



## The emerging landscape of E- Commerce in India

Janmayjay Kumar Singh

Assistant Professor, Department of Commerce and Business Administration, Tilka Manjhi Bhagalpur University, Bhagalpur, Bihar, India

### Abstract

E- Commerce now has a dominant place in Indian business transactions. With spurt and sudden growth of 4G technology in India, there has been a sudden rise of e commerce transactions in India. The situation of Covid-19 & stringent lockdowns have also played a very significant role in rapid expansion of e commerce transactions in India. E commerce business houses have become an imminent threat to existing or traditional brick and mortar business units. The cut throat competition by way of significant discounts, rebates offered by e commerce businesses have eaten out the profits and the revenue of the traditional ways of businesses. The present paper analyses the present status of e commerce in India, the challenges being faced by these business units and way forward to overcome these challenges.

**Keywords:** covid-19, brick and mortar business units

### Introduction

E- Commerce refers to the use of electronic means and technologies to conduct commerce including sale, purchase, transfer or exchange of products or services which can be carried out within business, business to business, business to consumer. The deliveries of product, goods or services are being carried outside the internet. Many a times the word e commerce and e business are used interchangeably. However in the marketing strategy formulation, both these terms are very distinct. E-business is related with the remodeling of business enterprises into internet arena. This usage of internet can be for internal processes, employee training and so on. The depths of internet transactions are not defined in case of e business models. More precisely it can be said that any business which uses internet in its processes can be termed as e-business unit. Whereas in case of e-commerce the process of transactions between customer and business related with trade must necessarily be carried out over internet. When compared with e business, e-commerce is relatively easy to implement as e commerce requires only three levels of integration namely vertical integration: website of business houses to present transaction systems; cross business integration: integration of company websites with marketing intermediaries such as suppliers, wholesalers, retailers and customers; technology integration for order handling, processing, back end management etc. E-business requires four level of integration which makes it more complex. The four level integration mainly consist of vertical integration, horizontal integration, lateral integration & integration with new technologies.

### Literature Review

Gefen (2000) <sup>[5]</sup> in his study examines this intriguing idea in the context of the E-commerce involved in inquiring about and purchasing books on the Internet. Survey data from 217 potential users support and extend his hypothesis. The data show that both familiarity with an Internet vendor and its

processes and trust in the vendor influenced the respondents' intentions to inquire about books, and their intentions to purchase them. Additionally, the data show that while familiarity indeed builds trust, it is primarily people's disposition to trust that affected their trust in the vendor.

Singh (2002) <sup>[10]</sup> in her paper discussed the role of e-services in B2C e-commerce and how they can be applied to enhance the online customer shopping experience. Findings of her research study had shed some light on both business and customer perspectives of the role of e-services in the B2C e-commerce.

Kotabe *et al.* (2008) <sup>[8]</sup> discussed about how e-commerce affects where the optimal point of any particular firm is located and its relation with outsourcing level, hence explicitly linking developments in e-commerce to changing outsourcing level and provided implications for the practice and study of outsourcing and e-commerce.

Fauska *et al.* (2013) <sup>[4]</sup> explored how industrial companies use B2B e-commerce, how it enables their services and what are the main advantages. In the context of the economy globalization, continuous increase of the services role in B2B markets and rapid development of information technologies, his article is considered to be of high practical and theoretical importance for business environment. The study also provides guidance for managers and gives them an outlook on how e-commerce can be used by their companies. Hence, it may support managers in decision making on e-commerce investments, during definition, implementation and execution of e-commerce strategy.

Mitra (2013) <sup>[9]</sup> analysed the the present status and facilitators of E Commerce in India, discussed the present trends of E-Commerce in India and examine the barriers of E-Commerce in India.

Gupta (2014) <sup>[6]</sup> analyzed the role of e commerce in business revolutionisation, aspects of B2B, B2C business & role of e commerce in today's business. The studies also provide insight to the distinction of traditional & global markets.

Yapar *et al.* (2015) <sup>[12]</sup> examined issues such as tax loss and tax evasion are crucial in terms of countries. Difficulties like uncertainty and double taxation make parties of e-commerce reluctant and affect development of e-commerce negatively. In his study, they analyzed the role of taxation problems on the development of e-commerce. They also suggested ways on how e-commerce can be developed with proper tax regulations.

### Objectives of the study

- To examine the present status of E commerce in India.
- To analyse the barriers of development of E commerce.

### Methods of data collection

The data for the purpose of the study have been collected from secondary sources namely existing literature, periodicals, conference proceedings, journals etc.

### Present status of e commerce in India

The Indian E-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest E-commerce market in the world by 2034. India e-commerce sector will reach US\$99 billion by 2024 from US\$30 billion in 2019, expanding at a 27% CAGR, with grocery and fashion/apparel likely to be the key drivers of incremental growth. According to Forrester Research, Indian e-commerce sales rose by ~7-8% in 2020. The Indian online grocery market is estimated to reach US\$ 18.2 billion in 2024 from US \$1.9 billion in 2019, expanding at a CAGR of 57%. The Indian e-commerce sector is ranked 9th in cross-border growth in the world, according to Payoneer report. Indian e-commerce is projected to increase from 4% of the total food and grocery, apparel and consumer electronics retail trade in 2020 to 8% by 2025. India's e-commerce orders volume increased by 36% in the last quarter of 2020, with the personal care, beauty and wellness (PCB&W) segment being the largest beneficiary. E-commerce sales in India were estimated to increase by only 7-8% in 2020, compared with 20% in China and the US. The e-commerce market is expected to touch the US\$ 84-billion mark in 2021 on the back of healthy growth in the Indian organised retail sector. As most Indians have started shopping online rather than stepping outside their houses, the Indian e-commerce sector witnessed an increase. India's e-commerce festive sale season from October 15 to November 15 in 2020 recorded Rs. 58,000 crore (US\$ 8.3 billion) worth of gross sales for brands and sellers, up 65% from Rs. 35,000 crore (US\$ 5 billion) last year. According to Bain & Company report, India's social commerce gross merchandise value (GMV) stood at ~US\$ 2 billion in 2020. By 2025, it is expected to reach US\$ 20 billion, with a potentially monumental jump to US\$ 70 billion by 2030, owing to high mobile usage. India's e-commerce order volume increased by 36% in the last quarter of 2020, with the personal care, beauty & wellness (PCB&W) segment being the largest beneficiary. Tier 2 and 3 cities accounted for a 90% YoY incremental volume and value growth in the e-commerce market in the last quarter of 2020. Also, these cities reported significant gains in share of the overall e-commerce sales volume (from 32% to 46%) and value (from 26% to 43%) in the last quarter of 2020 over the same period last year. Huge investments from global players—such as Facebook, which is investing in Reliance Jio—are being recorded in the e-

commerce market. Google also reported its first investment worth US\$ 4.5 billion in Jio Platforms. This deal was followed by the purchase of Future Group by Reliance Retail, expanding the presence of the Ambani Group in the e-commerce space. Much of the growth in the industry has been triggered by increasing internet and smartphone penetration. As of September 2020, the number of internet connections in India significantly increased to 776.45 million, driven by the 'Digital India' programme. Out of the total internet connections, ~61% connections were in urban areas, of which 97% connections were wireless. Online penetration of retail is expected to reach 10.7% by 2024 compared with 4.7% in 2019. Moreover, online shoppers in India are expected to reach 220 million by 2025. Smartphone shipments in India increased by ~23% YoY to reach 38 million units in the first quarter of 2021, driven by new product launches and delayed demand from 2020. Xiaomi led the Indian smartphone market with 26% shipping, followed by Samsung (20%). The Government of India's policies and regulatory frameworks such as 100% Foreign Direct Investment (FDI) in B2B E-commerce and 100% FDI under automatic route under the marketplace model of B2C E-commerce are expected to further propel growth in the sector. As per the new FDI policy, online entities through foreign investment cannot offer the products which are sold by retailers in which they hold equity stake. As of February 15, 2020, the Government eMarketplace (GeM), listed 1,071,747 sellers and service providers across over 13,899 product and 176 service categories. For the financial year 2020-21, government procurement from micro and small enterprises was worth Rs. 23,424 crore (US\$ 3.2 billion). Through its Digital India campaign, the Government of India is aiming to create a trillion-dollar online economy by 2025. It has formed a new steering committee that will look after the development of a government-based e-commerce platform. The new committee, set up by the Commerce Ministry, will provide oversight on the policy for the Open Network for Digital Commerce (ONDC), which is an e-commerce platform that the government is backing for the development. The ONDC will serve as the infrastructure for setting up the final storefront, which will be similar to Flipkart and Amazon.

### Barriers of development in e commerce

For the developing country such as India one of the primary barrier of development of e commerce is logistical problem. Expanding on the example of India, for this country, logistical problems act as one of the barriers to growth of e-commerce. All logistical models conceived in the country consider the larger metropolitan cities and Tier-1 cities as their target, where the customer usually belongs to either the upper affluent or middle class, and has easy access to the Internet. Also, delivery costs are high for e-retailers, as the majority of goods being ordered online are transported by air. This also causes shortage of cargo space on airlines in times of high demand, such as the weeks leading up to the Indian festival of Diwali, and warranted dependence on external delivery firms. But while India can boast of the second-largest number of mobile users in the world, e-retail sales are less than 0.5 % of the country's entire retail sales. When this figure is compared with 6% in the US and 5% in China, it does appear as if the country's e-commerce sector needs to firm up its delivery network. The obstacles may vary between countries and regions but

the commonly reported barriers that country like India face are include a severe dearth of managerial skills requisite to formulate and implement an e-commerce strategy for business. Internet connectivity with regard to the cost, quality, and speed of the service provided is another stumbling block while lack of effective branding and trust issues is another important barrier to e-commerce growth. The latter has succeeded in pricking the e-commerce bubble in these countries as buyers feel more secure conducting transactions from renowned companies and brands (usually belonging to developed countries) rather than from unknown companies online (Travica *et al.* 2007). Lack of robust logistical networks is a barrier already discussed with reference to the Indian e-commerce market, and this factor is a common barrier for e-commerce in developing countries. Another common obstacle faced is the absence of a sound legal and regulatory environment for e-commerce, which acts as a deterrent for both buyers and sellers to conduct business over the Internet (UNCTAD 2004).

### Recommended measures to boost e commerce

The term 'digital divide' is often used in reference to the "disparities between groups and societies in the adoption and diffusion of electronic information and communications technologies (ICTs) and E-business practice" (Genus and Noor 2005, 82). With reference to the adoption and growth of e-commerce, the gap between developed and developing countries is gradually narrowing down. However, one of the major critical success factors of e-commerce is training and education. Developing countries face the digital divide primarily because they lack the requisite intellectual human capital. Mass illiteracy and little to no command over the English language render e-commerce an exercise in futility. Hence, the most important measure which needs to be taken is to engage in capacity building in e-commerce skills. Training and education can be imparted via various means using the internet itself, such as distance learning and specialised links with universities. India has effectively used the Open University concept to reduce illiteracy and cash in on the opportunities provided by e-commerce (Rouibah *et al.* 2008). The government has a very strong role to play as state policy, specifically legislation, significantly affects adoption and growth of e-commerce. One of the most important measures that can be taken and that will counter multiple barriers to e-commerce growth is the development of a supportive regulatory and legal environment. E-commerce strategies will be successfully owned only when consumers and businesses trust the concept and its premise, and are sure of its security and reliability (Zaied 2008). For them to feel confident, a solid regulatory umbrella must include enabling laws pertaining to e-business, regulations on consumer protection, e-transactions, and cybercrime as well as carefully laid out processes for redress in the event of abuse. UNCTAD (2015) statistics reveal that developing countries are slow to adopt these laws; particularly those in Eastern and Middle Africa have not adopted these laws or produced draft legislation. These laws are vital for doing business online as the Internet by its very nature exposes customers to possible instances of deception and fraud. Financial systems in developing countries need to be restructured to enable online payment mechanisms and credit facilities. Developing countries are generally lagging behind in this regard, other than those with governments that are aggressively supporting e-commerce and reaping

the benefits of doing that, such as Korea. In fact, regulatory support has a stronger impact on e-commerce in developing countries relative to developed countries (Zhu *et al.* 2004). Inadequate infrastructure acts as a major obstacle for e-commerce in developing countries, and the government should invest in legal, financial, logistical, and telecommunication infrastructure which is the backbone of any e-commerce initiative. It is vital that regional integration communities and developed countries partner with developing countries to facilitate in building long-term capacities for e-commerce, and ensure that a compatible infrastructure is developed to enable e-commerce across national boundaries.

### Conclusion

E commerce has opened a new gate of modernized way of commercializing the transaction. The sudden spurt and growth of digital transactions by way of e commerce especially during the Covid- 19 lockdown has further fostered the essence of E commerce in India. Recent initiatives of Govt. of India for minimizing the digital divide and foreseeing the vision of Digital India has also strengthened the e commerce business. However the challenges faced by e commerce businesses are many such as chances of forgery, fraudulent transactions, gap between literate and illiterate persons, reachability of e commerce in remote areas of country, fight of existence of brick and mortar business houses. Therefore it is utmost necessary that a control and legal mechanism must be developed where the e commerce business can be brought to the umbrella of law where the risk arising out of these businesses can be minimized and the customer's ultimate happiness remain in the forefront.

### References

1. Ara A. Growth of E-Commerce in India. Nternational Journal of Core Engineering & Management (IJCEM),2015:2:25.
2. E-commerce in Developing Countries and how to Develop them during the Introduction of Modern Systems | Elsevier Enhanced Reader. (n.d.).
3. E-Commerce in India: Evolution and Revolution of Online Retail: Business & Management Book Chapter | IGI Global. (n.d.). Retrieved July 31, 2021.
4. Fauska P, Kryvinska N, Strauss C. The role of e-commerce in B2B markets of goods and services. International Journal of Services, Economics and Management,2013:5(1-2):41-71.
5. Gefen D. E-commerce: The role of familiarity and trust. Omega,2000:28(6):725-737.
6. Gupta A. E-commerce : role of e-commerce in today's business,2014:4(1):8.
7. Kaur P, Mukesh D, Joshi M. (n.d.). E-Commerce in India: A Review.
8. Kotabe M, Mol MJ, Murray JY. Outsourcing, performance, and the role of e-commerce: A dynamic perspective. Industrial Marketing Management, 2008:37(1):37-45.
9. Mitra A. (n.d.). E-Commerce in India-a Review.
10. Singh M. E-services and their role in B2Ce-commerce. Managing Service Quality: An International Journal, 2002:12(6):434-446.
11. Vaithianathan S. A review of e-commerce literature on India and research agenda for the future. Electronic

- Commerce Research,2010:10(1):83-97.
12. Yapar BK, Bayrakdar S, Yapar M. The Role of Taxation Problems on the Development of E-Commerce. Procedia - Social and Behavioral Sciences, 2015:195:642-648.