

A Study on Barriers to Ecommerce in India

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Abstract:- E-Commerce sector in India is expanding at a rapid pace. Even though the popularity of ecommerce has tremendously increased but it has its own limitations. The present paper is exploratory cum descriptive in nature. It attempts to explain the concept of ecommerce and its limitations in legal and technical barriers. Despite India being the second largest user base in the world, most of the hosting companies is not suitable for ecommerce hosting purpose. There has been tremendous pressure to many ecommerce companies to keep the cash flowing. In spite of all its limitations e-commerce continues to remain as a sunrise sector in India which offers immense benefits to all its stakeholders.

Keywords: Internet, Online, Sale, e-tailing.

I. INTRODUCTION

Electronic commerce enables a firm to do business through the use of internet, computers and mobile applications. It involves buying and selling of products & services over internet. The rise in telecommunication technology has changed the buyer behavior. The most common form of e-commerce is business to consumer. Since last decade ecommerce has grown tremendously and has turned in to a huge industry. India occupied 33 percent of the global ecommerce market in 2015 which is expected to reach 37 percent in 2018. As per the latest statistics the total number of digital buyers is expected to reach 41 billion. In spite of all the above bright prospects the ecommerce industry is facing huge challenges for their operations. There is much more to ecommerce than selling products online.

OBJECTIVES

The paper has the following objectives

- To explain the concept of ecommerce in India.
- To study the current scenario of ecommerce industry in India.
- To study the challenges faced by e-commerce sector in India.
- To discuss the future of ecommerce in India.

METHODOLOGY

The present study is exploratory cum descriptive in nature. It is based on analysis of secondary data. The secondary data is availed from books, internet and journals.

GROWTH AND SCOPE OF ECOMMERCE IN INDIA.:

The ecommerce sector in India started their operations in late nineties among Business to business (B2B) users. Business to consumers (B2C) ecommerce started in 1996 in the form of matrimonial portals. The cost and speed of the internet was the limiting factor for their growth at that period of time. The major leap was growth of aviation sector in 2005 along with internet connectivity and mobile technology. The total number of internet users in India rose from 140 million in 2012 to 400 million in 2016. The ecommerce market in India is following the growth model of china. The accelerating growth of ecommerce is due to internet penetration and easy available smart phones. The young generation in the age group of 18- 30 spends more with their Smartphone. Technology is changing the way people shop. Of the total internet users in India, 60% visit e-retail sites.

Furthermore, favored demographics and growing Internet user base helped in aiding the growth. In terms of major highlights, growth shown by homegrown players like Flipkart and Snapdeal and the huge investor interest around these companies showed the immense potential of the market. The Indian majors can expect challenges and opportunities to come their way. The Indian e-commerce market, by world standards, is yet to flower; nevertheless, it has immense potential with digitalization policy as the primary goal of the government. Market is poised for further consolidation as major players from US and China compete to enter the market. Manufacturers from outside India would be the ultimate gainers because the growth of manufacturing in India has been on the decline.

TABLE: 1 GROWTH FORECAST OF ECOMMERCE IN INDIA

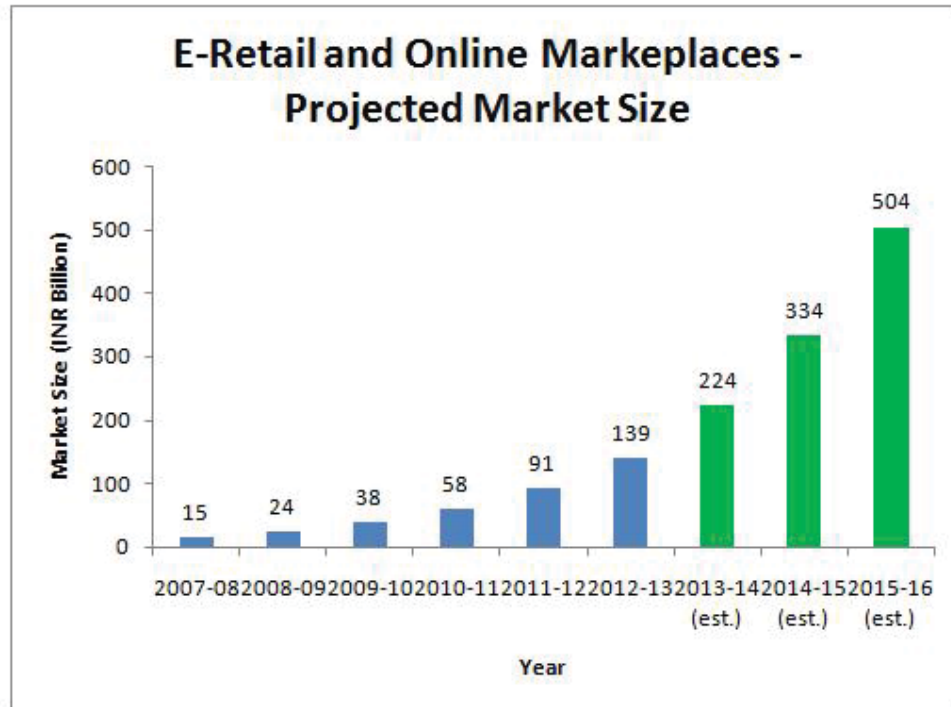


Exhibit 2 Growth Forecast for online retailing and marketplaces in India Source: CRISIL

Apart from the traditional online formats of retail and lifestyle, newer online business segments like classifieds, real estate, grocery and healthcare have also become popular and will continue to gain traction. Along with online shopping, online payments industry is also witnessing a strong growth. Cash back and coupon firms also made tremendous progress in 2014 aided by growth in online shopping space. E-commerce bandwagon is not just marching ahead full steam, has begun generating interest for Cash Back and Coupon sites among Venture Capital firms and angel investors as it expands. While the growth potential of e-commerce in India is tremendous, there is intense competition in the market because the increasing access to information allows consumers to find the most competitive price for a product/service, thereby increasing the satisfaction level. Operators who are unable to invest in technology and infrastructure to maintain the loyalty of the ever-demanding consumers would have to bow out by merging or assimilating with the operator who has superior staying power. Thus, mergers and acquisitions in the e-commerce segment in India have been significant. Investors from abroad and India are putting their money on various ecommerce ventures and the fund inflows are expected to be stronger for future.

CHALLENGES



Figure 1: Challenges faced by Ecommerce Industry In India

Security: Security continues to be a problem for online businesses. Customers have to feel confident about the integrity of e-dealers and the payment process before they commit to the purchase. There are risks of hackings and cybercrimes too. Privacy has become a major concern for consumers with the rise of identity theft and impersonation, any concern for consumers must be treated as a major concern for e-commerce providers. Security is one of the principal and continuing concerns that restrict customers in engaging with e-commerce. Security challenges are not limited to consumers as business and corporate firms also face security challenges as their vital information, record and most important their reputation is at stake.

Logistics & Shipment Services: Logistics has been the major challenge for all the major ecommerce companies. The problem lies in reaching Tier 2 & Tier 3 cities and reaching further down. The companies need to strengthen the delivery arm along with building ample warehouse, good tracking systems and hiring trained staff. Up to 90 percent of goods ordered online in India are moved by air which pushes the delivery cost by around half. Road and railway transport networks remain woefully underdeveloped. Most e-tailers use sometime unreliable third party delivery firms. Most e-tailers are focusing their investment on setting up ware houses and signing up more suppliers across the country to ensure customers get orders delivered by nearest supplier.

Cash on Delivery: In the age of internet banking, credit/debit card still cash on delivery is the most preferred mode of payment used by the consumers. Cash on delivery has a major impact on business margin It has been reported that more than 75% of customers opt for Cash on delivery. Many courier companies are riding on cash on delivery wave and return the collected cash to the retailers 1-2 months later. Cash on delivery can be expensive for the seller if the buyer returns the product as the company pays two way courier charges. Cash on delivery is considered as a necessary evil.

Infrastructure Problems: Internet is considered as the backbone of e-commerce. Internet penetration in rural areas is a big limiting factor. It is extremely difficult for e-commerce to reach to 1000 million population spread over 37 million households in 6, 04, 374 odd villages and 5000 towns. E-tailers are putting up investments in building large fulfillment centers, ware house and sorting centers with modern technology and practices.

Taxation: The current tax laws pose significant challenges and calls for a new tax system. Some states are treating e-tailers as agents of sellers and therefore directing them to obtain VAT registration and discharge taxes

on behalf of the sellers. When the goods are shipped by the retailers and delivered by e-tailers there arises a challenge when the destination state demands VAT treating such sale as local sale in their state.

High Competition: There are several players in ecommerce sector doing the business in almost similar way. Due to cut throat competition among e-retailers they have been forced to operate on shorter timelines at negligible delivery cost to them at their doorsteps. With intense competition the profitability decreases due to aggressive pricing strategies, heavy discounts and offers and high commissions. It has been reported that e-tailers lost around 10 billion because of heavy discounts at the time of festival sales.

Absence of cyber laws: Another huge challenge before ecommerce sector is the absence of cyber laws in order to regulate transactions on the net. There exists a huge legal uncertainty created by the new technology. The content regulation and data protection needs specific legislation. **India's** consumer affairs ministry is preparing an amendment to the 1986 Consumer Protection Act that would update and widen the scope of the law to cover a bigger variety of services, including e-commerce, and expand product liability. The changes would likewise establish a new Consumer Protection Authority with the power to investigate product safety, order recalls, police misleading marketing, and levy fines. The amendment is likely to be introduced later this year, with passage around mid-2016. Improving consumer protection, particularly for online sales, enjoys widespread political and popular backing as increasing numbers of Indians embrace e-commerce,

Digital literacy and consumer Psyche: Digital literacy has been major problem in India. Indian consumer is also characterized by unique psyche. The consumer does not browse the net frequently and has its mistrust on internet media.

English Specific: The ecommerce or more precisely software in India is English specific. This creates the biggest challenge of reaching to all corners of the nation. It needs to be available in regional language to facilitate more sales.

Conclusion: E-commerce has been dynamic and shopping online is getting easier and the customer expectations are changing quickly. New market opportunities are emerging. The ecommerce industry continues to evolve and experience high growth in India. Increasing mobile and internet penetration, m-commerce sales, advanced shipping and payment options and push in to new international markets by e-business are the major drivers of this unprecedented growth. Newer technologies that could significantly bring a paradigm shift in the online business are analytics, autonomous vehicles and social commerce. The e-commerce companies are building communities on social media networks to understand customer needs and to drive effective market strategies. In spite of having too many stumbling blocks the future of e-commerce is bright and growth will come from mobile platforms, personalization, social media analytics and sharing economy business models.

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