

Challenge for E-Commerce in India

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Abstract: E-commerce stands for electronic commerce. It means a person can buy or sell anything while sitting on his chair he need not to go anywhere. Unlike traditional commerce that is carried out physically with effort of a person to go & get products, ecommerce has made it easier for human to reduce physical work and to save time. E-commerce is doing business online and electronically. Revolution became widely used in the world trade in general and Indian economy in particular. It has witnessed steady growth of 50-60 % over the years. This paper attempts to highlight the different challenges faced by e-commerce in India and to understand the essential growth factors required for e-commerce.

Keywords: E-commerce, online Shopping, Challenges.

I. INTRODUCTION

Electronic Commerce is a emerging trend in India. Every person in India is a web savvy and with a shortage of time. In this scenario every person wants things to be purchased without going somewhere and saving time. So the Internet market (e-commerce is growing very rapidly in India.

There are some important definitions on E-Commerce:

S. No	Definition
1.	Electronic commerce or e-commerce refers to a wide range of online business activities for products and services. It also pertains to “any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact.” A more complete definition is: E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals
2.	The term e-commerce ⁹ , it is generally used in the sense of denoting a method of conducting business through electronic means rather than through conventional physical means. Such electronic means include ‘click & buy’ methods using computers as well as ‘m-commerce’ which make use of various mobile devices or smart phones. This term takes into account not just the act of purchasing goods and /or availing services through an online platform but also all other activities which are associated with any transaction such as: Delivery, Payment facilitation, Supply chain and service management. E-commerce has defied the traditional structure of businesses trading with consumers bringing to the fore various business models which has empowered consumers. [3]
3.	Often referred to as simply ecommerce (or e-commerce) the phrase is used to describe business that is conducted over the Internet using any of the applications that rely on the Internet, such as e-mail, instant messaging, shopping carts, Web services, UDDI, FTP, and EDI, among others. Electronic commerce can be between two businesses transmitting funds, goods, services and/or data or between a business and a customer.
4.	A type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. Electronic commerce operates in all four of the major market segments: business to business, business to consumer, consumer to consumer and consumer to business. It can be thought of as a more advanced form of mail-order purchasing through a catalog. Almost any product or service can be offered via ecommerce, from books and music to financial services and plane tickets.

5.	Ecommerce has allowed firms to establish a market presence, or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their products or services. One example of a firm that has successfully used ecommerce is Target. This mass retailer not only has physical stores, but also has an online store where the customer can buy everything from clothes to coffee makers to action figures.
6.	By definition e-commerce refers to businesses and consumers buying and selling products online. The majority of e-commerce websites on the internet are retail stores selling products directly to the public. However there are also a proportion of online stores dedicated to business-to-business (B2B) sales or wholesale activity. E-commerce does not only refer to the selling of physical products, it can also refer to the selling of services where payments for the services are made online. As a general rule an e-commerce website is a website where a transfer of funds is completed electronically - hence e-commerce.
7.	Electronic commerce or ecommerce is a term for any type of business, or commercial transaction, that involves the transfer of information across the Internet. It covers a range of different types of businesses, from consumer based retail sites, through auction or music sites, to business exchanges trading goods and services between corporations. It is currently one of the most important aspects of the Internet to emerge.
8.	Ecommerce allows consumers to electronically exchange goods and services with no barriers of time or distance. Electronic commerce has expanded rapidly over the past five years and is predicted to continue at this rate, or even accelerate. In the near future the boundaries between "conventional" and "electronic" commerce will become increasingly blurred as more and more businesses move sections of their operations onto the Internet.
9.	The word commerce is the basic concept for electronic commerce, pertaining to buying and selling of goods while 'commercial' denotes business practice and activities intended to make profits. Electronic commerce, like any other business, deals with the exchange of money for soft or hard goods and services.

II. ELECTRONIC COMMERCE & IT'S FEATURES

Kalakota and Whintons in 1997 defined the term E-commerce from different perspectives. These perspectives are:

- Communication
- Business Process
- Service
- Online

Communication Perspective:

According to this perspective, E-commerce is the delivery of information, product/services or payments over telecommunication channels, computer networks or any other electronic mode of communication. [9]

Business Process Perspective:

This says that E-commerce is the application of technology towards the automation of business transactions and work flow. [9]

Service Perspective:

E-commerce is defines as a tool that addresses the desire of firms, consumers and management to cut service cost while improving the quality of goods/ services and increasing the speed of service delivery. [9]

Online Perspective: E-commerce provides the capability of buying and selling products and information on the internet and other online services.[9]

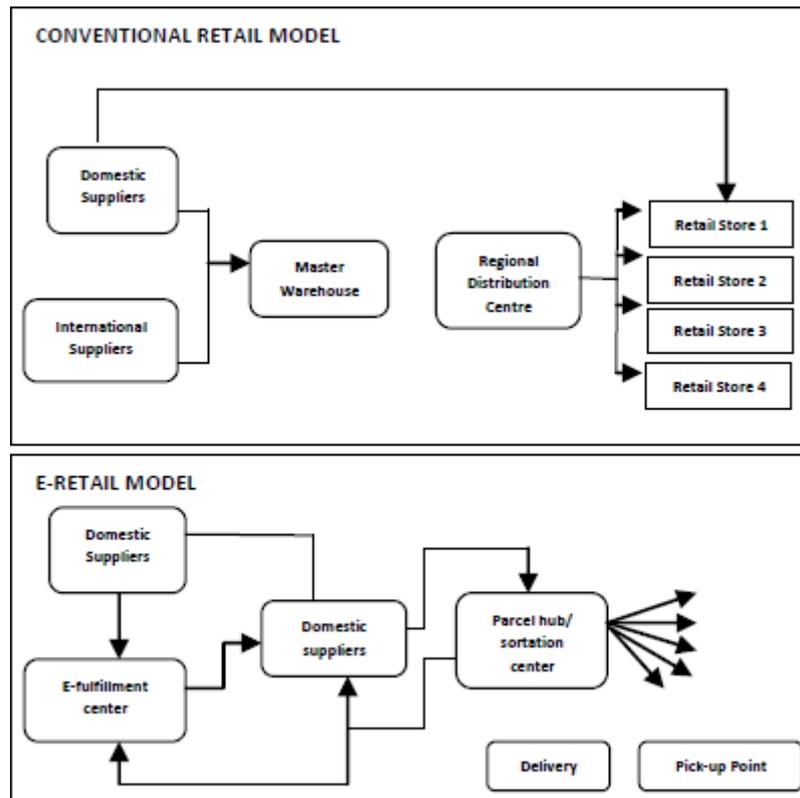


Figure 1: Different Retail Models [6]

Electronic Commerce means better business communication and data interchange information is essential for every business. The quality and quantity of information which a business delivers to customers or use this information to make decisions can determine just how competitive the business is.

These may include personal computers, word processors, courier, facsimile machines, telex services, cellular phones, pagers and more. Unfortunately, many of today's communication tools are not really upto the speed of today's business needs, and can actually create barriers to achieving the goals set on the basis of strategies formulated by a company. Electronic business can result in better transactions, wide market coverage by offering the benefits of speed, convenience, being cost effective, timeliness, high profit margins, instant customer relations, no loss of customers, impact and control.

For instance, postal facilities can keep business waiting for information for days or even weeks. Overnight couriers may save time but can be an expensive proportion. Traditional telex and fax is quick but costly and communicating by telephone can become an endless game of tag.

Now a business can avoid these problems by using e-commerce which is fast, cost efficient, time saying and easy to use -i.e., economic tangibility and good business generation. This enables firms to have an edge over competitors by informing, following up and requesting information faster and easier to customers.

Another feature is that it helps to maintain greater control, at work, home or while travelling, communicate with any business partner or firm, anywhere instantly.

Improve Responsiveness How does e-commerce help business? It helps by improving responsiveness to market conditions and customer preferences. Every business must know how important timing is to marketing and selling products. Timing is important to cater to the demands of customers.

If distributors, dealers and sales force do not get the right information at the right time, there will be a financial crisis as well as losing valuable customers.

E-commerce network enables a company to implement marketing programmes with greater precision such as:

- Pre-empt competitiveness with a change in marketing tactics before they can react.

- Improve responsiveness by revising price change and marketing programmes as and when required.

SEVEN UNIQUE FEATURES OF E-COMMERCE TECHNOLOGY	
DIMENSION OF E-COMMERCE TECHNOLOGY	SIGNIFICANCE IN BUSINESS
UBIQUITY: Internet/Web technology is available everywhere, at work, at home, and elsewhere via mobile devices anytime	The marketplace extended beyond traditional boundaries and is removed from temporal and geographical location. “Marketplace” is created, shopping can take place anywhere. Customer convenience is enhanced, and shopping cost are reduced
GLOBAL REACH: the technology reaches across national boundaries round the earth	Commerce is enabled across cultural and national boundaries seamlessly and without modification. “Marketplace” includes potentially billions of consumers and millions of business worldwide.
UNIVERSAL STANDARD: There is one set of technology standards, namely internet standard	There is one set of technology technical media standard across the globe
RICHNESS: Video, audio, and text messages are possible	Video, audio, and text marketing messages are integrated into a single marketing message and consuming experience
INTERACTIVITY: The technology works through interaction with the users	Consumers are engaged in dialog that dynamically adjust the experience to the individual, and makes the consumer a co participant in the process of delivering goods to the market
INFORMATION DENSITY: The technology reduces information cost and rises quality	Information processing, storage, and communication cost drop dynamically, while currency, accuracy, and timeliness improve greatly. Information becomes plentiful, cheap and accurate.
PERSONALIZATION/CUSTOMIZATION: The technology allows personalized messages to be delivered to individuals as well as groups	Personalization of marketing messages and customization of product and services are based on individual characteristics

III. STATUS OF E-COMMERCE IN INDIA

As already mentioned above, growth of e-commerce industry has been phenomenally high. However, its growth is dependent on a number of factors and most important of them is internet connectivity. As per Forrester McKinsey report of 2013, India has 137 million internet users with penetration of 11%. Total percentage of online buyers to internet users is 18%. Compared to India, China, Brazil, Sri Lanka and Pakistan have internet population of 538 (40%), 79 (40%), 3.2 (15%) and 29 (15%) millions respectively. Therefore, lower internet density continues to remain a challenge for e-commerce.[4]

According to Report of Digital–Commerce, IMAI-IMRB (2013), e-commerce is growing at the CAGR of 34% and is expected to touch US\$ 13 billion by end of 2013. However, travel segment constitutes nearly 71% of the transactions of consumer e-commerce industry, meaning thereby that e-tailing has not taken off in India in any meaningful way. Share of e-tail has grown at the rate of 10% in 2011 to 16% in 2012[4].

Industry surveys suggest that e-commerce industry is expected to contribute around 4 percent to the GDP by 2020. In comparison, according to a NASSCOM report, by 2020, the IT-BPO industry is expected to account for 10% of India’s GDP, while the share of telecommunication services in India’s GDP is expected to increase to 15 percent by 2015. With enabling support, the e-commerce industry too can contribute much more to the GDP.

Around 90% of the global e-commerce transactions are stated to be in the nature of B2B, leaving meagre 10% as B2C e-commerce. Case of India is no different where most of such transactions are in the nature of B2B. Moreover Indian e-commerce industry is characterized by, Market Place” model. It allows large number of manufacturers/traders especially MSMEs to advertise their products on the „Market Place” and benefit from increased turnover.

The growing e-commerce industry can have a positive spillover effect on associated industries such as logistics, online advertising, media and IT/ITES. Currently e-commerce accounts for 15-20 percent of the total DIPP – Discussion Paper on E-Commerce – 2013-14 revenues for some of the big logistics companies. The revenue for logistics industry from inventory based consumer e-commerce alone may grow by 70 times to USD 2.6 Billion (INR 14,300 crores) by 2020. Currently, the inventory based consumer e-commerce model alone provides direct employment to approximately 40,000 people and is estimated to create 1 million direct and another 0.5 million indirect jobs by 2020. Low entry barriers have attracted many young and enterprising individuals to try their hand at entrepreneurship. A significant 63% of e-commerce ventures have been started by first time entrepreneurs. Indian e-commerce industry is in nascent stage and is nowhere in the league of big global players. Major domestic e-commerce companies are Flipkart, Snapdeal, Fashionandyou, Mynt, InKart, Deals and you, Homeshop18 etc.

Although many factors support the growth of e-commerce in India, the fledgling industry is faced with significant hurdles with respect to infrastructure, governance and regulation. Low internet penetration of 11 percent impedes the growth of e-commerce by limiting the internet access to a broader segment of the population. Poor last mile connectivity due to missing links in supply chain infrastructure is limiting the access to far flung areas where a significant portion of the population resides. High dropout rates of 25-30 percent on payment gateways, consumer trust deficit and slow adoption of online payments are compelling e-commerce companies to rely on costlier payment methods such as Cash on Delivery (COD).

As stated earlier, over 70% of all consumer e-commerce transactions in India are travel related, comprising mainly of online booking of airline tickets, railway tickets and hotel bookings. The biggest players in the travel category are Makemytrip.com, Yatra.com and the IRCTC website for railway bookings. Non-travel related online commerce comprises 25-30 percent of the B2C e-Commerce market. The unfettered growth of online travel category has been possible because the regulatory and infrastructure issues do not impede its growth. Also, it does not face the infrastructure challenges since the goods need not be transferred physically.

IV. E-COMMERCE MARKET SIZE IN INDIA

India's consumer-facing E-Commerce market (B2C-C2C) grew at a whopping CAGR of 49.1% from 2007 to 2011 to reach a market size of US\$9.9 billion. On the other hand, the B2B market is a small contributor to the overall domestic E-Commerce market, and it was estimated at US\$50.37 million in 2011 [10].

The country's B2C E-Commerce sector can be split into two broad categories travel and non-travel. Online travel is the largest domestic B2C E-Commerce segment, accounting for 81% revenues in 2011. The online non-travel market is further segmented into e-tailing, digital downloads, financial services and classifieds [10].

India's retail market is estimated at \$470 billion in 2011 and is expected to grow to \$675 Billion by 2016 and \$850 billion by 2020, – estimated CAGR of 10%. According to Forrester, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012–16. [7]

V. THE NEW INCLINATION IN E-COMMERCE

- 1) Online travel industry contributes 76% of total net commerce.
- 2) Online book buying is back with a leading retailer selling a book a minute online.
- 3) There is customer delight with prompt delivery and flawless payment mechanisms building trust in consumers.
- 4) Online travel ticketing has gotten mature with more and more Indians making their travel plans online – be it on third party websites or airline sites.
- 5) Classifieds have made a successful transition online with jobs and matrimonial taking the lead.
- 6) Online retailers are now pushing a larger number of categories such as electronics and white goods.
- 7) Innovative models like group buying are being tested and launched in the market.
- 8) Currently, online retail's major categories include cameras, computers, home and kitchen appliances, flowers, toys, and gifts.
- 9) The growing impact of internet is also felt on the pattern of advertisement spend by the corporate world, as depicted in the following table the share of internet is growing consistently. Companies are capitalizing on the social networking sites also for their recruitment, selection and for product promotion and survey among customers. According to wire foot, a consulting firm on e-commerce

transactions, by 2015 India will have 30 million online buyers and consumers adapting to ecommerce sites, compared with the 2.5 million online buyers at present.

- 10) China Internet Network Information Centre (CINIC) showed that China’s online trade in 2009 reached 248.35 billion Yuan (US\$36.38 billion), up 93.7% from 2008, and is expected to reach 1 trillion Yuan in 2013.
- 11) China has shown that there is a high positive correlation between broadband penetration and growth of e-commerce. The no. of internet users in China is greater than the entire population of U.S. Average annual growth in B2C e-commerce sales registered 64% growth during 2006-2010.



Figure 2: E-Commerce Growth in India [11]

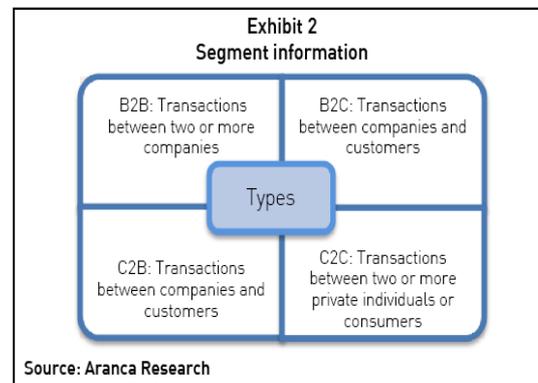


Figure 3: Different Segments of E commerce [11]

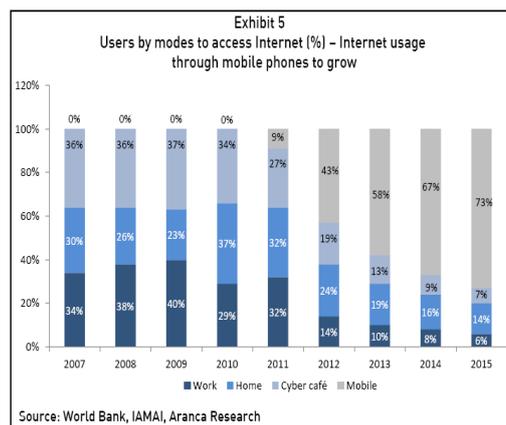


Figure 4: Internet User Percentage [11]

South India Buys More than the North

As would be expected, the 5 metros in the country are also the top 5 spenders in the country. And from this, we can see that the top amongst these is South India (Bangalore, Hyderabad and Chennai) as compared to the North.[5]

Sno	City	State	% of total orders
1	Bangalore	Karnataka	14.12%
2	Delhi	Delhi	11.65%
3	Mumbai	Maharashtra	6.98%

4	Hyderabad	Andhra Pradesh	5.73%
5	Chennai	Tamil Nadu	4.12%
6	Pune	Maharashtra	4.07%
7	Kanchipuram	Tamilnadu	3.99%
8	Gurgaon	Haryana	3.18%
9	Rangareddy district	Andhra Pradesh	2.51%
10	Thane	Maharashtra	2.14%
11	Gautam Buddh Nagar District	Uttar Pradesh	2.09%
12	Ahmedabad	Gujarat	1.63%
13	Ghaziabad	Uttar Pradesh	1.52%
14	Kolkata	West Bengal	1.32%
15	Jaipur	Rajasthan	1.28%

Table 1: Percentage of Internet Order in Indian Cities [5]

Contributions to over all e-commerce sales are as below:

- South India – 41%
- North India – 32%
- West India – 21%
- East, North east – 6%

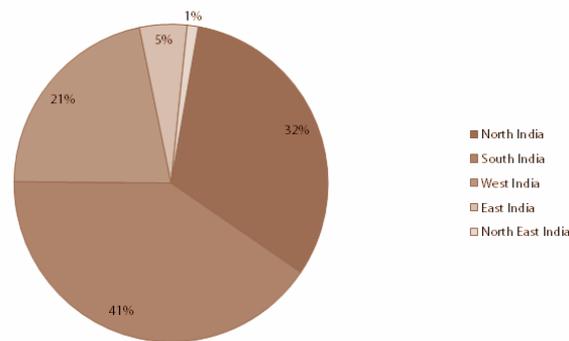


Figure 5: RegionWise Split of Online Orders in India [5]

According to eBay's statistics, West India has the most active sellers at 46%, followed by North India at 28%. Kolkata, the remaining metropolitan, was not in the top 10 and accounted to only about 1.32% of the total orders.

Let's drop the Government's classification and look at these cities from a different perspective:

- Thane – just an extension of Mumbai
- Noida, Gautam Buddh Nagar – part of Delhi NCR
- Kanchipuram – part of greater Chennai region
- Rangareddy district – part of greater Hyderabad

While it's a good idea to reach out to as large a consumer base as possible, if you had to focus your attention based on who spends more, these are the states to cater to:

- Karnataka
- Maharashtra
- Tamil Nadu
- Delhi
- Andhra Pradesh

These make up for almost 65% of the e-commerce pie. The top 5 metros are part of these states and we have already seen the significant contribution they make to overall sales.

Despite the potential of these markets, certain bigger states like the below generate less than 1% online sales each, either due to connectivity issues, laws and restrictions, or even cheating customers:

- Kerala
- Bihar
- Orissa
- Madhya Pradesh
- Assam

VI.FUTURE OF E-COMMERCE IN INDIA

India is developing rapidly and if development is to be measured, how can we ignore the role of e commerce in it. The internet user base in India might still be a mere 100 million which is much less when compared to its penetration in the US or UK but it's surely expanding at an alarming rate. The number of new entrants in this sphere is escalating daily and with growth rate reaching its zenith it can be presumed that in years to come, customary retailers will feel the need to switch to online business. Insights into increasing demand for broadband services, rising standards of living, availability of wider product ranges, reduced prices and busy lifestyles reveal this fact more prominently thereby giving way to online deals on gift vouchers. Going by the statistics, the E commerce market in India was worth about \$2.5 billion in 2009. It rose to \$8.5 billion by 2011 thus depicting a definite surge in the last two years. According to a statement released by the Internet and Mobile Association of India (IAMAI), these figures would reach up to \$12 billion by 2012! To understand this scenario, we can divide E-commerce into three broad categories which include physical services, physical goods and virtual goods. Another category that is gradually making its mark is the local commerce (couponing, yellow pages, classifieds etc.) which offers significant overlaps with E-commerce.[2]

The 1st category of physical services is definitely the major contributor which includes travel ticketing, jobs, matrimonial and event management websites with travel sites accounting for 75% of all E-commerce industries! It provides attractive deals too.

The 2nd category of physical goods is the one currently gaining considerable attention, thanks to the hype created by new startups/stores being launched daily. Leaders in this division are Flipkart, Infibeam, Homeshop18, Indiatimes, Naaptol, Letsbuy etc. each of which offers everything from mobile phones to pet food.

The 3rd and final category of virtual goods and gift vouchers like online music, software's, movies, games, Taj Hotel gift vouchers, Reebok gift vouchers, Pizza Hut gift vouchers etc. have been relatively lagging behind in India as compared to Europe and America, primarily due to piracy concerns and the social perspective of Indians. But the scenario is expected to change with the digital downloads segment expected to grow in the Indian E-commerce market due to the explosion of mobile devices and the services available over the Internet at special discounts.

Certain unique attributes of the E-commerce industry in India such as cash on delivery mode of payment and direct imports that lower costs considerably are probably going to bring about a speedy growth in this industry in years to come. According to the latest research by Forrester, a leading global research and advisory firm, the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012-16. The report, titled “Asia Pacific Online Retail Forecast, 2011 To 2016,” has been issued by Forrester Research Inc. Analyst Zia Daniell Wigder, with Steven Noble, Vikram Sehgal and Lily Varon.

Country	Sales in \$ Billion	
	2012	2016
India	1.6	8.8
Australia	23.2	35.4
Japan	63.9	97.6
China	169.4	356.1

Table 2: Sales Comparison in Different countries(Source-Forrester) [2]

E-commerce in India to explode in 2012, Indian e-shoppers will have a good time getting great deals and services online. A recent pan-India report released by Com Score Inc reveals that online shopping in India has touched a growth rate of 18 per cent and is only likely to grow further. The report found that nearly 60 per cent of citizens in India visited a retail site in November 2011, with the number of online shoppers increasing by 18 per cent in the past year. E-commerce can become an integral part of sales strategy while it is one of the cheapest medium to reach out the new markets, if implemented successfully, it offer a smart way of expansion & doing e-commerce attribute to the successful implementation to carefully understanding the products & services, customers and the business process, easy -to-use system to extend the business on the web.

A new report by the Boston Consulting Group says online retail in India could be a \$84-billion industry by 2016 — more than 10 times its worth in 2010 — and will account for 4.5 per cent of total retail.

VII. MAJOR CHALLENGES FACED BY E-COMMERCE INDUSTRY IN INDIA

The growth of ecommerce volumes in India is attracting the attention of players around the globe. India, the second most populous country in the world, is home to 1.2 billion people.[1] To put that number into perspective, consider this: the combined populations of Germany, UK, and France, Italy, Netherlands, Belgium, and Greece equal one-fourth the population of India alone! Despite lower per-capita purchasing power, this still makes India one of the most attractive emerging markets for ecommerce. But India is far from being a bed of roses.

The e-Commerce industry in India is growing at a remarkable pace due to high penetration of internet and sophisticated electronic devices. There are many big problems and challenged on the way of an online merchant. Factors like safety and security of online money transaction being the biggest problem along with others have curbed the smooth expansion of the online industry in the country [8]. Although, major portion of e-business sectors have affected by the below mentioned challenges but still there are few online giants like Makemytrip.com, flipkart.com, Snapdeal.com who have overcome the challenges and represents the perfect growth trends of e-Commerce in India.



Figure 6: Challenges faced by E Commerce Industry [8]

1. Infrastructural Problems:

Internet is the backbone of e-commerce. Unfortunately, internet penetration in India is so far dismally low at 0.5 per cent of the population against 50 per cent in Singapore. Similarly, penetration of personal computer (PC) in India is as low as 3.5 per thousand of population compared to 6 per thousand in China and 500 per thousand in US. Internet is still accessible through PCs with the help of telephone lines.

Given the penetration of telephone only 2.1 per cent of population, e-commerce remains far away from the common man. It is difficult for e-commerce to reach to 1,000 million population spread over 37 million households in 6, 04,374 odd villages and 5,000 towns and cities. Besides, both cost of PCs and internet access in India are quite high.

2. Absence of Cyber Laws:

Other big challenge associated with e-commerce market is the near absence of cyber laws to regulate transactions on the Net. WTO is expected to enact cyber laws soon. The India's Information Technology (IT) Bill passed by the Indian Parliament on May 17, 2000 intends to tackle legislatively the growing areas in e-commerce.

The Bill also intends to facilitate e-commerce by removing legal uncertainties created by the new technology. As it stand today, the Bill deals with only commercial and criminal areas of law. However, it does not take care of issues such as individual property rights, content regulation to privacy and data protection specific legislation.

3. Privacy and Security Concern:

As of to-day, quite vulnerable issues related to e-commerce are privacy and security. So far, there is no protection offered either by Website or outside watchdogs against hazard created by exploiting one's privacy.

4. Payment and Tax Related Issues:

Issues related to payment and tax is yet another problem continuously hinting e-traders. The electronic payment is made through credit card or plastic money which could, however, not become popular so far in India mainly due to two reasons. First, the penetration of credit card in India is very low (2 per cent of the population).

Second, the Indian customers are quite skeptical of paying by credit card with the increasing threat of fraud played by hackers. Like elsewhere, credit card could not gain growth in India mainly because of authentication and recognition problems of electronic signatures (Dahiya and Singh 2000: 70).

Similarly, tax administration is yet another complex problem in this seamless worldwide e-commerce. As establishing incidence of tax in case of e-commerce transactions becomes difficult, this, thus, provides ample scope for tax evasion. How to get rid of this? Some suggest total tax holiday till 2010 for e-commerce in the country.

There are others who support zero duty on e-commerce to flourish it in the country. It has already been decided in US that there will be no tax on anything sold on the internet in digital form. Should India not follow US, at least for the time being? We have to ponder over it.

5. Digital Illiteracy and Consumer Psyche:

At present, digital illiteracy is one of the formidable problems e-commerce is facing in India. On the other hand, the continuous exodus of skilled computer engineers to other countries has denuded India of software engineers. This has posed a real threat to the Indian IT industry. Obviously, solution to this problem lies in curbing the computer brain – drain and uses the same in the country.

The Indian consumer is also characterised by his unique psyche. Usually, the Indian consumer does not go long distances for having any good of his choice when a neighbourhood store provides him whatever he wants. That is why the consumer does not browse the Net knowing the consequent hassles of connectivity and other botherations. Added to this is that building trust on the electronic media also takes long time more especially when the vendor is situated at a very far off place.

6. English Specific:

Last but not the least, the software so far in the country is English specific. But, in order to make e-commerce reach to the small enterprises, it needs to be available in the languages (regional) of the owners of the small enterprises to enable them to adapt e-commerce processes in their operations. Sooner it is done, better will be it for small enterprises to adapt e-commerce.

7. Indian customers return much of the merchandise they purchase online.

Ecommerce in India has many first time buyers. This means that they have not yet made up their mind about what to expect from ecommerce websites. As a result, buyers sometimes fall prey to hard sell. But by the time the product is delivered, they demonstrate remorse and return the goods. Though consumer remorse is a global problem, it is all the more prevalent in a country like India, where much of the growth comes from new buyers.

Returns are expensive for ecommerce players, as reverse logistics presents unique challenges. This becomes all the more complex in cross-border ecommerce.

8. Cash on delivery is the preferred payment mode.

Low credit card penetration and low trust in online transactions has led to cash on delivery being the preferred payment option in India. Unlike electronic payments, manual cash collection is laborious, risky, and expensive.

9. Payment gateways have a high failure rate.

As if the preference for cash on delivery was not bad enough, Indian payment gateways have an unusually high failure rate by global standards. Ecommerce companies using Indian payment gateways are losing out on business, as several customers do not reattempt payment after a transaction fails.

10. Feature phones still rule the roost.

Though the total number of mobile phone users in India is very high, a significant majority still use feature phones, not Smartphone's. So, for all practical purposes this consumer group is unable to make ecommerce purchases on the move. Though we are still a couple of years away from the scales tipping in favor of Smartphone's, the rapid downward spiral in the price of entry-level Smartphone's is an encouraging sign. I expect that the next few quarters will witness announcements of new Smartphone's in India at the \$30-40 price point. That should spur growth in Smartphone ownership.

11. Postal addresses are not standardized.

If you place an online order in India, you will quite likely get a call from the logistics company to ask you about your exact location. Clearly your address is not enough. This is because there is little standardization in the way postal addresses are written. Last mile issues add to ecommerce logistics problems.

12. Logistics is a problem in thousands of Indian towns.

The logistics challenge in India is not just about the lack of standardization in postal addresses. Given the large size of the country, there are thousands of towns that are not easily accessible. Metropolitan cities and other major urban centers have a fairly robust logistics infrastructure. But since the real charm of the Indian market lies in its large population, absence of seamless access to a significant proportion of prospective customers is a dampener. The problem with logistics is compounded by the fact that cash on delivery is the preferred payment option in India. International logistics providers, private Indian companies, and the government-owned postal services are making a valiant effort to solve the logistics problem. If someone could convert the sheer size of the problem into an opportunity, we might soon hear of a great success story coming out of the Indian logistics industry.

13. Overfunded competitors are driving up cost of customer acquisition.

The vibrancy in the Indian startup ecosystem over the past couple of years has channeled a lot of investment into the ecommerce sector. The long-term prospects for ecommerce companies are so exciting that some investors are willing to spend irrationally high amounts of money to acquire market share today. Naturally the Indian consumer is spoiled for choice. However, this trend has reversed as investors are getting worried about slipping further down a slippery slope, and I expect more rational behavior in 2014.

While this article focuses on ecommerce challenges in India, an intrinsically one-sided topic, it is important to note that ecommerce giants are increasingly attracted to India. Cross-border ecommerce to India is growing, and many large international players are also making a significant investment in setting up shop in India.

14. Poor Knowledge and Awareness:

When it comes to ratio of internet consumers, scenario is not so admirable one. Majority of Indian rural population are unaware of internet and it uses. Surprisingly, most of internet savvies or urban population are also suffering from poor knowledge on online business and its functionalities. Very few are aware of the online corruption and fraud and thus darkness still exists. A reliable survey reveals that 50% of Indian online users are unaware of the solution of online security.

15. Online Transaction:

Most of Indian customers do not possess plastic money, credit card, debit card and net banking system, which is one of the prime reasons to curtail the growth of ecommerce. Nevertheless, in recent years, some of the nationalized banks have started to issue debit cards to all its account holders. This is undoubtedly a positive sign for Indian online entrepreneurs.

16. Cash On Delivery:

Cash on Delivery (COD) has evolved out of less penetration of credit card in India. Most of Indian E-commerce companies are offering COD as one of mode of payment for the buyers. 30%-50% of buyers are also taking advantage of this mode of payment while making purchase of any product and service over internet. COD has been introduced to counter the payment security issues of online transaction, but this mode has been proving to be loss and expensive to the companies. It is seen that majority of the customers denied to make the payment at the time of delivery of the product. Hence, companies tend to lose the sale along with product transit fees. In order to curb the problem of COD, online companies should take some judicial steps; otherwise basic logic behind the ecommerce business will be at risk.

17. Online Security:

In case of start up and small business, Business owners are ignoring the importance of authentic software due to budget constraints. They are even failing to take the initial steps to secure and protect their online business through installation of authentic protection services like antivirus and firewall protection, which indeed a crucial step for successful online business players. In India, maximum number of business entrepreneurs used unauthorized software in their server, which usually does not come with upgraded online security. Such pirated software leaves room for virus, malwares and Trojan attacks and it is highly risky task to make online transactions in the systems, which may disclose or leak sensitive details of credit cards and online banking of the

users. These kinds of droopiness should be banned in Indian ecommerce sectors. Affiliation to SSL certificate should be imposed as a mandatory action for every owner.

18. Logistics and Shipment Services:

In India, logistics and courier services required lots of improvement. While, perfect and strong logistics service is one of the key reasons behind the success of any online company, India is lagging far behind in this sector as most of the town and small villages are still not covered under serviceable area of many of the courier and logistic companies. Ecommerce is hampered in a big way owing to the limited services offered by the courier service companies.

19. Fear factor:

Fear of making online payment is a universal psychological factor of Indian customers. With the spread of knowledge on online transactions and its reliability, some percentages of customers have overlooked this fear and they are fearlessly engaging themselves in online shopping. But still, majority of customers are not aware of online transactions and its security. They often reluctant to disclose their credit card and bank details and preferred to stay away from online world of shopping.

20. ‘Touch and Feel’ factors:

Indian customers are more comfortable in buying products physically. They tend to choose the product by touching the product directly. Thereby, Indian buyers are more inclined to do ticketing and booking online in Travel sectors, books and electronics. Companies dealing with products like apparel, handicrafts, jewelry have to face challenges to sell their products as the buyers want to see and touch before they buy these stuffs.

VIII. CONCLUSION

As we have seen that E-commerce is growing very rapidly in India. Different people of India are buying things from internet very frequently. There are few drawback or few problems during purchasing. If it will be improved in future then it will contribute in growth of India.

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