India's E-Commerce Industry's Possibilities and Challenges

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ARTICLE DETAILS	ABSTRACT
Research Paper **Article History** *Received : September 10, 2023* *Accepted : September 29, 2023* **Keywords :** E-commerce, Digital market, Online shopping, and Online transaction	The most common use of E-commerce is to sell products to customers directly through their websites. This is also called "user-generated content, "meaning that customers can actively create content for a site where they are being sold and delivered. The study's main objectives are to understand the fundamentals of e-commerce in India and analyze India's potential for e-commerce. And to study the challenges that India's e-commerce faces. The study is based on secondary data collected from the official website of RBI, research articles, newspapers, books, etc. To analyze the data, use a graphical presentation. The study's main findings are that E-commerce in India has seen significant growth in recent years, driven by increasing internet and smartphone penetration, as well as a shift in consumer behavior towards online shopping. The future market will be online, and customers can fulfill their requirements to buy things through E-commerce.

Introduction

E-commerce is the marketing of products or services done on the internet. It includes designing, distributing, and managing sales directly by the company itself via a website. The most common use of E-commerce is to sell products to customers directly through their websites. This is also called "user-

generated content, " meaning that customers can actively create content for a site where they are being sold and delivered. E-commerce is the digital version of shopping in the real world. So, while you might buy grocery items online, realize over the phone, and then pick them up at your local grocery store, the internet has changed how we shop. E-commerce is a nature of business that depends on the Internet to conduct business. It includes businesses that use the Internet to find, display, and sell products. E-commerce is similarly known as online shopping and Internet selling. E-commerce is a globally recognized and established business solution that enables businesses to provide customers with the broadest range of product choices through an online environment. E-commerce follows the development of activities such as ordering goods through the Internet in which buyers and sellers use electronic forms of communication. The most popular e-commerce sites are Amazon, Flipkart, Ajio, Myntra, City Mall, Snapdeal, Quikr, yatra, Shop Clues, Book My Show, etc.

Online buyers often encounter when doing business online such as credit card fraud or identity theft. E-commerce is the sale of goods and facilities" online, including shops and catalogs. It involves a two-way flow of information between businesses and customers through e-commerce platforms such as websites and apps.

According to Global Data, a company that performs data analytics, "the Indian e-commerce market will expand by 21.5% and reach $74.8 billion in 2022. E-commerce has changed how people purchase in India over the past few years, aided by rising Internet and smartphone usage, rising levels of digital literacy, and the government's push for digital development. According to the study, the pandemic has expedited the move to online buying, and the development of new viral varieties would only increase this trend. In most economies, including India, the COVID-19 pandemic has accelerated consumers' shift to digital payments, according to Ravi Sharma, lead analyst for banking and payments at Global Data. He also stated that between 2021 and 2025, online payments in India are projected to expand at a compound annual growth rate (CAGR) of 18.2%, reaching $120.3 billion".

The expansion of e-commerce has also increased India's use of electronic payments. Flipkart introduced quick response (QR) code-based payments for pay-on-delivery shipments in June 2021 to allow non-cash payments, assisting customers in transferring cash to digital payments via the Unified Payments Interface (UPI).

LITERATURE REVIEW

In their research, Liebermann and Stashevsky [2002] observed and analyzed the study's objective to learn what barriers both internet and e-marketing users and nonusers thought existed. The investigation's core data form its basis. The model is tested on a sample of 465 working individuals. Utilizing actual field data, the model has undergone empirical testing. Descriptive statistics were used to get the study's conclusion. The study's conclusions highlight two significant perceived risks crucial for current and future Internet users, the prevalence of credit card theft, and the supply of personal information online.

Burt, S., & Sparks, L. [2003], in their study, covers the research that has been done on how e-commerce has affected the retail industry. Instead of presenting fresh evidence, it evaluates the current circumstances. Instead of being preoccupied with how e-commerce would affect sales through traditional item and product sector typologies, the focus revolves around the process as it underpins B2C activity and how retail procedures and guidelines may be changed.

Baršauskas et al. [2008] have stated in their research that the study aims to identify and evaluate, against a theoretical and empirical backdrop, the cost positions that have the most influence on a company's overall cost efficiency in supply chain management. The comprehensive and logical analysis of e-commerce expert research conducted over the previous few years was employed in the study. Data from a wholesale company's cost structure and process management were used for the empirical research. The adoption of e-commerce by businesses has a good effect on corporate productivity in many sectors, according to significant results.

In their research, Gupta Anjali [2014] focuses on the study's primary goal, which is to describe the importance of e-commerce in today's industry. The research is based on secondary data. The study's key conclusion is that the evolution and growth of Internet sales will be the dominant future e-commerce trends. One of the causes for this is the PC's short price and the Internet's rising reputation. The Indian business population is becoming more and more aware of the advantages that e-commerce may provide.

Yapar et al. [2015], in their research on

The contribution of taxes issues to the expansion of electronic commerce. The expansion of e-commerce and the factors that affect it were the main subjects of this study. Using secondary data, the study is built. E-growth commerce will be favorably impacted, and its advantages will primarily benefit consumers and enterprises.

Kaur, E. H. and Kaur, D. [2015] in their research, the applications of e-commerce connect the consumer directly to the producer, stakeholders, marketers, government, and service providers.

Electronic commerce is what that is (e-commerce). E-commerce is expanding year over year in India because it offers customers a very secure and quick way to make purchases.

Amruta Patil [2021], in their research, stated that the definition of "e-business" Examines the potential for online commerce in India before, during, and after the coronavirus. Analyze the benefits and drawbacks of e-trade. Examine the various challenges and opportunities faced by Indian web businesses. It depends on the analysis of supporting data. The supplemental data is derived from various journals, magazines, academic articles, and electronic books. The report also states that for India to overtake the US as the second-largest internet business market in the world, it must surpass that country's market. With the help of the "Advanced India" program, there were 760 million web associations in India as of August 2020. 61% of all web associations were located in urban areas, while 97% of those associations were remote.

Objectives

To understand the fundamentals of e-commerce in India
To analyze India's potential for e-commerce.
To study the challenges that India's e-commerce faces.

Research Methodology

The research is exploratory and quantitative. Secondary data analysis is typically used for this research to acquire a more profound knowledge of statistics and other pertinent data at various levels of aggregation to undertake a required analysis of the Challenges and opportunities of e-commerce in India is what secondary data review and analysis entails. The study is primarily based on information from the internet through journals, research papers, and expert opinions on the same issue.

Fundamentals of e-commerce in India

E-commerce, or electronic commerce, refers to the buying and selling of goods and services over the Internet. In India, e-commerce has seen rapid growth in recent years, driven by increasing internet penetration, rising incomes, and the growing preference for online shopping.

Here are some fundamental aspects of e-commerce in India:

1. Market size: According to a report by Morgan Stanley, India's e-commerce market is one of the fastest growing in the world and is expected to reach USD 200 billion by 2027. The COVID-19 pandemic has also accelerated the growth of e-commerce in India.

2. Key players: Some of the leading e-commerce companies in India include Flipkart, Amazon, and Paytm Mall. These companies operate in various categories, such as electronics, fashion, groceries, etc.

3. Payment methods: Cash on delivery (COD) is a popular payment method in India due to a need for more trust in online payment systems. However, digital payment options like credit/debit cards, mobile wallets, and UPI are becoming increasingly common.

4. Logistics and delivery: India's logistics and delivery infrastructure is still evolving, and e-commerce companies have to deal with issues such as poor roads and traffic congestion. However, companies are investing in technology and infrastructure to improve customer delivery experience.

5. Regulatory environment: To control the country's e-commerce, the Indian government has adopted several legislation and regulations. For example, foreign e-commerce companies must operate through local entities and are not allowed to hold inventory.

6. Challenges: Despite the growth potential, e-commerce in India faces several challenges, such as low internet penetration in rural areas, high delivery costs, and fierce competition.

In summary, e-commerce in India is a fast-growing industry with immense potential. While the market presents several challenges, companies that can navigate the regulatory environment and invest in technology and infrastructure have the opportunity to succeed.

Data interpretation

<p align="center">Table: 1</p>

<p align="center">Frequency of online shopping in India as of June 2022</p>

Frequency	Share of Respondent
Several times a week	24%

Several times a month	20%
Once or twice a month	19%
Once or twice a week	16%
Rarely	11%
Never	10%

Source: Statista 2023

Approximately 24% of respondents chose to shop online several times per week, 20% of respondents chose to shop several times per month, 19% of respondents chose to shop once or twice per month, 16% of respondents chose to shop once or twice per week, and 11% of respondents chose to shop infrequently, according to a survey on online shopping behavior in India by Raketen Insight conducted in June 2022. On the other hand, 10% or so of consumers said they would never shop online.

Table: 2

Growing base of online shoppers (in Millions)

Years	Numbers of online shoppers (in Millions)
2019	105
2020	140
2021	180-190
2027 (Expected)	400-450

Source: Statista 2023

There are 105 million Online Shoppers in 2019, 140 million in 2020, 180-190 Million in 2021, and Approximated 400-450 Million (Expected) in 2027. So to see the above data we can say that the future of E-commerce in India will be bright because the Number of Online Shoppers is Increasing year by year.

Table:3

Market share of categories in 2022 and expected share in 2027

Items	2022	2027
Mobile /Electronics / Appliances	45-50	25-30
Grocery / General Merchandise	20-25	30-35
Fashion	20-25	25-30
Others	5-10	10-15

Source (For all figures): Report by Flipkart and Brain & Company Inc: How India Shops Online 2022.The share of Mobile/ Electronics Appliances in online shopping in 2022 is 45-50%, the Grocery/ General Merchandise share is 20-25%, the Fashion share is 20-25%, other items share is 5-10%. In 2027 (Expected), Mobile/ Electronics Appliances share will be 25-3 0%, Grocery/ General Merchandise share will be 30-35%, Fashion share %, and another item share will be 10-1 5%. Analyzing the above data percentage of share in different items is future capable. The future market will be online, and customers can fulfill their requirement to buy things through E-commerce.

Table:4

Numbers of Internet users in India from 2010 to 2020 with estimates until 2030

Years	Numbers of Internet users in Millions
2010	92.57
20increased.	
2012	159.23
2013	193.41
2014	251.59
2015	302.36
2016	342.65
2017	422.2
2018	493.96
2019	636.73
2020	749.07
2021	845.68
2022	932.22
2023	1008.21
2024	1075.08
2025	1134.04
2026	1186.15
2027	1232.33
2028	1273.36
2029	1309.91
2030	1342.54

To analyze the above table, Internet users are increasing yearly. In upcoming years, Internet users are estimated to increase at double speed. E-commerce will be prosperous with the help of Internet

connectivity. If the number of Internet users increases year by year, then no doubt the number of online shoppers will increase.

Opportunities and challenges of e-commerce in India

Opportunities: E-commerce in India has seen significant growth in contemporary years, driven by expanding internet and smartphone perception and a shift in consumer behaviour towards online shopping. There are several opportunities for e-commerce in India, including:

1. A large and rising population: With over 1.3 billion people, India has a large and growing consumer market.
2. Rising disposable incomes: As the Indian economy continues to grow, disposable incomes are rising, leading to increased spending on consumer goods and services.
3. Expansion of internet and mobile connectivity: The availability and quality of internet and mobile connectivity in India are improving, making it easier for consumers to shop online.
4. Government initiatives: The Indian government has started several initiatives to promote e-commerce in the country, such as the National Policy on Electronics and the Digital India program.
5. Growing number of online shoppers: The number of online shoppers in India is increasing as more people become comfortable shopping online.
6. Increase in digital payment methods: Increasing digital payment methods like UPI, E-wallets, and credit and debit cards have made e-commerce payments more convenient and secure.
7. Growing demand for online grocery, fashion, and home appliances: Online grocery, fashion, and home appliances e-commerce are the fastest-growing segments in India.
8. Rising trend of social commerce: Social media platforms like WhatsApp, Instagram, TikTok, and Facebook are becoming key channels for e-commerce sales in India.

Challenges

1. Lack of reliable infrastructure and logistics: Many areas in India still lack basic infrastructure, making it difficult for e-commerce companies to deliver goods and services to customers promptly and efficiently.

2. Lack of reliable infrastructure and logistics: Internet penetration in India is still relatively low, and many people do not have access to smartphones or other mobile devices, making it difficult for e-commerce companies to reach potential customers.

3. Limited trust in online transactions: Many people in India still hesitate to make online transactions due to concerns about security and fraud.

4. Competition from local retailers: E-commerce companies in India face intense competition from local retailers, who often have a strong presence in their local markets and have built trust with customers over time.

5. High competition among e-commerce performers: The e-commerce market in India is highly competitive, with many performers in the market and established participants like Amazon and Flipkart dominating the market.

6. Limited use of digital payments: India has a large population of non-digital payment users, which makes it difficult for e-commerce players to expand their customer base.

7. Government regulations: The Indian government has implemented various regulations on e-commerce, which may make it difficult for foreign companies to enter the market or for domestic companies to expand.

Conclusion

E-commerce in India is a strong-growing industry with immense potential. While the market presents several challenges, companies that can navigate the regulatory environment and invest in technology and infrastructure have the opportunity to succeed. India's potential for e-commerce is significant, led by a large population, increasing internet penetration, and rising incomes. The Indian government's support and the growing number of e-commerce companies investing in the country demonstrate the market's potential. E-commerce in India has seen significant growth in recent years, driven by increasing internet and smartphone penetration and a shift in consumer behavior towards online shopping. In upcoming years, Internet users are estimated to increase at double speed. E-commerce will be prosperous with the help of Internet connectivity. If the number of Internet users increases year by year, then no doubt the number of online shoppers will increase. There are some challenges to implementing e-commerce in India: Reliable infrastructure and logistics, Lack of reliable infrastructure and logistics, Limited trust in online transactions, High competition among e-commerce players, Limited use of digital payments, and Limited use of digital payments, etc.

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