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## **E-COMMERCE CHALLENGES AND OPPORTUNITIES**

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# E-Commerce Challenges and Opportunities

Anil Kumar\*

Research Scholar, OPJS University, Churu, Rajasthan

**Abstract – This paper is outcome of review of various research studies carried out on E-commerce. it examines different opportunities of E-retailing, E-commerce, E-learning, E-education and E-financing. E-commerce as anything that involves an online transaction. E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. E-commerce can be broken down into two parts: E-merchandise: E-finance. E-commerce involves conducting business using modern communication instruments: telephone, fax, e-payment, money transfer systems, e-data interchange and the Internet. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow. Forces influencing the distribution of global e-commerce and its forms include economic factors, political factors, cultural factors and supranational institutions. Many companies, organizations, and communities in India are beginning to take advantage of the potential of e-commerce; critical challenges remain to be overcome before e-commerce would become an asset for common people.**

**Key Words:- E-retailing, E-merchandise, E-finance, Economic Factors, Supranational Institutions, Common People**

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## INTRODUCTION

This paper has analyzed some of the challenges and opportunities of e-commerce.

Elizabeth Goldsmith and others (2000) reported that the general category of e-commerce can be broken down into two parts:

- 1: **E-finance:** banking, debit cards, smart cards, banking machines, telephone and Internet banking, insurance, financial services and mortgages on-line (Elizabeth Goldsmith and others, 2000).
- 2: **E-merchandise:** selling goods and services electronically and moving items through distribution channels, for example through Internet shopping for groceries, tickets, music, clothes, hardware, travel, books, flowers or gifts.

## GROWTH OF E-COMMERCE:

E-commerce provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. People can buy goods with a click of mouse button without moving out of their house or office. Similarly online services such as banking, ticketing including airlines, bus, railways, bill payments, hotel booking etc. have been of tremendous benefit for the customers. Most experts

believe that overall e-commerce will increase exponentially in coming years. Business to business transactions will represent the largest revenue but online retailing will also enjoy a drastic growth. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow

As per the findings of Internet and Mobile Association India the total value of E-Commerce activities within India has crossed Rs.570 Crore during 2004-05. Internet and Mobile Association India a non-profit organisation founded in January 2004 by leading Indian Internet portals, projects that e-commerce revenues in the country will reach Rs 2,300 Crore in the 2007 financial year, growing at 95 percent over the year 2006. This pertains to the Business-to-Consumer (B2C) segment. Please refer **Table 01**.

**Table 01: E-commerce market size of India**

Year	2002-03	2003-04	2004-05	2005-06	2007-08
Business to Consumer transaction in Rs. (Crore)	130	255	570	1,180	2,300
Percent Growth	-	96	124	107	95

## BRIEF REVIEW OF LITERATURE ON E-COMMERCE: CHALLENGES AND OPPORTUNITIES

An attempt has been made to put forward a brief review of literature based on few of the related studies undertaken worldwide in the area of e-commerce as follows.

1. Elizabeth Goldsmith and Sue L.T. Mc Gregor (2000) analyzed the impact of e-commerce on consumers, public policy, business and education. A discussion of public policy initiatives, research questions and ideas for future research are given.
2. Prithviraj Dasgupta and Kasturi Sengupta (2002) examined the future and prospects of e-commerce in Indian Insurance Industry.
3. Young Jun Choi<sup>1</sup>, Chung Suk Suh (2005) examined the impact of the death of geographical distance brought about by e-marketplaces on market equilibrium and social welfare.
4. Jackie Gilbert Bette Ann Stead (2001) reviewed the incredible growth of electronic commerce (e-commerce) and presented ethical issues that have emerged. Security concerns, spamming, Web sites that do not carry an "advertising" label, cyber squatters, online marketing to children, conflicts of interest, manufacturers competing with intermediaries online, and "dinosaurs" were discussed.

**Table: 02 A brief review of literature on E-commerce: Challenges and opportunities**

No.	Title	Author	Area of research	Findings
1	Towards comp ability: The future of e-commerce within the global trading system	(Andrew D. Mitchell, 2001)	Important function played by GATS, WTO in e-commerce	1) At the level of global trading system, exploring how recognition of electronic commerce as a global public good may help reduce the digital divide between developed and developing countries.

2	E-commerce , WTO and developing countries	(Arvind Panagariya, 2000)	Economic issues raised by e-commerce for the WTO and developing countries. access to e-commerce	1) E-commerce offers unprecedented opportunities to both developing and developed countries.
3	Ethical Issues in e-commerce	(Bette Ann Stead and Jackie Gilbert, 2001)	Ethical issues in e-commerce	1) The ethical issues presented in this article are all very real. 2) Rapidly changing technology is continually bringing new products/services to the market accompanied by new strategies to sell them. Therefore, it may also conclude that new ethical issues will emerge.
4.	Will E-business shape the future of open and distance learning?	(Diana Oblinger, 2001)	Impact of e-business on open and distance learning	1) Open and distance learning institutions are finding that the need and demand for their services are increasing. 2) E-business can provide education with insight new ways to create

				greater efficiencies and economies of scale as well as practices that ensure learners stay with the institution for their lifetime.
5	E commerce an Indian perspective:	(Farooq Ahmed, 2001)	IT act, Contract act, challenges for the legal system	1) Many issues raised by the e-commerce await judicial resolution. 2) The information transferred by electronic means which culminates into a contract raises many legal issues which can't be answered with in the existing provisions of the contract act.
6	Determinants of the locus of Global E-commerce	(Nir B kshetri, 2001)	Factors influencing the distribution of global e-commerce	1) The analysis indicated that the twin forces of globalization and multiple revolutions in ICT (communication technologies) are fuelling the growth of global e-commerce.
7	TV, PC or Mobile?	(Patric Barwise,	Various new media	1) Consumer

	Future media of e-commerce:	2001)	for B2Band B2C e-commerce.	marketers are still in the early stages of adjusting to the unprecedented complexity of a world with so many physical, online and traditional offline consumers.
8	E-Commerce in the Indian Insurance Industry: prospects and future	(Prithviraj dasgupta and Kasturi Sengupta , 2002)	E-commerce in Indian industry	1) The study has identified that e-insurance offers a potentially vast source of revenue for insurance companies that venture to go online. 2) E-insurance also makes the insurance procedure more secure since the policy details are stored digitally and all transactions are made over secure channels.
9	The death of physical distance: An economic analysis of the emergence of electronic marketplaces	(Young Jun Choi and Chung Suk suh, 2005)	Traditional market place and e-market place	1) The study has shown that overcoming spatial barriers by means of e market places lowers the price level. 2) This

				article has analyzed the economic consequences of the death of geographical distance due to the emergence of e-marketplaces.
10	Electronic Commerce education: Analysis of existing courses	(Zabihollah Rezaee, Kenneth R. Lambert & W. Ken Harmon, 2005)	The scope and nature of e-commerce education	1) E-commerce programs and courses are likely to grow and thus, the structure, content, and delivery of e-commerce education are evolving and they should be tailored to the particular discipline.
11	Is that authentic or artificial? Understanding consumer perceptions of risk in e-service encounters.	(Mauricio S. Featherman, Joseph S. Valacich & John D. Wells, 2006)	Customers' perception about e-services.	1) E-services are the application of IT to mediate the production and distribution of services directed towards an individual's mind or intangible assets. 2) The results from this study supported the contention that e-services of less risky e-service categories will be perceived as more

				authentic and less risky to use. Thus, e-service providers must carefully assess their respective categories and plan accordingly.
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## OBJECTIVES OF THE STUDY

1. To review the opportunities and challenges of e-commerce in India.
2. To bring out overall growth prospect of e-commerce Industry in India.

## SCOPE OF THE STUDY

The study covers overall challenges and opportunities of Indian e-commerce industry.

## METHODOLOGY

Research paper is exploratory in nature and is confined to study of e-commerce in management education in India. Sources of data and information were gathered from secondary published sources viz. Books, Journals, Newspapers, Websites, Research Studies, etc. Analysis of data and information collected from published sources were made keeping the objectives of the study in mind.

## CHALLENGES OF E-COMMERCE IN INDIA

*Following are the major challenges slowing growth of e-commerce in India.*

- **Poor Infrastructure Facility:** Infrastructure is the biggest bottleneck in India. There are many states and districts deficient in infrastructure facilities such as transport, electricity supply, roads, etc.
- **Lack in Technology:** Many states are lagging behind in technology. Many people in rural areas are illiterate. They don't have knowledge about e-commerce. It is very difficult to make them aware about the importance of E-commerce. Due to illiteracy they are not able to do transactions through internet.
- **Logistics:** Logistics is a concern for both buyers and sellers. Sellers have to deliver the product safe and secure to the right person and in right time frame. Regular postal

services does not offer an acceptable level of service, couriers charge high rates and have limited reach. Insurance for high value articles leads to higher cost. Similarly, low value articles will have significant shipping cost which will make them costly.

- **Risk in online shopping and quality assurance:** There is inherent risk in online shopping as regards the authenticity of the web sites. Fraudsters may imitate web sites and hoodwink customers.
- **Collection of payment and transfer of payment:** It is still difficult to make payments through internet in India due to unstable internet connections and nascent legal structure.
- **Delivery problem:** Even when customers placed order for the goods or products through internet there is no guarantee that same products will delivered.
- **Expensive Broadband:** Though many payment options are available, broadband is still expensive.
- **Computer Illiteracy:** Only computer literate person can handle computer and internet. People have to secure their password which is a weakest link and exposes them to risk of theft, etc.
- **Poor Internet Connectivity:** Connectivity is a major issue faced by individuals as well as companies. Internet connections are still largely volatile and unreliable making online shopping nightmarish experience many times.
- Social and cultural attitudes to e-commerce are another factor inhibiting growth of e-commerce in India.
- Inadequacies in payment gateway systems in terms of quality, reliability and uptime.
- Lack of e-commerce legal framework.

#### **OPPORTUNITIES FOR E-COMMERCE:**

*The major reasons for E-Commerce to boom in India are;*

1. E-Commerce is one of the most exciting spaces for today's global online community, and India's young startup economy is along for the ride. In the less than three months of 2011, Indian Venture Capitalists have already invested over \$50 million in seven e-

commerce companies, a 400 percent increase over the same period just last year, which reflects the potential of ecommerce industry in India for the upcoming years.

2. E-commerce in India has a long road ahead, and e-commerce infrastructure and best practices are in their infancy. India's 7 to 9 percent Internet penetration lags far behind the 30 to 40 percent China and Brazil enjoy, and while India's estimated 100 million Internet users still comprise the third largest online population, the total Indian e-commerce market was approximately 3 percent of the U.S. market last year (\$6.7 billion versus \$227.6 billion). Within these great challenges lie great opportunities, and the maturation of India's e-commerce ecosystem is no different. A recent report by Internet and Mobile Association of India reveals that India's e-commerce market is growing at an average rate of 70 percent annually, and has grown over 500 percent in the past three years alone.
3. Leveraging the websites for client communication and process automation, companies and marketers can reduce operating costs and customer acquisition costs.
4. E-commerce can help promote Brand and enhance Brand Image.
5. With proper planning and scalable architecture, e-commerce site can accommodate additional requirements, features and functionality in the future making customers make more repeat shopping.
6. Banks are providing smart cards to rural people using RFID technology.
7. Mobile telephony and social sites are major trends influencing people across the country.
8. Faster cellular networks and smart phones equipped with powerful processors are fueling growth in mobile, while social features, such as sharing content with friends, are now common piece across the Web.
9. The combination of mobile and social is a potent one because mobility ups the amount of time consumers spend on the Web, while social features increase interactivity with Internet content; mobile and social web thereby are driving e-commerce



## FINDINGS OF THE STUDY

Growth drivers of e-commerce in India, the key drivers of e-commerce in India are:-

- Favorable Demographics (50% population in 0-25 age group).
- Growing aspirations of people.
- Accelerated growth of consumer class with increasing purchasing power.
- Increase in use of plastic cards - credit / debit cards.
- Rise in expectations of younger generation.
- Changing consumer behavior.
- Consumers have paucity of time and they prefer efficient/ speedy one stop shopping.
- Growing ranks of working woman; a youthful population that is not afraid to splurge.
- Increasing Literacy Levels
- Increasingly wealthy middle class wanting to imitate lifestyle of rich and wealthy.
- Encouraging consumption pattern.
- Better banking facilities - with co-operative banks and PSBs taking lead in rural areas.
- Rural income and purchasing power has also increased due to remittances from Indians working abroad. Availability of broadband.
- Availability of home computers, laptops, mobiles, etc. at affordable prices.
- Increasing affinity among people to internet

## CONCLUSIONS

With the development of computer technology, the World Wide Web has become the connection medium for the networked world. Computers from locations that are geographically dispersed can talk with each other through the Internet. As with any new technology, there are positives and negatives associated with its use and Adoption. Finally, an e-marketplace can serve as an information agent that provides buyers and sellers with information on products and other participants in the market.

E-commerce creates new opportunities for business; it also creates new opportunities for education and academics. It appears that there is tremendous potential for providing e- business education.

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### Corresponding Author

**Anil Kumar\***

Research Scholar, OPJS University, Churu, Rajasthan

**E-Mail – [rupesh2482dixit@yahoo.in](mailto:rupesh2482dixit@yahoo.in)**