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The Challenges and Prospects of E-commerce in India

ORIGINAL ARTICLE



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Abstract

The purpose of this study is to look into how e-commerce is doing in India right now. The foundation of industry development is the use of new, innovative technologies in electronic and IT applications. This is only possible when large-scale, high-quality manufacturing takes place in India and e-commerce supports and enhances the growth of the engineering sector. India must encourage e-commerce in order to enhance rural areas by creating efficient communication channels to map the value of the products manufactured and provide consumers with low-cost goods and services. E-commerce through internet portals has greatly aided the textile garment industry, but in rural India, educational programs must win over consumers. However, the same issues still exist, such as inadequate telecommunications infrastructure, lax legislative prohibitions, a lack of enthusiasm for technology, and a subpar academic curriculum pertaining to e-commerce. According to the article, Government and business

organisations should take the appropriate actions to update legal frameworks, develop ICT, and adopt academic curricula based on ICT. Infrastructure and raising human knowledge for the successful application of e-commerce for long-term economic growth.

Key Words

E-commerce, E-business, online banking, Rural India, ICT infrastructure.

Introduction

Indian Prime Minister Narendra Modi introduced Digital India on July 1, 2015. India's digital economy is growing rapidly, transforming the nation's economic landscape and the lives of its citizens. Businesses and customers can purchase and sell things online thanks to a business model called electronic commerce, or e-commerce. It is anticipated that the deployment of 4G networks, increased smartphone adoption, and growing consumer income will drive the by 2026, the Indian e-commerce industry is expected to have grown from its 2017 valuation of US\$38.5 billion to US\$200 billion. India's e-commerce revenue is expected to increase from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, at the fastest rate in the world, or 51% annually. By 2034, the Indian e-commerce market is predicted to overtake the US as the second-largest in the world, continuing its upward growth trajectory. An analysis shows that India's e-commerce sector increased from 4% of the country's entire population in 2007 to over 40% in 2017, amply demonstrating the internet's rise

period in the fastest-growing economy in the world. By 2025, the Indian e-commerce market is predicted to have grown to a value of over \$188 billion. According to the most recent data reports, this industry would once more grow to reach \$350 billion by 2030. The rise of e-commerce in India and other internet-based domains is strongly correlated with this internet boom.

Through the provision of funding, technology, and training, the e-commerce sector has had a direct impact on micro, small, and medium-sized businesses (MSME) in India. It also has a positive knock-on effect on other industries. By 2034, the Indian e-commerce market is predicted to overtake the US as the second-largest in the world, continuing its upward growth trajectory. Innovations made possible by technology such as analytics-driven customer engagement, digital payments, hyper-local logistics, and digital ads would probably help the industry's expansion. Open Network for Digital Commerce (ONDC) is another initiative that India intends to implement. E-commerce platforms will be able to display goods and services from each platform and synchronise search results across all platforms thanks to ONDC. This would help MSMEs build their businesses and support the expansion of e-commerce in India. The sector's expansion will also boost export earnings, promote employment, and raise excise tax collection and eventually provide consumers better goods and services.

Objectives

1. To research e-commerce opportunities in India.
2. To investigate the benefits and drawbacks of e-commerce in India.
3. To offer some solutions for the several issues that Indian e-commerce faces.

Literature Review

Nearly 60% of Indians visited a retail website in November 2011, according to the research, and the percentage of people shopping online rose by 18% over the previous 12 months. Volume 1, Issue 4, October 2014, ISSN: 2349-8862, International Journal of Scientific Research and Engineering Studies (IJSRES) www.ijsres.com Page 27 Since e-commerce is one of the least expensive ways to reach out to new customers, it may become a crucial component of any sales plan. If properly implemented, markets provide a clever means of growth and e-commerce, which is attributed to a thorough grasp of the goods and services, clients, and business procedures, as well as an intuitive system for growing the company online.

Online retail in India could reach \$84 billion by 2016, more than ten times its 2010 value, and make up 4.5% of all retail, according to a recent Boston Consulting Group report.

The e-commerce platforms reach as many potential customers as possible and give them a safe, easy, and enjoyable purchase experience.

Major Types of E-commerce	
TYPE OF E-COMMERCE	EXAMPLE
B2C—Business to Consumer	Amazon.com is a general merchandiser that sells consumer products to retail consumers.
B2B—Business to Business	eSteel.com is a steel industry exchange that creates an electronic market for steel producers and users.
C2C—Consumer to Consumer	eBay.com creates a marketplace where consumers can auction or sell goods directly to other consumers.
P2P—Peer to Peer	Gnutella is a software application that permits consumers to share music with one another directly, without the intervention of a market maker as in C2C e-commerce.
M-commerce—Mobile commerce	Wireless mobile devices such as PDAs (personal digital assistants) or cell phones can be used to conduct commercial transactions.

(Source https://www.drishtias.com/images/uploads/1580123510_image1.jpg)

Important Elements Fostering the Development of E-Commerce

- **Convenience & Trust:** It took a while for e-commerce companies to win over customers and dispel the early notion that goods sold on some of the biggest online marketplaces were second-hand goods. This is due to the fact that eBay, which used to operate in a marketplace setting and sell used goods in India, controlled the Indian e-commerce business for a considerable amount of time. But as well-known companies joined the market with a strong supply, network and excellent marketing and communications, the typical Indian customer came to appreciate the ease of online shopping and grew to trust the portal.
- **Cost:** The average Indian consumer is extremely frugal and price-conscious. They are constantly searching for bargains. Many people believe that this perception is accurate. Since most things available online are less expensive than those available offline, price has always been the deciding factor for Indian e-commerce firms.
- **Payment Choices:** Over time, the number of payment choices has increased with the introduction of digital wallets and UPI (Unified Payments Interface). Due to the success of the Cash on Delivery (COD) model, which was widely used in India at the time due to the country's high cash circulation rate, the majority of e-commerce companies expanded in the past. Indians have just recently embraced electronic payments as a result of the demonetisation campaign bandwagon.
- **Digital India:** A wide range of services are now provided digitally thanks to the Government of India's Digital India project, which has played a significant role in increasing internet penetration throughout the nation. In addition to using the internet to access important services, consumers have become increasingly accustomed to online shopping and online payments as a result of the rise in internet penetration.
- **Domestic Consumption:** Any well-known economist would tell you that domestic demand and the high consumption of the constantly ambitious Indian consumer have been the main drivers of India's growth story. The e-commerce industry has had to deal with the evident macroeconomic situation.
- **Language:** Since India has the largest English-speaking middle class, the fact that the majority of e-commerce portals in the country are in English has greatly contributed to the industry's expansion. Additionally, regional language adaptations of well-known.

Advantages of E-Commerce

- The e-commerce process increases output and fosters optimal competition by bringing suppliers and customers closer together. The buyer also has the choice to choose from a range of vendors and acquire the best goods according to their requirements, tastes, and budget. Additionally, customers can now browse online retailers whenever they want.
- E-commerce has led to a significant reduction in consumer transaction costs.
- E-commerce is one of the business channels for the global exchange of products and services that is expanding the fastest.
- It provides a wider global market reach and reaction with less expenditure. It can be used by both buyers and sellers to reach a worldwide audience and make global decisions. Obstacles and geographical restrictions are removed or significantly reduced.
- This e-commerce procedure significantly reduces the product distribution chain by interacting directly with ultimate consumers. The manufacturer or service provider and the end user have a clear and direct line of communication. In this manner, goods and services are developed to satisfy the target audience's unique preferences.
- Since e-commerce allows for a single store to be put up for all of the clients' business needs, customers may find products with ease.

- **Ease of Doing Business:** It makes launching and running a business straightforward.
- Over time, the expansion of the e-commerce industry can lead to better goods and services for consumers, more export earnings, more tax collection by the Government, and more jobs.
- By offering training, technology, and funding, the e-commerce sector has had a direct impact on India's micro, small, and medium-sized businesses (MSME). It also has a positive knock-on effect on other industries.
- **Flexibility and Availability:** Since e-commerce websites are open around-the-clock, clients can shop whenever it's most convenient for them limitations.
- **Speed of Access:** Overcrowding in physical stores frequently results in slower shopping.
- **Numerous Options:** A variety of items are available with a single application. Amazon, Flipkart, etc.
- **No Geographical Restrictions:** Products are being delivered even to the most remote regions of the nation.
- **Lower Cost:** The cost of the items is lowered as a result of a rise in economies of scale and a drop in other expenses.
- **Personalisation and Product Recommendation:** The feedback and remarks system gives clients a better understanding of the products approach.
- Benefits for businesses include a larger clientele, higher revenue, a wider market reach, and the ease of instantaneous transactions and recurring payments.
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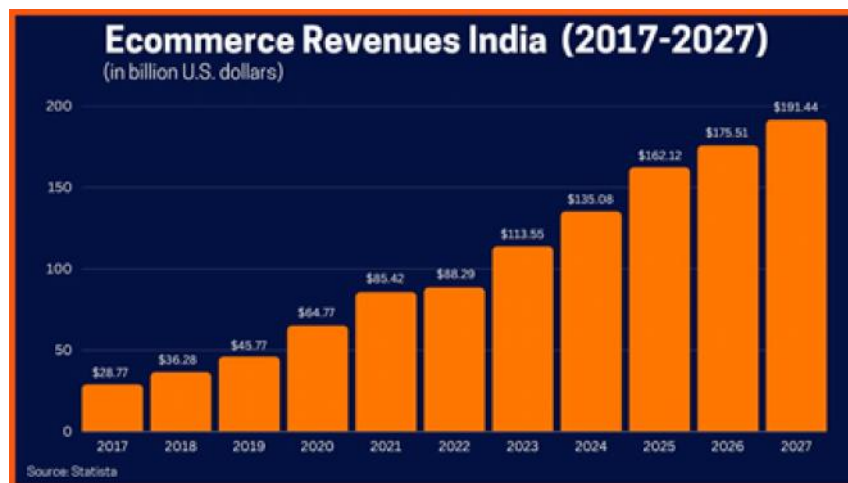
Disadvantages of E-Commerce

- Users experience anxiety and panic when they deal online due to inadequate security measures.
- **Lack of Privacy:** The absence of robust encryption methods to safeguard financial transactions, personal information, and identification hinders the widespread adoption of e-commerce purchasing practices.
- **Limited Customer Service:** Physical shopfronts facilitate the resolution of issues and the assessment of product suitability more readily than e-commerce websites.
- **Regulatory Concerns:** Customers and sellers become distrustful of each other due to unclear laws governing internet purchases.
- **Limited Knowledge of Product Suitability:** When purchasing items online, one must rely solely on digital photographs as there is no way to physically handle them. If the delivered product differs from the provided electronic photos, the buyer's expectations could not be satisfied.
- **Wait Time for Product Delivery:** Online shoppers must wait for delivery, in contrast to traditional businesses where they can buy things and take them home right away. Even if next-day and even same-day delivery has shortened shipping times, instantaneous fulfilment is still not possible.
- E-commerce businesses are less accountable, and the quality of their products cannot always live up to client expectations.

- Information technology and network connectivity are crucial. Unpredictable consequences for entire processes can result from mechanical breakdowns. There are now no clear laws governing e-commerce transactions, both domestically and internationally, which results in a lack of control of the industry.
- Customers sometimes lose their economic identity, culture, or privacy. Sensitive financial data loss and fraudulent financial transactions are possible.
- Since there is little regulation on the Internet since it is global, there is increasing worry about safeguarding intellectual property rights (IPR).

Government Actions in India Concerning E-Commerce

- In February 2019, a draft national e-commerce policy was created and made available to the public. Marketplaces, regulatory matters, infrastructure development, data, supporting the local digital economy, and e-commerce-based export promotion are the six main issues it covers in relation to the e-commerce ecosystem.
- The Department of Commerce initiated an exercise by forming a Task Force and Think Tank on “Framework for National Policy on e-Commerce” to address the challenges India faces in the areas of the digital economy and electronic commerce (e-commerce). Among other Prepaid Payment Instruments (PPIs), the Reserve Bank of India (RBI) has decided to allow “interoperability” between digital wallets, prepaid cash coupons, and prepaid phone top-up cards.
- The RBI has also directed banks and businesses to use the Unified Payments Interface (UPI) to make all know-your-customer (KYC) compliant prepaid payment instruments (PPIs), such as mobile wallets, compatible with one another.
- DIPP’s FDI rules for online sales: To boost foreign companies’ involvement in the e-commerce industry, the Government has raised the maximum amount of foreign direct investment (FDI) permissible in B2B e-commerce marketplace models by up to 100%.
- In October 2019, Union Bank of India and Government e-Marketplace (GeM) inked a Memorandum of Understanding (MoU) to provide a transparent, cashless, and paperless payment mechanism for a number of services.
- The Government of India’s significant investment in establishing the 5G fibre network will contribute to the growth of e-commerce in India.
- To deliver broadband services to 150,000 gram panchayats, the Government has set out Rs 8,000 crore (US\$ 1.24 billion) for the Bharat Net Project in the Union Budget of 2018–19.
- There are currently a number of important IPR problems, such as trademark infringement.



Solutions to Advance e-Commerce in India

- **Risk-Based Regulations:** A risk-based regulatory framework is necessary to address emerging e-commerce challenges. The Competition Commission of India (CCI) should be strengthened by taking steps to enhance its capacity to effectively regulate the e-commerce sector.
- **Promoting SMEs and Start-Ups:** The Government must support online start-ups and small and medium-sized enterprises (SMEs) by create an atmosphere that encourages them.
- **Infrastructure:** The Government should prioritise building data centres and cloud infrastructure in order to encourage the growth of the e-commerce sector.
- **Consumer Protection:** It is essential to fortify consumer protection measures in order to promote confidence and trust in the e-commerce ecosystem.
- A major element of many international agreements, such as the Regional Comprehensive Economic Partnership, now includes e-commerce.
- There are still a number of problems with e-commerce, including those related to domestic and international trade, competition law, consumer protection, and information technology, etc. Since this industry is expanding and attracts a lot of interest from both domestic and foreign players, it is important to govern it with the interests of consumers and business owners in mind. A level playing field and a favourable atmosphere ought to be promoted.
- Creating a thriving local business should also be a priority for policymakers. In order to represent India's stance in both domestic and international or multilateral forums, a complete policy is crucial.

Conclusion

Due to its remarkable growth, e-commerce in India is predicted to have reached the status of the second largest market globally by 2034. It encompasses a variety of activities, improving exports, raising competitiveness, and fundamentally altering logistics. However, issues like security are growing more commonplace every day. E-commerce provides a multitude of choices, but in order to protect consumers, it must be used responsibly. Online shopping Effective IT security measures will also be crucial to growth, thus the necessary legal and technological frameworks must be put in place and maintained. Although many Indian firms, organisations, and communities are beginning to recognise the potential of e-commerce, major challenges must yet be overcome before it can help average people. It is obvious that consumers will place orders for their goods from the comfort of their own homes and offices in the upcoming years. These days, a lot of people in India utilise computers and mobile phones, and they are keen to shop online. With the quick Internet expansion and e-commerce are expected to benefit from internet connectivity, but in the upcoming years, rural and suburban areas will also make use of it. Thus, both large and small businesses will have access to the new opportunities. It is necessary to resolve concerns, poor customer service, and regulatory issues.

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