

# A Descriptive Study on Growth, Opportunities and Challenges of E-Commerce in the Indian Market

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**Abstract-** Today, Indian economy is the fastest-growing economy in the world and e-commerce is one of the important pillars of the Indian economy as it helps in building good infrastructure and raise rate of employment in our society. E-commerce is a platform by which businesses and consumers connect to each other for exchanging goods and services along with transmission of fund or data throughout the globe. This research article describes the growth of e-commerce and its market share in various sectors as well as the various challenges and opportunities faced by e-commerce companies in the Indian market. The paper is based on secondary data which are analyzed and presented using bar graphs and charts. This article found that major opportunities for E-commerce companies are increasing Smartphone and internet penetration, potential rural markets, and cashless modes of payment. Despite several opportunities, they are facing a few challenges such as Unstandardized postal addresses, logistic issues in rural areas, and a lack of customer support. The study concludes that e-commerce is the backbone of the modern business world. The Indian government and non-government organizations are working to overcome the problems faced by e-commerce companies and try to create more opportunities for them.

**Keywords-** E-commerce, Indian Market Modern Business Financial Growth.

## INTRODUCTION

### Historical Background

The earlier form of e-commerce was EDI (Electronic Data Interchange). EDI were used for data transfer from one computer to another computer. Generally, it was used for exchanging business documents between companies to companies. EDI originated in the mid-1960s and was used for paperless offices, this technology appeared in the late 1970s and allowed business companies and organizations to send commercial documents through electronic and EDI was accredited by the committee of industry representatives. It was most commonly used in business-to-business e-commerce technology in today's world. The objective of the EDI was only use to exchange information, place orders, and conduct electronic funds transfer through computers. With the passage of time, the concept of electronic commerce first came in the year 1991, and in India in 2002, where we can buy and sale goods and services through the medium of internet. Later on, IRCTC launched an online reservation system and the public started accepting this service. Many online companies came and started their business in India such as Flipkart, Amazon etc.

### MEANING OF E-COMMERCE:

E-Commerce is a short form of Electronic Commerce. It is a method of exchange of goods and services through the internet by using digital platforms like websites, applications or other online market places to their users i.e., individual consumers, community and business. E-commerce is easily conducted through computers, tablets, smartphones and any other smart devices using internet. In e-commerce transaction consumer come to an electronic platform through websites or application and purchase goods and services using electronic payment or opted for cash on delivery. Now, E- Commerce has completely changed how people used to purchase and it provides accessibility, ease and a worldwide market. Business to Business and Business to Consumer interactions are both included in e-commerce. Its continued development has made it an essential part of the contemporary economy and revolutionizing how companies in the react with their clients and carry out international trade.

### FEW KEY DEFINITIONS OF E-COMMERCE: -

- "E-commerce refers to the commercial transactions conducted electronically on the internet, encompassing activities such as online shopping, electronic funds transfer, and online auctions." - **Jeff Bezos**
- "E-commerce is the digital ecosystem that enables businesses to conduct commercial activities online, including online retail, electronic payments, and supply chain management." - **Jack Ma**
- "E-commerce encompasses the online transactions and interactions between businesses and individuals, including online retail, digital marketing, and customer relationship management." - **Satya Nadella**
- "E-commerce encompasses the electronic buying and selling of goods and services, supported by internet technologies and platforms, providing convenience and global reach for businesses and consumers." - **Mark Zuckerberg**
- "E-commerce encompasses the online transactions and interactions that occur between businesses and consumers, involving online marketplaces, secure payment gateways, and digital marketing strategies." - **Sundar Pichai**

Hence, E-Commerce is an electronic platform where businesses and consumers interact with each other to exchange goods and services and other activities which are helping to boost businesses and economy as whole.

**BUSINESS MODELS IN E-COMMERCE:**

- **B2B Model:** Business-to-Business connections and transactions are referred as B2B, when they include two or more firms for making transactions. Instead of selling to individual consumers, businesses offer goods, services, or solutions to other businesses in a business-to-business (B2B) model, with an emphasis on satisfying the unique demands and specifications of business partners and clients.
- **B2C Model:** B2C is an acronym for "Business-to-Consumer" and it refers to commercial contacts and transactions between businesses and customers. Businesses promote, sell, and offer goods and services directly to customers in a business-to-consumer (B2C) model, taking into account their requirements, preferences, and spending habits.
- **C2C Model:** "Consumer-to-Consumer," or C2C, refers to the direct exchanges and interactions that happen between specific customers. A C2C model eliminates the need for a firm to act as a middleman between customers and allows them to purchase, sell, or trade goods, services, or information directly with one another using online platforms or other channels.
- **C2B Model:** C2B, or "Consumer-to-Business," is a business model in which particular customers or users provide goods, services, or data to companies. When a freelancer gives their skills to a business, such as a graphic designer designing a logo for a firm or a writer writing material for a corporate blog that is an example of a business-to-business transaction.
- **B2G Model:** The B2G refers to Business-to-Government model alludes to a business strategy where businesses men dealings directly with governmental bodies. It entails offering local, regional, or international governments products, services, or solutions. This approach frequently incorporates government procurement procedures as well as adherence to particular rules and guidelines.
- **G2B Model** The relationship between companies and government entities is referred to as the G2B or Government-to-Business model. According to this paradigm, government organizations help companies to run more smoothly by offering them assistance, services, and information. When a government organization provides online portals for companies to register, apply for licenses, and access regulatory information, it is an example of the G2B model in action.
- **G2C Model:** Direct delivery of government services, information, and communication to individual is part of the G2C or Government-to-Citizen model approach. It tries to digitally interact individuals with government organizations, submit applications, get documentation, and access public services. For example, when an individual use a specific government portal to apply for government benefits or file their taxes online.

**LITERATURE REVIEW:**

- **Bhaskar P. and Choudhary S. (2022) "A Study on Benefits, Challenges and Factors Obstructing the Growth of E-Commerce in Business World"** The authors described in their paper that various factors are creating obstructing the growth of e-commerce in India such as shortage of electrical computing hardware, climate for investment, and currently no laws governing e-commerce. The research paper also focused on the benefits of e-commerce for India.
- **Jain V., Malviya B., and Arya S. (2021) "An overview of electronic commerce"** This paper described of e-commerce for the business, growth and profits and they explained various prospects of e-commerce in India and the paper is based on secondary data. In their conclusion they explained about the various benefits of electronic commerce for the society.
- **Hussain A., Shahzad A., and Hassan R.(2020) "Organizational and Environmental Factors with the Mediating Role of E-Commerce and SME Performance"** The research paper describes the role of e-commerce through environmental and organization factors for small and medium enterprises and their study is based on the resource-based review. They describes in their finding that the top level management support and competitive pressure have a significant positive impact on the users of e-commerce.
- **Kumar A., Fahad F., and MS. Kapoor N. (2018) "Impact of E-Commerce in Indian Economy"** The authors revealed in their research paper the trend of the B2C model and M. Commerce in India. They talked about the impact of e-commerce on the economic growth, FDI and GDP of India. This research article has been done through secondary data and also presented various trends of e-commerce in India. The findings are increasing utilization of smartphones, using of the internet, taking necessary initiatives and schemes by the government etc.
- **Chanana N. and Goele S. (2016) "Future of E-Commerce in India"** The research writers wrote about various factors for growing of e-commerce in India. The research article was based on secondary data. This describes an overview of the growth of e-commerce and also the various opportunities for its stakeholders such as retailers, sellers, producers, and consumers.

**OBJECTIVES OF THE STUDY:**

- To study the growth of e-commerce in India.
- To study the Challenges and opportunities of e-commerce in India.

**RESEARCH METHODOLOGY**

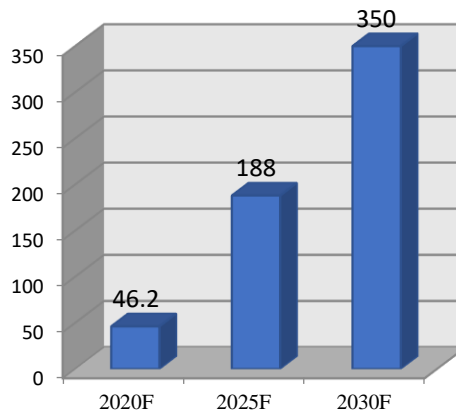
This is a descriptive type of research in which the objectives of the research article have been executed with the help of secondary data. We studied several research papers, articles and relevant books as well to analyzed the data collected from several government websites and all the sources of secondary data have been acknowledged for the research article.

**MARKET SIZE OF E-COMMERCE IN INDIA:**

○ **Financial Growth of E-Commerce**

E-commerce enterprises in India have experienced considerable and promising financial growth. Over the years, major businesses like as Flipkart, Amazon India, and others have achieved strong revenue growth. E-Commerce is totally based on the Internet by which sellers and buyers meet on the online platform for exchanging goods and services with various online mediators. After the launch of 4<sup>th</sup> Generation Network in India consumers are moving towards online shopping. According to Grant Thornton, the market size of e-commerce is expected to be worth of US \$188 billion by 2025, and with a turnover of US\$50 billion in 2020 India became the eighth-largest market for e-commerce. Recently in India, 5G has been launched and the getting more opportunities to the stakeholders of e-commerce. According to IAMAI and Kantar Research’s report, internet users are expected to reach 900 million by 2025 from 622 million internet users in 2020.

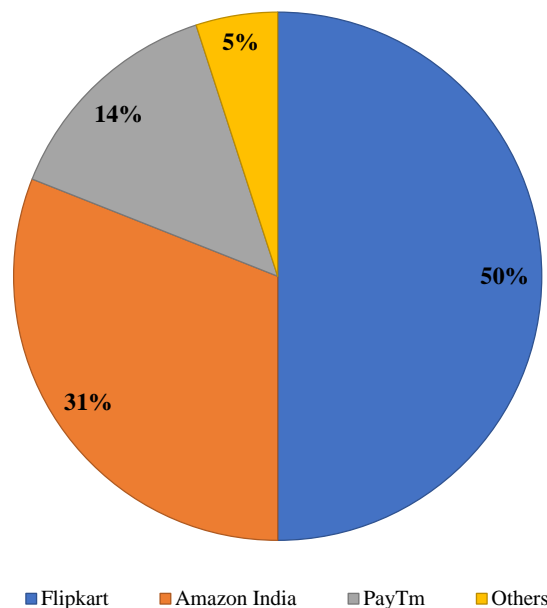
**Indian E-Commerce Market Size (US \$ Billion)**



**Market Size of E-Commerce Industry: <sup>1</sup>**

Flipkart, Amazon, and Paytm (Alibaba) are the three largest retail businesses in India's E-Commerce market. With their significant investments in online financial services and food delivery, Alibaba and Amazon continue to put pressure on Flipkart, which accounts for 50% of all e-Commerce in India. Flipkart and Amazon India were among the top e-commerce sites which is offering a diverse range of products and services. Paytm, which was primarily recognized for its digital wallet services, has moved into e-commerce as well. The industry's expansion has been spurred by rising internet and smartphone penetration, a growing middle class, and the influence of the Covid-19 pandemic, which has hastened the adoption of online shopping in India.

**Market Share in India**



**MARKET SHARE OF THE PRODUCTS**

In India there were several e-commerce operators dealing in variety of products which were shown below:

**Electronics:** Flipkart and Amazon India were among the main market players in the electronics category with a huge market share.

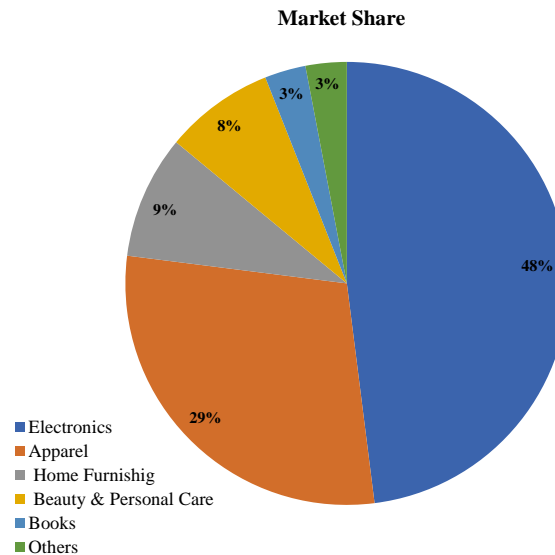
**Apparel:** Flipkart-owned Myntra and Amazon India dominated this area, with Myntra focusing exclusively on fashion.

**Home Furnishing:** Flipkart and Amazon India had a sizable market share in this category.

**Beauty and Personal Care:** Nykaa were a major player in the beauty and personal care industry.

**Books and Media:** Flipkart and Amazon India were key players in this sector, providing both physical books and digital material. In Indian E-Commerce enterprises sold more than 48% of the electronic products, while apparel and home furnishings are sold by 29% and 9%, respectively. It is anticipated that non-electronics categories would account for 80% of Indian E-Commerce by 2025.

#### CHALLENGES OF E-COMMERCE IN INDIA:



- **Misuse of the return policy by customers:** E-commerce is the best convenience platform for buyers at which the customers can buy with easy return basis and with this policy e-retail shops get trust of their customers but some customers are misusing of this policy and due to this cause many online retail shops face losses.
- **Mostly COD has been opted by customers:** There are many payments mode for the customers (debit card, credit card, UPI etc.), but Indian customers prefer COD (Cash on Delivery) payment option which is a very expensive, laborious and risky for e-commerce companies.
- **Indian payment gateways transactions failure:** Cash on delivery is preferred, which is bad enough, but Indian payment channels have an exceptionally high failure rate by international standards. Online retailers who use Indian payment gateways are losing sales because many customers choose not to try again after few failed transactions.
- **Unstandardized postal addressed:** Addresses are very complicated for the e-retail shops and the delivery boys cannot easily reach the given addresses and many customers do not get parcels due to their complicated addresses.
- **Issuing of logistics affects thousands of Indian towns:** The absence of postal address standardization is only one aspect of India's logistical difficulty. There are hundreds of communities that are difficult to reach due to the immensity of the nation. A rather comprehensive logistical infrastructure may be found in metropolitan areas and other significant urban centers. However, as India's market's primary allure rests in its sizable population, the lack of easy access to a sizable chunk of potential buyers is a detractor. The logistical issue is made worse by the fact that cash on delivery is India's preferred method of payment. The government-owned postal services, private Indian businesses, and international logistics firms are all working tirelessly to find a solution to the logistical issue.
- **Feature phones are still in use:** Even though there are a lot of mobile phone users in India, the vast majority still utilizes feature phones rather than smartphones. Therefore, this customer category is essentially unable to shop online while on the go. Even if it will be a few more years before smartphones become the norm, the price of entry-level cellphones is rapidly falling, which is a positive development. We anticipate that new smartphones priced between 8000 to 10000 rupees will be announced in India during the course of the ensuing quarters. That ought to encourage a rise in smartphone ownership.
- **Customer support:** Customer support has been enhanced using Chabot to enable faster processing and response to tickets as a result of the e-Commerce industry's explosive growth and the increased number of customers experiencing common problems with e-Commerce services. However, many consumers report feeling uneasy or unsatisfied with Chabot automatic answers.
- **Customer's expectations:** As a result of the introduction of new technologies and exposure to a wide range of products and services, modern customers are now more knowledgeable and aware than ever before. The modern customer is always on the search for improved experiences and has high expectations for the goods and services they pay for.

#### Major Opportunities of E-Commerce in India:

- **Accessibility and Convenience:** Customers benefit from e-commerce's accessibility and ease by being able to shop whenever and wherever they choose. The convenience element is a major force behind the expansion of e-commerce in India.

- **Availability of range of products:** In the online shops, they provide wide range of products for their customers as compared to offline shops. When customers have lot of options of the products with low price then the customers would prefer the online shops compared to off line shops.
- **Growing Internet penetration:** According to a report by the IAMAI and KANTAR, in India the active users are 759 million people which represent 52 percentage of the country's population and the number of active internet users is expected to grow 900 million by 2025 in India. This presents a huge opportunity for e-commerce companies to reach large customers.
- **Increasing the users of smartphones:** In India, the number of mobiles users are increasing and this is a significant for the e-commerce companies because a major portion of internet users are using internet through smartphones.
- **Customer analytics:** E-commerce gives advantage to the online shops of data storing of their customers and through these information e-commerce companies can understand their customer preferences, behavior and market trends and show them only those products which they prefer to purchase.
- **Increasing disposable income:** Today, Indian consumers are increasing their disposable income and they also have the ability to shop online. This is a favorable environment for the e-commerce companies.
- **Cashless Transactions:** After demonetization the Indian government support to cashless transactions and this payment system is easier and cost-effective transactions for online shopping.
- **Potential consumers of Rural Market:**<sup>ii</sup> According to statista report 2023, 909 million people of whole population of India live in rural and this is a great opportunity for e-commerce companies. They are potential customers for online shopping.
- **Government Initiatives:** The Indian government is promoting e-commerce through various initiatives like Start-up India and Digital India. By which e-commerce companies get favorable environment in market.
- **Increasing trust of consumers in online shopping:** There are many e-retail shops in the market and they provide different type of services to their customers and the impact of these services to create more trust among the customers by which they buy products with frequently from the online retail shops.
- **Influencing of social media:** Consumer behaviour in India is significantly influenced by social media. E-commerce businesses may use social media platforms to connect with and engage with their target market, resulting in increased sales and brand recognition.

### Conclusion:

Through this paper, we concluded that e-commerce is the backbone and one of the fastest growing sectors in the modern business world. As per reports in year 2023, it is expected that India would surpass Canada and become the eighth-largest market for e-commerce with expected sales of to reach 57,621.3 US million dollars. The revenue of e-commerce operators is anticipated to expand at a 13.7% compound annual growth rate as per report for year 2023–2027 with a forecasted market size of 96,290.5 US million dollar by that year. The Indian e-commerce market contributed to the global growth rate of 9.6% in 2023 with an anticipated increase of 9.0%. But there are many challenges which are being currently faced by e-commerce companies. But the government and non-government organizations are trying to overcoming the hindrances for the e-commerce companies. As a result, many online foreign and domestic companies came into the Indian market and they have formed different types of business models in our economy and they are blooming with the help of government and non-government support.

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<sup>i</sup> Source: <https://pipecandy.com/list-of-ecommerce-companies-in-india>

<sup>ii</sup> <https://www.statista.com/statistics/621507/rural-and-urban-population-india/>