
E-COMMERCE : CHALLENGES IN INDIA A STUDY

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Abstract :

E-commerce is the buying and selling of goods and services over the internet. It is conducted over computers, tablets, smart phones, and other smart devices. Almost anything can be purchased through e-commerce today. It can be a substitute for brick-and-mortar stores, though some businesses choose to maintain both. This discuss the e-commerce challenges which effect the economy directly. In this paper we used secondary data like website, articles etc.

Key words : E-commerce, Challenges, Economy, Impact, Growth, Business

Introduction :

Day-by-day, the growth of the e-commerce market in India is expanding as it attracts lots of retailers to have an online store to boost their business worldwide. We all know that India is the second-most populous country in the world, and it is the home of 1.2 billion people. It is true that India's per-capita purchasing power is low, but still, the country is the most attractive emerging market for the e-commerce industry.

The major problem is the e-commerce business or retailers are facing various challenges in the Indian market, and it is not easily possible for them to study their legs in the market and do business. Below, Here are the challenges that e-commerce businesses face in India.

1st Challenge – In India, Cash on delivery :

Cash on delivery is the preferred payment mode. Indian buyers still believe that money should be paid only when item is in hand. It may be on line of a physical shop. Indians have tendency to keep cash in hand while paying on line. Indian buyers are not confident whether money has reached to the seller and whether the purchased item will be delivered or no. COD system discourage the online payments.

<http://www.ijaar.co.in/>

In India, most people prefer to pay cash on delivery due to the low credit card diffusion and low trust in online transactions. Not like electronic payments, manual cash collection is quite perilous, expensive and laborious.

According to Nielsen's Global Connected Commerce Survey¹(Business Insider) about 83% consumers in India preferred using cash on delivery as a mode of payment for online purchases. Consumers still either to use credit cards due to online fraud risks. A report highlights that majority mode of payment made by consumers for online sites like Flipkart was COD, 72% from major cities and 90% from smaller towns, most of the buyers still prefer Cash-On-Delivery payment model. Payment options like Net-Banking, Credit & Debit Cards and E-wallets combined contribute to only about 30% of all online purchases, as compared to Cash On Delivery (COD)

COD is convenient for buyers but extremely inconvenient for retailers and vendors. It hinders cash flow as such orders take longer to close. It often takes months for the money to reach the seller, that too if there's no refund/return request. This makes it difficult for them to gauge or maintain daily operations.

Although Government of India along with financial organization has been trying their best to reduce cash transactions and boost digital payments to improve economy.

2nd Challenges – Internet penetration is low :

In India, Internet penetration is quite low as compared to several western countries like the USA, UK, France, and more. Still the country is a small fraction of what other countries are getting.

Internet penetration in India is still a small fraction of what you would find in several western countries. On top of that, the quality of connectivity is poor in several regions. But both these problems are fast disappearing. The day is not when connectivity issues would not feature in a list of challenges to e-commerce in India.

¹ <https://onlinesales.ai/blog/cash-on-delivery-ecommerce-growth-india>

3rd Challenges - Indian customers return much of their products they buy online :

It is true the e-commerce in India has lots of first-time buyers. It means, they are still not sure about what to expect from e-commerce websites, thus purchasers fall prey to hard sell. Finally, when the product is delivered, they started feeling regret and return the goods. Therefore, customers' regret is the biggest problem majorly in India. This creates a hole in a seller's, the logistic company's and marketplace's pocket.

for e-commerce retailers, returns are extremely expensive as it shows some unique challenges and it becomes more difficult in cross-border e-commerce.

A study² conducted by RedSeer in 2017 says that e-commerce firms especially sellers listed on these sites are losing out due to high returns of around 30% of GMV which may increase to 40% for apparel according to a study conducted by RedSeer in 2017. These numbers reach their peak during festivals and sales.

e.g. Amazon incurred a loss of 5,849.2 Cr in FY20 despite revenue growth by 43%(Moneycontrol,2020), similarly Flipkart reported a loss of Rs 3150 Cr³

4th Challenge-Many times, postal addresses are no consistent :

Once if you place as online order, you will get a call from the company, asking about your exact location. The given address is not enough because there is always a little standardization while writing post addresses. It is one of the biggest challenges faced by e-commerce in India. 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

² Mukul, P. (2018, April 6). E-commerce firms losing over 30 per cent of GMV due to cancellations/returns. The Indian Express. <https://indianexpress.com/article/business/business-others/e-commerce-firms-losing-over-30-per-cent-of-gmv-due-to-cancellations-returns-5125471/>

population, absence of seamless access to a significant proportion of prospective customers is a dampener.

5th Challenge-Security and privacy :

These days, the more pressing issues related to e-commerce are privacy and security. There is no protection offered either by site or outside watchdogs against problems created by endangering

6th Challenge-Supply chain issues :

Many a time timely delivery is a major challenge faced based upon the infrastructure, location and unavoidable roadblocks during transitions that lead to the cancellation of orders. An annoyed customer is a lost cause if the product is not delivered on time. This is a tedious procedure that requires a lot of R & D on part of all the e – commerce platforms selecting the supply chain model. So, these were the top challenges that majorly faced by e-commerce business in India. It is also important to note that e-commerce giants are increasing in India, and many cross-border e-commerce to India is also expanding. So, if you also want to make an online store for your business, you should hire a professional e-commerce developer.

So, these were the top challenges that majorly faced by e-commerce businesses in India. It is also important to note that e-commerce giants are increasing in India, and many cross border e-commerce to India is also expanding.

7th Challenges Future 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 smartphones. So, for all practical purposes this consumer group is unable to make e-commerce purchases on the move. Though we are still a couple of years away from the scales tipping in favor of smartphones, the rapid downward spiral in the price of entry-level smartphones is an encouraging sign. I expect that the next few quarters will witness announcements of new smartphones in India at the \$30-40 price point. That should spur growth in smartphone ownership.

Conclusion and Suggestion: Everyday e-commerce is becoming more complex. Over the last 5 years, the Indian e-commerce industry has witnessed an upsurge

with a significant headroom for future growth. According to recent report, the Indian e-commerce market is predicted to reach 300 to 350 million buyers by 2025. In today's convenience-oriented society, consumers no longer want to venture around the city for items but want to shop in their homes, making e-commerce a flexible solution for both business and shoppers.

While Smartphone and other new devices have allowed users to shop and communicate seamlessly with the brands, it is also surrounded by privacy controversies and concerns revolving personal data. Consumers are increasingly getting worried about access to their data and the fact that almost the entire data generated by them is owned by just 4-5 large companies in the world.

E-commerce companies process a huge amount of data every day ranging from user clicks to personal credit card or financial information.

This sensitive data can be misused for advertising purposes or handed to other third parties for financial gains.

Some of the widely know examples of data breaches and privacy abuse include Cambridge Analytic , the British Airways, and the most recent closer-to-home, Big basket is October 2020, which impacted around 20 million Indian users.

Some of steps can be taken to deal with challenges are :

1. Encouraging digital wallets through exclusive offers.
2. Tying up with banks for special cash-back and discount offers when paid using card.
3. Charging extra for COD orders.
4. Payment through card upon delivery
5. Putting a cap on acceptable COD order value, quantity and product type.
6. Avoiding public wi-fi networks for their data security and privacy.
7. Hire a professional e-commerce developer.
8. Need to make a strong law and its Strictly implementation
9. Need to make a strong law and its Strictly implementation.:
10. Stricter data privacy laws and policy frameworks are now being vehemently advocated to ensure fair competition and consumer protection in the world's fastest-growing e-commerce market. Data protection Bill and India's e-

commerce policy will help standardize data privacy laws across the EU, Canada, California, and India.

11. E-commerce companies will have to store sensitive and critical data in servers located in India only.
12. If e-commerce companies want to process sensitive personal data outside India, they'll have to take explicit permission of the users before transferring the information.