

# Impact of E-Commerce In India: Issues & Challenges

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**Abstract** - The traditional shopping district is quickly being replaced by an online one. The internet is a one-stop shop where one can buy everything from a needle to a ship. In the face of increasing competition, established businesses and upstarts alike often come up with novel ways to market their products and services. When it comes to bolstering and bettering established enterprises, electronic commerce goes well beyond merely being an additional option. As an alternative explanation, perhaps the market has undergone radical shifts because of the advent of online commerce. The new technology poses serious challenges and is disrupting established corporate practises. The advent of e-commerce has opened the door to rapid economic growth in the United States. The growth of web-based users has also contributed to its progress. The online retail sector in our country has expanded thanks to e-commerce, which has also facilitated the expansion of the online travel sector. The purpose of this research was to examine the challenges facing India's e-commerce industry and to provide a picture of the existing landscape and supporting factors for this sector.

**Keywords** - E-commerce, India, E-market, Issues & Challenges, Commercial.

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## INTRODUCTION

The levelling of the playing field between offline and online players in terms of indirect taxation, and the relaxing of constraints on cross-border ecommerce transactions, can all help to improve this. It takes a different strategy to meet the needs of a distinct demographic of internet users. These potential buyers will likely originate in India's secondary and tertiary urban centres. Increased government support for 'Make in India' projects, in particular the creation of industrial corridors, logistics parks, and special economic zones, can supplement these efforts.[1]

The main obstacles here are the many different languages spoken, the lack of experience with digital technologies, and the demand for a wide variety of items in localised marketplaces. As a result of everything listed above, adopting an effective omni-channel strategy is essential. These new entrants to the ecommerce industry may anticipate a smooth integration into the larger ecommerce ecosystem by combining this with a powerful offline-to-online strategy, supported sales, and product curation. This data, however, is about to undergo a dramatic shift. While the average age is predicted to climb to 28, the proportion of women in the market is likely to remain stable at around 30%. A further consequence of people's growing familiarity with online shopping is that they will increasingly only buy essentials rather than treats, resulting in lower average orders. The logistics industry, which is now disorganised and fragmented, must become efficient in order to keep up with these shifting needs.[2]

India's poor performance may be traced back to the country's inefficient markets and lack of infrastructure development. This is most obviously seen in RTO rates in India, and notably in COD orders. Current COD rates in urban areas are about 50%, while those in tier-3 and tier-4 cities are close to 90%. Due to low credit card usage, COD has become common in India. The majority of Indian e-commerce sites now accept cash on delivery. It is estimated that between 30 and 50 percent of all online purchases are paid for using this method. Even though COD was implemented to address online payment security concerns, it has proven to be a costly and inefficient method of doing business for many firms. The vast majority of consumers were seen to have balked at making payment upon product delivery. Consequently, businesses frequently lose the customer and the cost of shipping the product. Online retailers need to take legal action to combat the COD problem, or the whole foundation of the eCommerce industry might collapse.[3]

## E-Rise Commerce's

### i. Busy Lifestyle

People in this day and age lead lives that are so chaotic that they just do not have the time to make their way to the congested shops on a consistent basis. In addition, people like shopping in stores that are calm and relaxing.

## ii. High Disposable Income

People's salaries, and consequently their spending power, have increased as a direct result of the expansion in the number of employment that are currently accessible. This indicates that they are anxious to make purchases online and that they possess the financial wherewithal to do so.

## iii. Awareness of Products

Consumers have grown considerably more educated about new products, their features, costs, and other relevant information because to the proliferation of media like as television, radio, newspapers, and websites. People may therefore purchase online without worrying about their safety.[4]

## iv. Rising Computer Educational Level

The efforts of the Indian government and academic institutions have propelled computer education to unprecedented heights in the country. Now, more people than ever before are well-versed in the computer industry's many tools and their many uses. Students in remote areas, as well as stay-at-home moms and working professionals, have shown an interest in recent technological advances such as online shopping and doing business. For this reason, there is a huge demand for brand-new products.

## v. Increased Usage of Internet

The number of people now using the internet has surpassed 100 million. In addition, innovative online travel operators have begun turning early Internet users into consumers of their websites over the course of the past few years, which has led to an increase in the dominance of e-commerce.

## Opportunities for Ecommerce

The e-marketplace, also known as an electronic marketplace or e-market, reportedly originated as a result of 20th-century internet growth (e-commerce). An online market simulates a physical marketplace by allowing sellers and buyers to interact virtually. The term "e-marketplace" refers to an online venue for the buying and selling of products and services, as well as the sharing of related business information.

The rise of the e-commerce hub has made physical shopping malls less necessary. Finally, an e-commerce hub may serve as an information specialist, providing buyers and sellers with data on products and market participants. These traits have been shaping the economy in novel ways by altering the habits of consumers and business owners. E-commerce has a profound impact on the success of every company, whether it operates online or offline. It enables a far higher degree of collaboration than

ever before among the various links in a value chain. There are monetary and customer service benefits to embracing e-business. [5]

Modern businesses that adopt cutting-edge practises have an advantage due to the vastly expanded range of possible outcomes made possible by technological advancements. The word "e-commerce" covers a wide range of digital business practises, from making an online purchase to receiving a digital good or service, to monetary transactions like the transfer of funds between bank accounts. The financial services industry is one that shows promise for e-commerce. The growth of the online stock market was aided by the widespread availability of high-speed Internet.[6]

## Challenges for Ecommerce

The fact that web-based e-business may often be defined as "faceless" and "borderless" brings with it a number of advantages, but it also brings with it a number of challenges. The conduct of commercial transactions on the Internet has given rise to a smattering of moral conundrums in recent years. Stead and Gilbert have raised some ethical problems with regard to the practise of purchasing online.[7]

i. In the past, and especially in the future, users' concerns about their privacy when engaging in internet commerce have been paramount. Generally speaking, the following are striking concerns:

- Ability to forbid or prevent interference; independence from Each person has the moral right to protect their own privacy.
- An individual's right to privacy can be defined as "a desirable condition in which he or she is the exclusive owner of information concerning his or her personal perception and/or image as held by third parties".

ii. Concerns Regarding the Safety of In addition to concerns regarding individuals' right to privacy, issues regarding the security of online financial transactions also generate ethical concerns. The Internet makes it possible to access an unlimited variety of products and services in a manner that is both incredibly easy and completely transparent. However, because of the quickly growing "click and mortar" sector and the mostly unregulated nature of the internet, worries around privacy and information security have been fanned.[8]

iii. Different Ethical Concerns Due to the advent of e-commerce, a new business strategy known as "Disintermediation" has emerged in which manufacturers compete directly with middlemen.

This is a strategy for eliminating the middleman. Aspects of disintermediation:

- Downloading songs directly from the pages of the artists who made them.
- Self-publishing authors disseminate their books using online portals.

## **BARRIERS OF E-COMMERCE IN INDIA**

The growth of electronic commerce in India is hampered by a number of infrastructure issues. In this section, we'll look at a few of them: [9]

### **i. Payment Collection**

If you are paid on a net basis, you still need to pay a substantial compensation (four percent or more), even when your company only makes a moderate profit. This is because net pay is calculated differently than gross pay. Any obligations that may be incurred by a trader as a consequence of fraudulent activity, refunds, or other circumstances need to be accounted for in the model.

### **ii. Logistics**

It is of the utmost importance that the item be sent to the intended recipient in a timely way and without being damaged. The ordinary mail and the courier services are not up to par with what is expected of them. The initial fee might increase by hundreds or even thousands of dollars if you want to insure high-value products while they are being sent.

### **iii. Vendor Management**

It doesn't matter how sophisticated a framework is; if the system for controlling inventory is inefficient, the seller will still need to go on their hands and knees in order to negotiate prices. As a direct consequence of this, things will go much more slowly. The vast majority will not give digital product specifications. A lack of engaging photos, a smart data sheet, a function to check daily pricing, and the accessibility to routinely update your site are all factors that contribute to a negative user experience on your website.

### **iv. Taxation**

It is possible that the octroi, the entry tax, the value added tax, and the multitude of state-specific tax systems that go along with them would cause a great deal of chaos. [10]

## **ADVANTAGES OF E-COMMERCE**

Customers have a lot of advantages as a result of the rise of electronic commerce, including ease, cost savings, and access to a greater variety of products. People may shop for things without even having to

leave the convenience of their homes or offices since they can do so with the click of a mouse. Customers have reaped significant benefits from using online services such as electronic tickets, money transfers, hotel bookings, payments, and many more. On Indian e-gifting and e-shopping websites, consumers can purchase a broad range of commodities, such as clothing and accessories for both sexes, home goods, books, magazines, computers and their peripherals, motor vehicles, consumer electronics, jewellery and precious stones, and media files.[11]

## **E-COMMERCE AND NEW AGE TECHNOLOGY ISSUES**

A solution to these problems has emerged with the introduction of modern logistics partners and the development of technologies like artificial intelligence (AI) and machine learning (ML), allowing e-commerce businesses to cut RTO rates and safely service clients across the country. A small number of companies have taken on most of this challenge, and they are employing a wide range of technologies to make the system run more smoothly and efficiently. As a result of these pioneers' hard work, venture capital firms have begun investing in them in recent years.

Over the first half of 2015, the logistics industry has received \$6.25 billion in investment. When compared to the previous year, this year's total is more than six times higher. It will need cooperation from the government, businesses, and individuals to solve the sector's many problems, though. Then India's potential as a hub for online shopping will be fully realised. Despite the benefits, excitement, and optimism around e-commerce, it also comes with a number of associated risks. Therefore, we list the primary obstacles that small business e-commerce faces and provide solutions to these problems.[12]

### **i. Infrastructural Problems**

The Internet is the lifeblood of the online business world. At only 0.5% of the population, internet penetration in India is pitifully low compared to Singapore's 50.0%. Similarly, whereas China and the United States each have 6 and 500 PCs per 1,000 people, respectively, India only has 3.5 PCs per 1,000 people. To connect to the web using a computer, telephone lines are still required. With only 2.1% of the population having access to a telephone, e-commerce is still out of reach for the average person. It's challenging for e-commerce to reach a population of one billion, given that those one billion people live in 37 million homes over some 6,04,374 villages and 5,000 cities. Furthermore, the price of personal computers and internet service is relatively expensive in India.

## ii. Absence of Cyber Laws

A further significant problem facing the e-commerce business is the essentially total absence of cyber regulations to control monetary dealings on the Internet. Cyber regulations are something the WTO is likely to implement shortly. In an effort to legislate the expanding fields of e-commerce, the Indian Parliament on May 17, 2000 approved the Information Technology (IT) Bill. In addition to resolving legal difficulties brought on by new technology, the Bill hopes to make e-commerce easier. At now, the Bill's scope is limited to criminal and commercial law. However, it does not address concerns such as privacy and data protection laws, content control, or individual property rights.[13]

## iii. Privacy and Security Concern

Privacy and safety are two big issues in relation to conducting business online at the moment. When it comes to the potential risk of having one's privacy violated by another party, neither the website itself nor any third-party monitors offer any kind of protection against this risk.

## iv. Payment and Tax Related Issues

Payment and taxation problems are another looming issue for online merchants. Credit cards and other forms of plastic money are used to facilitate electronic payments, but these methods have not caught on in India for two primary reasons: security concerns and high transaction fees. To begin with, credit card use is quite low in India (2 per cent of the population).

As a second point, Indian consumers are wary of using credit cards due to the ever-present risk of fraud on the part of hackers. Similar to other countries, India's credit card market was stunted by difficulties in authenticating users and recognising electronic signatures. When it comes to the administration of taxes, the issue of global e-commerce is just as convoluted. Thus, there is a lot of room for tax avoidance because it is so hard to determine where the tax should be applied in the case of e-commerce transactions. In what way can I eliminate this? There have been proposals for a complete moratorium on all sales taxes in the country related to e-commerce until the year 2010. [14]

## v. Digital Illiteracy and Consumer Psyche

E-commerce in India is now experiencing severe challenges, one of which is widespread digital illiteracy. However, India's software engineering talent pool has been steadily depleted as a result of the widespread outmigration of computer scientists to other nations. The impact on India's information technology sector has been significant. The obvious answer to this predicament is to stop the

outmigration of talented computer professionals and encourage domestic use of similar technologies.

An other distinguishing feature of the Indian customer is his distinct personality. When a nearby shop sells the item(s) he desires, the average Indian customer will not go far to get them.[15]

## CHALLENGES OF ELECTRONIC COMMERCE SCOPE FOR GROWTH

Increased e-commerce activity in India calls for better mechanisms to resolve disputes that arise online. Online dispute resolution in India is more suited for the development of e-commerce than the country's current litigation system.

Finally, those who want to provide cloud services, virtualization, or any other Internet-based service in India must follow the country's strict technological and regulatory guidelines. In India, the legal and regulatory requirements for enterprises and startups utilising cloud computing are still in the process of developing. However, they must be adhered to by the Indian cloud computing industry. Providers of virtualization and cloud computing services in India are required to not only comply with Indian encryption regulations, but also to exercise cyber law due diligence in India.[16]

This is especially true now, when Indian cyber law due diligence requirements have increased dramatically and prosecutions of international businesses and websites for failure to undertake cyber due diligence are commonplace in the country. In a nutshell, in order to get into India's lucrative e-commerce market, businesses must first ensure they are in full compliance with the rules governing e-commerce in the country. Each subset of e-commerce has its own set of rules and regulations, as opposed to a unified framework.

India's 1.37 billion inhabitants make it the world's most populated country, surpassing even China's rapidly expanding middle class. If we assume that 41% of that massive population uses the internet, we have a market of 562,000,000 individuals. It is important to proceed with caution while entering the enormous yet complex e-commerce business. The Ecommerce Foundation has issued "Ecommerce Report: India 2019," which examines the B2C e-commerce industry in India. Topics included in the report include: connection, digital preparedness, and device usage. [17]

## Mobile penetration drives India's internet use

The quick pace of modern urban life in India has led to an increase in traffic and longer commute times throughout the country's major cities. And yet, modern consumers demand a wider range of



options and lightning-fast delivery. Digital commerce expert Kashyap Mehta, APJ retail head for SAP customer experience, claims that the 'near me' idea is gaining traction with customers as a growing number of major and small companies enter the 'hyperlocal' area. When conducting online business in India, it's important to remember that not everyone using the internet is fluent in English. According to the estimate, in 2021, more than 70 percent of all Indian internet users would be people who don't speak English. That's why it's important for businesses to be able to communicate with potential clients in their native tongue, whether that's Hindi, Tamil, Gujarati, Kannada, Telugu, Malayalam, Bengali, or Marathi.[18]

### **E-wallets will remain popular payment options**

The survey indicated that in 2023, e-wallets will still be the most popular way to make a purchase. E-wallet payments, which last year surpassed the widely-used cash-on-delivery system, are predicted to account for nearly 43% of all online purchases this year. This would be followed by COD (28%) and credit/debit cards (20%) and bank transfers (3%). (close to 5 percent). The Ecommerce Foundation predicts that by 2023, electronic wallets would make up more than 70% of all payment methods.

A large number of new stores in India accept digital payments through both online and offline channels, and the country's payment acceptance infrastructure has been greatly improved. Mehta affirms, "There is a strong movement on the government side to urge customers to start adopting the digital payments also as one of their preferred payment modalities". [19]

### **India's internet shoppers are mostly men**

The percentage of people who use the internet is significantly higher among males in India compared to the percentage of women in India. In 2018, the majority of people who shopped online were male (71%), whereas just 29% of female shoppers were actually female. According to the report, "50% of internet shoppers constantly read product evaluations," while 35% occasionally check them and 10% occasionally examine reviews for pricy or non-branded things. In 2018, the majority of people who shopped online were between the ages of 25 and 34 (37%), followed by those in the lower age ranges of 18 to 24 years (31%), 35 to 44 years (24%), 45 to 54 years (8%) and those older than 55 years of age (less than 1%).[20]

### **CONCLUSION**

When it comes to economic opportunities, e-commerce paves the way for new possibilities, and it does the same for educational possibilities. Insinuates that educating people about e-commerce might reap huge rewards. At initially, people who

were just getting started with the Internet could be wary of conducting any kind of business online, citing security as their primary worry. In order to increase customer adoption of e-commerce services, it is necessary to identify, understand, and alleviate buyer confusion, fear, and risk. While there are many ways in which e-commerce may improve operations, it is important to remember that consumers' rights must also be protected. Successful IT security frameworks are crucial to the growth of e-commerce and need constant investment in technology and legal structures. As time goes on, more and more purchases will be made online. In the wake of the advent of 3G and 4G networks, the online economy is expected to expand rapidly. The number of people using the internet in India is expected to reach 70 million in the next four to five years, putting it on level with many other affluent countries.

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