penetration in India is as low as 3.5 per thousand people, compared to 6 per thousand in China and 500 per thousand in the United States. The Internet can still be accessed using PCs and telephone connections.

E-commerce is still out of reach for the common person, with only 2.1 percent of the population owning a phone. E-commerce has a difficult time reaching a population of 1,000 million people dispersed among 37 million households in 6, 04,374 villages and 5,000 towns and cities. Furthermore, both PCs and internet connectivity are relatively expensive in India.

### *2. Lack of Cyber Laws:*

Another significant difficulty in the e-commerce business is the near absence of cyber laws to control online transactions. The World Trade Organization (WTO) is anticipated to pass cyber legislation soon. The Information Technology (IT) Bill, which was passed by the Indian Parliament on May 17, 2000, aims to address the developing sectors of e-commerce through legislation. The bill also aims to make e-commerce more accessible by addressing the legal issues that the new technology has produced. The Bill currently only addresses commercial and criminal law issues. It does not, however, address issues such as individual property rights, content control, and specific data protection regulations.

### *3. Concerns about privacy and security:*

Today, privacy and security are two of the most vulnerable aspects of e-commerce. So far, neither the Website nor third-party watchdogs have provided any

protection against the dangers posed by the misuse of one's personal information.

### *4. Consumer Psyche and Digital Illiteracy:*

Digital illiteracy is currently one of the most serious issues confronting by India's e-commerce industry. On the other hand, India is short of software engineers due to the ongoing drain of talented computer programmers to other countries. The Indian IT industry has been seriously harmed as a result of this. Clearly, the solution to this challenge resides in reducing computer brain drain and increasing computer usage in the country. The Indian consumer is also defined by his different mentality. In most cases, an Indian consumer will not go large distances to obtain a product of his choosing when a nearby store can give him with anything he desires.

As a result, the consumer does not explore the Internet, despite the fact that he or she is aware of the associated connectivity and other issues. Furthermore, establishing confidence through electronic media takes time, particularly when the seller is located in a remote location.

### *5. Payment and Tax Issues:*

Payment and tax issues are another issue that e-traders face on a regular basis. The electronic payment is made with a credit card or plastic money, which has not yet gained popularity in India for two reasons. To begin with, India has a relatively low credit card penetration rate (2 per cent of the population).

Similarly, in this seamless global e-commerce, tax administration is a challenging issue. Because determining tax incidence in the case of e-commerce transactions is challenging, there is plenty of room for tax evasion. What is the best way to get rid of this? Some propose a 100% tax exemption for e-commerce in the country. Others argue that e-commerce should be tax-free in order for it to grow in the country.

## VI. CONCLUSION

E-commerce or electronic commerce have gradually become an integral part of business strategy and a powerful engine for economic development in the expanding global economy. The use of ICT i.e. information and communications technology tools in business has transformed relations both within businesses and between organizations and individuals. In particular, the use of ICT tools at workplace has increased efficiency, increased customer participation, and permitted mass customization with low costs. India is having great opportunity and prospects in the field of e-commerce like growing number of Internet users, increasing demand of smartphones etc. Many government and private initiatives are also showing a bright future in this area. But there is a lot of ground to cover yet. There are many hurdles like poor infrastructure, lack of cyber laws, concern about privacy and security, lack of required skills etc.

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