E Commerce Growth in India - Opportunities and Challenges

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Abstract

E-commerce is anything that involves an online transaction. E-commerce makes consumers to get the goods at lower cost, wider choice and saves time. E-merchandise and E-finance are the two branches of e-commerce. E commerce involves conducting business using Internet. Online businesses like financial services, travel, entertainment, and groceries etc. are provided to the customers. Growth of e-commerce is affected by economic factors, political factors, cultural factors and supranational institutions. The benefits of e-commerce include its around-the-clock availability, the speed of access, the wide availability of goods and services for the consumer, easy accessibility, and international reach. E-commerce in India has experienced meteoric growth in the last five years, partly due to the pandemic and the surge in the number of smartphones in the country, which give many Indians access to the Internet.
Another factor driving the growth is the increase in the number of urban households embracing the convenience of online shopping in their busy lives. By 2023, 289 million people in India were buying goods and services online. India is therefore one of the world's most popular online retail destinations. Major U.S. players such as Amazon, Walmart and Apple have already invested billions in the Indian market. In addition, government initiatives such as Digital India, Skill India and Start-up India are contributing to the growth of the e-commerce sector.

Key Words: business, communication, development, e commerce, growth, technology

Definition

The buying and selling of products and services by businesses and consumers through an electronic medium, without using any paper documents. e-commerce is widely considered the buying and selling of products over the internet, but any transaction that is completed solely through electronic measures can be considered e-commerce. "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."

Introduction

Rural people are increasingly shopping online, which is another development. The expansion of digital literacy initiatives and internet connectivity has made it possible for rural customers to visit ecommerce sites and make purchases of goods and services. Businesses have a fantastic potential to grow their clientele and boost revenue thanks to this. In India, one of the main problems facing the e-commerce sector is the dearth of infrastructure, particularly in rural areas. Businesses find it challenging to connect with these clients and provide goods on schedule as a result. The fierce competition in the market, where Amazon and Flipkart are the market leaders, presents another difficulty. The Indian e-commerce sector still has a lot of room to grow in spite of these obstacles. The proliferation of mobile commerce and the growing acceptance of electronic payment methods present firms with prospects to reach out to untapped customer bases. Furthermore, the establishment of logistics infrastructure in rural areas might assist companies in accessing unexplored markets.

Electronic commerce, commonly written as e-commerce is buying and selling of products and services by businesses and consumers over the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Consumers take advantage of lower prices offer by wholesalers retailing their products. Thistrend is set to strengthen as web sites address consumer security and privacy concerns. Due to the popularity of e-commerce there is a tremendous increase exchange of goods and services both regionally and globally. Now-a-days it has become the virtual main street of the world. This online business refers to the E-commerce which is recently moved in to developing countries like India. Today, e-commerce has grown into a huge industry. This paper is outcome of a review of various research studies carried out on E-commerce. The present study has been undertaken to analyze the present trends of e-commerce in India & examine the challenges & opportunities of e-commerce in India.

The paper has following objectives:

To explain the concept of e-Commerce.

To study the India's prospects in ecommerce.

To study the various trends in e-commerce.

To study the various challenges faced by E-commerce in India.

Limitations of the study:

The study has been conducted only by collecting the secondary data. The study focuses on e-commerce market in India

Research Methodology

The process used to collect information & data for the purpose of making business decisions. The methodology may include publication research, interview, surveys and other research techniques & could include both present and historical information. The researcher has used only secondary data that has been collected from various articles, journals, books, websites etc. This has been used to study the conceptual framework, definition, present trends and some of the challenges and opportunities of e-commerce in India. All the data included is the secondary base and proper references have been given wherever necessary.

E-Commerce in India

India had an internet user base of about 354 million as of June 2023 is expected to cross 500 million in 2024. Despite being the second-largest userbase in world, only behind China (650 million, 48% of population), the penetration of e-commerce is low compared to markets like the United States (266 million, 84%), or France (54 M, 81%), but is growing at an unprecedented rate, adding around 6 million new entrants every month. The industry consensus is that growth is at an inflection point. In India, cash on delivery is the most preferred payment method, accumulating 75% of the e retail activities. According to a study conducted by the Internet and Mobile Association of India, the e-commerce sector is estimated to reach Rs. 211,005 crore by December 2023. The study also stated that online travel accounts for 61% of the e-commerce market. By 2024, India is expected to generate $100 billion online retail revenue out of which $35 billion will be through fashion e-commerce. Online apparel sales are set to grow four times in coming years.

India is a massive E-Commerce marketplace now with every age group comfortably transacting online – more often preferring shopping online instead of visiting offline stores for a bigger gamut of choices and offers. E-Commerce industry is growing at an astounding rate in India and is expected to account for 1.61% of the global GDP by 2024.

According to a report by Forrester, India is set to become the fastest growing market in the Asia-Pacific region with an expected growth rate of over 57% between 2023 and 2024.

Salient Features:

A. **Men in India shop 3X more than women:** While women continue to dominate the in-store markets, men with disposable incomes have taken it upon themselves to play the larger role in online shopping.

B. **Cash-On-Delivery:** (COD) remains the most preferred online payment method. We Indians love the Cash-On-Delivery option; it gives us more control over online transactions since we don't have to pay until the product is at our doorstep. COD option during checkout has also been proven to boost impulse purchases.

C. **60% of online purchases happen during business hours. (9AM – 5PM):** This proven trend is a myth-buster that shows how integral a part online shopping has become in our day-to-day lives. Marketers can use this fact to schedule their promotions across advertising channels accordingly.

D. **The Rural Pitch:** Ecommerce companies would emphasize more on attracting the customers from rural areas. Along with this, traditional business houses such as Tata Group and Reliance Industries will enter more aggressively into the ecommerce business.

E. **Smartphone Apps**: However, users browse products on desktops or laptops, they prefer transacting via smart phones because of their faster linkages to payment gateways. Smartphone ecommerce apps are also preferred as they offer more personalized shopping experience for customers and a better understanding of consumers for the ecommerce company. Further apps are also an opportunity to curate targeted promotions based on browsing or shopping cart history.

E-commerce is booming in today's economic world:

In the realm of business, it is a revolution. It has drastically altered the conventional approach of conducting business. This is a paradigm change that affects consumers as well as marketers. E-commerce gives customers the flexibility to select when and where to shop, as well as the ability to compare products, sellers, and other options. Every aspect of company is affected by e-commerce. Ecommerce platforms are becoming more and more popular in India, primarily due to their hassle-free nature. Customers may now easily shop around and select the best possible product because there are more service providers available, meaning they no longer need to wait in long lines to complete key transactions like paying bills, booking hotels, and buying tickets. E-commerce is one of the most popular ways for Indian customers to shop since it offers fast and easy product delivery to their preferred location.

Future looks promising

India's e-commerce future looks promising thanks to rapid tech advancements and shifting consumer behavior. The study dissects upcoming trends, challenges, and opportunities in India's e-commerce scene. It examines how consumer preferences are evolving due to increased smartphone and internet adoption, pivotal factors driving e-commerce growth. Notable trends include the dominance of online shopping, the rise of mobile commerce, and the emergence of social shopping. Furthermore, it highlights formidable challenges faced by the industry, including resource limitations, complex infrastructure needs, regulatory hurdles, and intense competition.

The paper suggests strategies to address these challenges. It also underscores the importance of personalized customer experiences, sustainable practices, and cross-border e-commerce for growth and differentiation in India's e-commerce landscape. Ultimately, this paper aims to guide India's e-commerce future by navigating these growth paths, addressing challenges, and seizing opportunities. It provides crucial insights for e-commerce businesses, policymakers, and investors looking for lucrative prospects. Understanding this rapidly evolving market empowers stakeholders to make informed decisions and contribute to India's thriving e-commerce ecosystem.

In the recent past, India has seen burgeoning demand for internet and smartphones. The rapid rise in internet users coupled with rising incomes and driven by the "Digital India Programme" has led to the growth of India's e-commerce sector. In a decade, India's e-commerce sector has transformed how business is conducted. Various segments of e-commerce have emerged such as business-to-business (B2B), direct-to-consumer (D2C), Consumer-to-consumer (C2C), and consumer-to-business (C2B). India's e-commerce market is anticipated to be worth US$ 188 billion by 2025.

Government Initiatives in India's E-commerce Market

Since 2014 the Government of India has been taking various initiatives which have supported the growth of E-commerce in the country. Some of the initiatives are Digital India, Make in India, Start-up India, Innovation Fund, and Skill India. Some of the major initiatives taken by the Indian Government to promote E-commerce in India are:

1. **Government e-Marketplace (GeM)**: The GeM portal has taken 12.38 million orders from 5.44 million registered sellers and service providers for 62,247 buyer organizations till November 2022. The orders were a total worth of US$ 40.97 billion. In addition to this, GeM signed an MoU with Union Bank of India to promote a cashless, paperless, and transparent payment system for an array of services in October 2019.
2. **Plan to utilize Open Network for Digital Commerce (ONDC)**: The Department of Promotion of Industry and Internal Trade (DPIIT) in order to systematize the onboarding process of retailers on the e-commerce platforms, is planning to utilize the ONDC for setting protocols for cataloging, vendor discovery, and price discovery. It also aims to provide equal opportunities to all market players to ensure optimum use of the e-commerce ecosystem in the larger interest of the country and its citizens.
3. **Consumer Protection (E-commerce) Rules, 2020**: The Consumer Affairs Ministry notified the Consumer Protection (E-commerce) Rules in July 2020. As per the Rules, the

e-commerce companies are directed to display the country of origin beside the product listing. Apart from this, the companies will also have to reveal parameters based on which product listing is done on the platforms.

4. **National Retail Policy**: The government has identified 5 areas in which offline retail and e-commerce both need to be administered integrally. These areas are ease of doing business, rationalization of license process, digitization of retail, focus on reforms and open network for digital commerce.
5. **Digital India Movement**: Under this movement, the Government launched various initiatives such as Umang, **Start-up India Portal**[1], Bharat Interface for Money (BHIM), etc. These initiatives aim to boost digitization in India.
6. **Registration of start-ups**: In October 2020, start-ups were invited to register at the public procurement portal, GeM, and provide goods and services to government organizations and PSUs.
7. **Amendment of equalization levy Rules of 2016**: In October 2020, the Indian government mandated foreign companies operating e-commerce platforms in India to have a PAN. In the financial year 2021 budget, a 2% tax was levied on the sale of goods or delivery of services via a non-resident e-commerce operator.
8. **100% FDI in the e-commerce marketplace**: To increase foreign participation in E-commerce market, the Indian government increased the limit of FDI in B2B models to 100% under the automatic route. Apart from this, the Government has made huge investments to roll out the fibre network for 5G to boost E-commerce in India.

Opportunities in India's E-commerce Market

1. **Growing Demand** India's social e-commerce is expected to expand by US$ 16-20 billion by FY 2025. It is growing at the rate of CAGR of 55-60%. India's social e-commerce sector is expected to rise to US$ 111 billion by 2024 and US$ 200 billion by the end of 2026.
2. **Attractive Opportunities** It is an appealing opportunity for foreign investors to invest in India's E-commerce Market as it is expected to increase by 21.5% and reach US$ 74.8 billion. By 2030 India's E-commerce Market is expected to reach US$ 350 billion.
3. **Policy Support** The Indian Government has allowed 100% FDI under automatic route in B2B e-commerce. This implies that the Indian Government is promoting investments in India's E-commerce Market. This is an opportunity for foreign investors willing to invest in India's E-commerce Market.
4. **Increasing Investments** Investment in e-commerce has increased due to the rise in digital literacy among people. People are aware of the market opportunities further these investments are levelling the market for new players to set up their base by disrupting the old pattern of the market.

Challenges in India's E-commerce Market

1. **Inventory Management** A major reason for the failure of any e-commerce is inventory management. E-commerce is not just viewing the product on the mobile app and ordering it. There is a long back-end process where inventory management comes into the picture. Every E-commerce platform has to maintain a stock of products in the warehouse. If there

is too much inventory, then it blocks the capital and if the inventory is too less, then it lowers sales. Effectively managing inventory is important for the success of an e-commerce platform.

2. **Supply Chain Management** In India, the supply chain is majorly affected because of the adoption of inefficient methods and processes. A good supply chain improves sourcing, purchasing, and managing stocks, cost reduction in procurement, decreases processing time and ensures better delivery. This leads to better customer experience, better sales, and better profits.
3. **Data Protection and Security** Data security is one of the major reasons why Indians hesitate to make online payments. Privacy and Security are vulnerable aspects of e-commerce and cyber laws are still in the developing phase in India. They are still not capable of dealing with several issues.
4. **Preference of COD** Indian ecosystem has not completely adopted the digital modes of payment. Cash is still the major mode of payment for e-commerce sales. With the liberty of COD comes consequences of refusal to take deliveries at the doorstep. This can lead to the loss of the e-commerce platform.
5. **Digital Illiteracy and Consumer Physche** Digital Illiteracy is one of the major problems for e-commerce platforms in India. Apart from this, Indian customers prefer to buy products from shops near their houses. They are not willing to go long distances or wait for days for their orders to arrive. So they do not browse the e-commerce platform knowing the hassles of connectivity, payment, etc.
6. **Payment Gateway Failures** Indian Payment Gateway experiences several failures due to this most Indians either prefer COD or nearby shops instead of the online platform.
7. **Low Internet Penetration** Considering the Indian Population, Internet has still not penetrated in India to its maximum. Only a small percentage of population has internet access. Further, for those who have internet, their connectivity is too low. Users face connectivity and speed problems.

Conclusion

In terms of growth of India's E-commerce Market, it is going to surpass the U.S. to become the 2nd largest e-commerce marketplace. Government initiatives and technological growth are going to aid in the expansion of India's e-commerce market. The expansion of the e-commerce industry is adversely affecting the micro, small, and medium enterprises (MSMEs) in India. Not just MSMEs, the e-commerce industry is having a cascading effect on other industries as well.

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