Issues And Challenges Of E- Commerce In India

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Abstract: The value of India's retail market is projected to be $600 billion. Currently, ecommerce accounts for a mere 5% of the whole amount. By contrasting it with the 15% ownership that ecommerce has in the US market, it becomes evident that there is still enough opportunity for expansion. Despite initiatives such as 'Digital India' and the availability of affordable smartphones and data bundles, a significant portion of India's population still lacks internet access. The internet user population in India is projected to increase from 665 million in 2015 to 829 million by 2021. The indisputable potential of the market is inherent. However, the ecommerce industry still has a low level of market penetration, with just 50 million individuals engaging in online shopping. Out of them, only 20 million are actively making purchases on a monthly basis. This discrepancy highlights the need of addressing an issue if India wishes to maintain its position as a pivotal player in the global ecommerce industry. In order to do this, it is imperative that the business sector collaborates with the Government of India (GoI) to facilitate smooth and uninterrupted transitions. In order to achieve this goal, it is necessary to build a comprehensive ecommerce framework that integrates optimal governance practices and addresses the specific requirements of this expansive new group of consumers. An efficient and resilient physical and digital infrastructure must be established, capable of effectively managing the substantial workload it faces on a regular basis. The eCommerce sector in India is seeing rapid growth as a result of widespread internet access and the availability of advanced electronic gadgets. Nevertheless, the current pace of expansion of eCommerce in India significantly lags behind that of other affluent nations. The e-commerce business encounters several significant issues and obstacles. Issues such as the safety and security of online financial transactions, among other factors, have hindered the seamless growth of the internet business in the nation. However, a significant section of the e-business sectors has been impacted by the issues described below. However, there are still a few prominent online companies such as Makemytrip.com, flipkart.com, and Snapdeal.com that have successfully surmounted the obstacles and exemplify the ideal patterns of development in the Indian eCommerce industry.Equally crucial are efforts to facilitate a transition towards a digital economy. Although the Government of India (GoI) has made progress by introducing the Unified Payments Interface (UPI) system, more measures are required to enhance formal banking services and provide accessible credit facilities to the population. Currently, the majority of ecommerce clients, accounting for 70%, are male individuals with an average age of 25. This article aims to examine the problems of e-commerce in India and highlight the potential concerns that contribute to the dynamic nature of the e-commerce ecosystem in the country.

This can be further improved by advocating for strong data protection frameworks similar to the EU's General Data Protection Regulation (GDPR), equalizing the treatment of offline and online businesses in terms of indirect taxation, and reducing barriers for cross-border ecommerce transactions.

Meeting the needs of a completely distinct group of internet users requires a distinct strategy. The next customers are poised to arise from India's tier-2 and tier-3 cities. These endeavors may be enhanced by heightened government backing for 'Make in India' programs, namely by establishing industrial corridors, logistics parks, and special economic zones (SEZ). The main obstacles to address in this situation are a wide range of languages, a lack of experience with digital technologies, and a desire for a varied selection of items in different small marketplaces. The presence of these characteristics necessitates the adoption of a suitable omni-channel strategy. By integrating this with a strong offline-to-online model, aided sales, and product curation, these new participants in the ecommerce industry may anticipate a seamless integration into the broader ecommerce ecosystem. However, these statistics are expected to undergo significant transformation. Women are projected to

ARYAVART SHODH VIKAS PATRIKA
RNI TITLED NO. UPBIL04292
RNI REG. NO. UPBIL/2014/66218

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Vol.-17, No.- I, Issues-31, YEAR- Jan.-March-2024

achieve gender parity in the market, while the average age is anticipated to increase to 28 years. Moreover, as individuals get more familiar with online shopping, the demand for essential items will surpass that of non-essential purchases, resulting in reduced average transaction amounts. In order to meet these evolving requirements, it is imperative that the logistics industry, which is now disorganized and fragmented, becomes more efficient.

India's poor performance may be attributed mostly to market inefficiencies and underdevelopment. This phenomenon is most evident in the rates of return to origin (RTO) across India, particularly when cash on delivery (COD) orders are included. Currently, the cash on delivery (COD) rates in tier-3 and tier-4 cities are around 90%, whereas in metropolitan areas, the rates are 50%. The emergence of Cash on Delivery (COD) in India might be attributed to the limited use of credit cards. The majority of Indian E-commerce enterprises provide Cash on Delivery (COD) as a payment option for buyers. Between 30% and 50% of customers are using this payment method while making online purchases of products and services. Cash on delivery (COD) was used as a solution to address the payment security concerns associated with online transactions. However, this payment method has been shown to be unprofitable and costly for firms. It is observed that a significant proportion of buyers refused to make payment upon product delivery. Consequently, corporations sometimes incur both the loss of the sale and the costs associated with transporting the goods. To address the issue of Cash on Delivery (COD), online enterprises should implement appropriate legal measures; else, the fundamental rationale behind the eCommerce industry would be jeopardized.

Objective- This study aims to examine the concerns and obstacles encountered by the Indian E-Commerce business, as well as demonstrate the impact of changes in the E-Commerce policy on retailers.

e-Commerce and new age technology Issues- The emergence of modern logistics partners, together with the use of advanced technologies like artificial intelligence (AI) and machine learning (ML), provides a solution to these problems. This enables ecommerce enterprises to decrease their return to origin (RTO) rates and effectively cater to clients nationwide.

A small number of entrepreneurs have also embraced this issue, using various technologies to enhance the efficiency of the system. Recently, these endeavors have begun to yield positive results, leading to venture capital companies investing their funds and confidence in these trailblazers.

From January to May 2015, the logistics industry has received a total investment of $6.25 billion. The sum raised this year is more than six times more than the amount raised in the previous year. Nevertheless, in order to address the many challenges confronting the industry, it is essential to establish a cooperative alliance among all the relevant stakeholders, including government entities, corporations, and individuals. India's whole potential as an ecommerce destination will only be realized at that point.

Despite the potential and excitement around e-commerce, it also presents significant obstacles. Consequently, we outline the primary obstacles that small firms encounter in e-commerce and provide the necessary actions to address these issues.

Infrastructural Problems- The internet is the fundamental infrastructure of electronic commerce. Regrettably, the level of internet use in India is now very low, standing at just 0.5 percent of the population, in stark contrast to Singapore's 50 percent. Similarly, the rate of personal computer (PC) adoption in India is just 3.5 per thousand people, whereas it is 6 per thousand in China and 500 per thousand in the US. PCs may still access the internet via telephone lines.

With a telephone penetration rate of just 2.1 percent among the population, e-commerce is still inaccessible to the majority of people. Expanding e-commerce to a population of 1 billion, residing in 37 million homes throughout 604,374 villages and 5,000 towns and cities, is a significant challenge. In addition, the expenses associated with purchasing personal computers and accessing the internet in India are very high.

Absence of Cyber Laws- Another significant problem linked with the e-commerce business is the lack of comprehensive cyber regulations to govern transactions conducted on the Internet. The World Trade Organization (WTO) is anticipated to implement cyber legislation in the near future. The Indian Parliament approved the Information Technology (IT) Bill on May 17, 2000, with the aim of addressing the expanding sectors of e-commerce via legislation. The Bill aims to streamline e-commerce by eliminating legal ambiguities caused by the emerging technology. Currently, the Bill only addresses matters pertaining to commercial and criminal aspects of law. However, it fails to address concerns related to private property rights, content control, privacy, and laws specifically focused on data protection.

Privacy and Security Concern- Currently, the most significant concerns with e-commerce are privacy and security vulnerabilities. Currently, neither the Website nor external watchdogs provide any protection against the risks that arise from the exploitation of one's privacy.

Payment and Tax Related Issues- Payment and tax issues persistently plague e-traders. The electronic payment in India, mostly via credit cards or other forms of plastic money, has not gained widespread popularity owing to two primary factors. The credit card penetration in India is currently rather low, with about 2 percent of the population using them.

Furthermore, "Indian clients exhibit a significant level of skepticism against making payments with credit cards due to the growing risk of fraudulent activities perpetrated by hackers. In India, the development of credit cards has been hindered primarily due to issues with the verification and recognition of electronic signatures (Dahiya and Singh 2000: 70)".

Furthermore, "tax administration is a significant challenge in the context of global e-commerce. Due to the challenges in determining the tax liability for e-commerce transactions, there is a significant opportunity for tax avoidance. How do I eliminate or remove this? There is a proposal to provide a complete tax exemption for e-commerce in the nation until 2010. There are those that advocate for the elimination of tariffs on e-commerce in order to promote its growth inside the country. The United States has officially determined that there will be no taxation on any digital goods sold on the internet. Should India refrain from aligning with the United States, at least temporarily? We need to contemplate it".

Digital Illiteracy and Consumer Psyche- Currently, e-commerce in India is confronted with a significant challenge known as digital illiteracy. However, the ongoing departure of highly trained computer programmers to other nations has depleted India's pool of software developers. This has presented a genuine threat to the Indian IT sector. The answer to this issue clearly involves reducing the outflow of computer experts and using their skills inside the nation. The Indian customer is distinguished by their distinct mindset. Typically, the Indian customer does not go far to get a desired product when a local shop has all they need. That is why consumers refrain from using the internet due to the potential issues with connection and other inconveniences. In addition, establishing confidence on online platforms may be a time-consuming process, particularly when the provider is located at a significant distance.

English Specific- Lastly, the software now available in the nation is designed only for the English language. However, for e-commerce to be accessible to small organizations, it must be offered in the languages spoken by the owners of these businesses. This will allow them to easily incorporate e-commerce practices into their operations. The sooner small firms implement e-commerce, the more advantageous it will be for them.

The establishment of a successful e-commerce company extends beyond the sheer implementation of a concept on a website. There are other more concerns that an e-commerce entrepreneur must tackle before their e-commerce firm achieves success. These include legal matters that span from ensuring compliance with e-commerce regulations to promoting and safeguarding the brand. The domain name protection plan is a crucial component of a successful e-commerce operation. Currently, e-commerce stands as one of the most lucrative economic endeavors in India. The current development of the company is not only satisfactory, but its future and predicted growth are also very promising. Nevertheless, it is essential that e-commerce activities in India adhere to regulatory regulations.

The vast majority of e-commerce ventures do not survive beyond their first year of operation. In addition, several e-commerce websites are being closed down as a result of legal infractions. Several Bitcoin exchanges in India have temporarily halted their services owing to legal ambiguity in this domain. Some individuals have been specifically pursued by Indian law enforcement agents due to potential violations of Indian laws.

E-commerce websites operating in India must comply with many Indian regulations, notably the Information Technology Act, 2000 (IT Act 2000). According to the IT Act of 2000, e-commerce websites operating in India are considered Internet intermediaries and must adhere to cyber law due diligence standards (PDF).

In India, engaging in e-commerce necessitates adherence to legal obligations, which include compliance with several laws such as contract law and the Indian criminal code. In addition, internet buying in India requires adherence to the banking and financial regulations that are relevant in the country. For example, consider the case of PayPal in this context. In order for PayPal to facilitate online payment receipts and disbursements for its current or future e-commerce operations, it must get a license from the Reserve Bank of India (RBI). Additionally, it is necessary to adhere to cyber due diligence for Paypal and other online money transferors in India. Adherence to m-health legislation and regulations in India is necessary for anybody interested in venturing into this emerging and lucrative industry.

Challenges and potential for progress in the field of electronic commerce- Given the widespread use of electronic commerce in India, it is necessary to enhance the mechanisms for resolving disputes related to electronic commerce in the country. The current legal system in India is not favorable for the development of e-commerce in the country. Instead, online dispute resolution in India is better suitable for addressing such issues.

Those who want to participate in cloud computing, virtualization, and other internet-based services in India must

adhere to the technological and regulatory requirements of the country. The legal and regulatory requirements for cloud computing in India are always developing for enterprises and entrepreneurs. However, the cloud computing business community of India must still adhere to them. Virtualisation and cloud computing service providers in India are required to comply with India's encryption regulations and must also assure strict adherence to cyber law due diligence in the country. This is particularly true since the requirements for cyber law due diligence have grown quite strict for corporations in India, resulting in frequent prosecution of international organizations and websites in India for failing to undertake proper cyber due diligence.

It is essential to adhere to the regulations controlling the specific e-commerce sector in India before considering entering the very lucrative e-commerce market. There is no universal collection of rules and regulations that apply to all e-commerce sectors. Each e-commerce sector is subject to its own distinct set of laws.

India, with a population of 1.37 billion people, is the world's second most populous country after China. It is rapidly gaining importance and cannot be overlooked by worldwide brands and merchants. With a staggering 41 percent of the total population using the internet, there are over 562 million individuals who may potentially be considered as clients. The e-commerce sector is broad but requires cautious navigation to avoid adopting an incorrect strategy. The recently published "Ecommerce Report: India 2019" by the Ecommerce Foundation explores the B2C e-commerce sector in India, focusing on aspects such as connection, digital preparedness, and device use.

To begin with, the positive information is as follows: In 2015, the Indian GDP is projected to reach 2.59 trillion US dollars, with a growth rate of 6.63 percent. Additionally, the turnover of B2C e-commerce is likely to exceed 32 billion US dollars. However, India still has a significant distance to go, quite literally, in terms of infrastructure and logistics. It is evident that India is deficient in all e-commerce indicators. It is ranked 44th in the Logistical Performance Index, 77th in the Ease of Doing Business Index, and 96th in the E-Government Development Index. The survey reveals that India ranks 47th in terms of Internet Inclusivity, indicating a weakness in this area.

India still has a considerable distance to go in terms of logistics, infrastructure, and the convenience of doing business. The Internet Inclusivity Index considers the ability to connect to the internet, the cost of internet connection, the availability of internet infrastructure, and the presence and breadth of material in local languages. India is ranked 47th out of 86 nations. A high ranking in the Ease of Doing Business index indicates that the regulatory environment is more advantageous for the establishment and operation of a local company. On the other hand, a high score on the UN's E-Government Development Index reflects significant investments in telecommunication, human capital, and the provision of online services, both in the past and present. India is now ranked 96th out of over 200 nations, showing an improvement from its previous position of 118th in 2014. The Logistical Performance Index of the World Bank assesses trade logistics in 160 countries.

It is important for international brands and retailers to understand that internet usage in India is predominantly done through mobile phones. According to web analytics firm StatCounter, Indians access the internet through their mobile phones 80 percent of the time, while desktop computers are only used 20 percent of the time. The reasons for this include the cheaper cost, the relatively lesser number of computers compared to mobile phones, and the convenience of access: While mobile phones provide the convenience of portability and access to network services at any time and location, personal computers lack this level of flexibility. Therefore, e-commerce in India entails providing mobile-friendly solutions and websites for purchasing things. It is not surprising that mobile phones and accessories are the most often bought category.

Mobile penetration is key to India's internet usage- Urban India has undergone rapid urbanization and is now grappling with significant infrastructure hurdles, particularly in terms of road traffic congestion and prolonged commute durations inside the city. However, modern customers have a need for a greater variety of options readily available and a preference for expedited delivery. According to Kashyap Mehta, a digital commerce specialist and APJ retail lead for SAP customer experience, the idea of 'near me' is becoming popular among customers, as an increasing number of both big and small companies are joining the 'hyperlocal' market. It is important for anyone conducting online business in India to be aware that not all internet users in the country are proficient in English. According to the report, it is projected that 396 million non-English speaking internet users will utilize chat applications in 2021, which accounts for over 70 percent of all Indian internet users. Brands and merchants should prepare themselves to communicate with prospective clients in their preferred language, such as Hindi, Tamil, Gujarati, Kannada, Telugu, Malayalam, Bengali, or Marathi.

E-wallets will continue to grow as most popular payment methods- Regarding payment, the research indicates that e-wallets will continue to be the predominant payment methods in 2023. In the previous year, e-wallet payments surpassed the widely used cash on delivery option for the first time. This year, it is projected that e-wallets will be the most favored payment method, accounting for approximately 43 percent. Cash on delivery will come in second at 28 percent, followed by

credit and debit cards at 20 percent, and bank transfers at nearly 5 percent. The Ecommerce Foundation predicts that by 2023, e-wallets would surpass other payment methods and make up over 70 percent of all transactions. India's payment acceptance infrastructure has seen substantial enhancements, resulting in a large number of new businesses now taking digital payments via both online and physical channels. Mehta admits that the government is strongly encouraging people to use digital payments as one of their preferred payment methods.

Far less women than men shop online in India- India has a distinct gender discrepancy in internet use between men and women. In 2018, the proportion of online consumers was greater for males (71%) compared to females (29%). The survey asserts that in addition, 50 percent of online consumers consistently examine product evaluations, while 35 percent sometimes do so, and 10 percent only analyze feedback for costly or unbranded items. The majority of online shoppers in 2018 fell within the age range of 25 to 34 years old, accounting for 37 percent. They were closely followed by younger online shoppers aged 18 to 24 years, comprising 31 percent. The age groups of 35 to 44 years, 45 to 54 years, and above 55 years constituted 24 percent, 8 percent, and less than 1 percent of all online shoppers, respectively.

CONCLUDING REMARKS- In India, there is a significant need for improvement in logistics and courier services. An efficient and robust logistics service is crucial for the success of any online organization. However, India is significantly falling behind in this field since many courier and logistics providers do not cover most towns and small villages in their serviceable areas. The growth of eCommerce is significantly hindered by the restricted range of services provided by courier service firms. The tax rate structure in the Indian market is a contributing cause to the lower growth rate of eCommerce in India compared to other developed nations such as the USA and UK. The tax rate in those nations is consistent across all sectors, however in India, the tax structure varies depending on the industry. This element poses accounting challenges for Indian internet business organizations. When asked about the most thrilling advancements occurring in the e-commerce industry in India now, Mehta highlights the emergence of 'phygital' commerce. Today's consumer is not limited to a certain channel and wants a seamless and interconnected experience and journey at all times and in any location. In response to this, a growing number of Indian merchants are adopting a 'phygital' approach, which combines elements of both digital and traditional retail. Currently, this is mostly being influenced by businesses that operate in the fashion and leisure sector... The distinction between online and physical is becoming less clear as consumers are recognizing that a comprehensive purchasing experience can be achieved by combining the strengths of both realms. The apprehension of doing online transactions is a pervasive psychological element among Indian consumers. Due to the increasing awareness and trust in online transactions, a significant portion of consumers have disregarded their concerns and are confidently participating in online purchasing. However, the majority of clients lack awareness about online transactions and the associated security measures. They often hesitate to provide their credit card and bank information and choose to avoid the online realm of purchasing. Indian consumers have a greater preference for purchasing things via tangible means. They have a tendency to choose the thing by physically interacting with it. Indian consumers have a greater preference for doing tickets and booking transactions online in the travel industry, as well as for purchasing books and gadgets. Companies specializing in items such as clothes, handicrafts, and jewelry have obstacles in selling their merchandise due to customer preferences for physical inspection and interaction before making a purchase.

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