

# Status of E-Commerce in India: Opportunities and Challenges

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**Abstract:** *E-commerce has become a realization of the future, and India is one of the largest global economies in the world. India is one of those countries that have realized the importance of e-commerce, but it's still not widely adopted. India is a rapidly developing country and their e-commerce industry spans multiple fields, such as travel, marriage services, jobs. The success of India's e-commerce websites has been fuelled by the growing internet market in the country. The Indian e-commerce market is currently dominated by a few large players, including Flipkart, Amazon, and Snapdeal. However, there is a growing number of smaller players who are also making their presence felt in the market. With the entry of new players and the increasing competition in the market, it is expected that prices will come down and more products and services will be made available to consumers. This will eventually lead to the growth of the e-commerce market in India. This article explores where e-commerce currently stands in India and what to expect for its future opportunities and challenges in India.*

**Keywords:** - E-commerce, challenges, opportunities, Online Shopping, Evolution, internet.

## 1. INTRODUCTION

There are a number of methods for buying and selling your goods and services, both with benefits. Some push corporations to the digital marketplace, while independent freelancers find it delivers the best results for them. For developing countries like India, e-commerce offers considerable opportunity.

E-commerce in India has come a long way since it was first introduced in the country. Today, it is one of the fastest growing sectors in the economy and is playing a major role in driving growth. According to a report by Forrester, the Indian e-commerce market is expected to grow to US\$ 120 billion by 2020-21, at a compound annual growth rate (CAGR) of 35%.

The growth of e-commerce in India can be attributed to a number of factors, including the growing number of internet and mobile users, increasing disposable incomes, and changing consumer preferences. In addition, the government has also been supportive of the growth of e-commerce in the country.

The historical roots of e-commerce in India can be traced back to the early 2000s when a few small businesses started selling their products online. Over the years, as internet penetration and usage increased, so did the number of businesses setting up shop online. In 2009, Flipkart was

founded and it emerged as one of the leading players in the Indian e-commerce market. Since then, there has been no looking back and India has become one of the key markets for global e-commerce players such as Amazon and Alibaba.

### **1.1 The historical status of E-commerce in India:**

E-commerce in India has a long and varied history. Its beginnings can be traced back to the early days of the internet in the country, when a few pioneering companies started selling products and services online. Since then, E-commerce has grown rapidly in India, with many new businesses springing up and established companies expanding their online presence. Today, E-commerce is a booming industry in India, with millions of shoppers spending billions of rupees online every year.

The growth of E-commerce in India has been fuelled by a number of factors. The country's large population and growing middle class are a key market for online businesses. India also has a young population, with around 60% of the population aged below 30 years. This demographic is highly tech-savvy and comfortable shopping online. In addition, the spread of mobile devices and mobile internet connectivity has made it easier for people to access online shopping platforms from anywhere.

The government has also been supportive of the growth of E-commerce in India. In 2016, the government launched the 'Digital India' initiative to promote the use of digital technologies across the country. This has helped to create an enabling environment for E-commerce businesses to flourish.

## **2. REVIEW OF LITERATURE**

**Kotler (1999)** explains that the World Wide Web-based system of communication through computer networks, has given birth to e-commerce. This term was coined by IBM, and it refers to all aspects of internet business. E-Commerce is a subset with the focus on buying or trading electronic goods. Online shopping has become highly sought after because of its personalized experience for different types of consumers.

**According to Satya Prasad**, Electronic commerce is a transaction that includes the use of computer networks to facilitate and carry out commercial transactions. This includes production, sale, and distribution of goods and services as well as intangible property. E-commerce involves

retailers who deal with any type of commercial transaction that is based in electronic processing or transmission and are often for consumers.




**Dr. Anukrati Sharma (2013)** observed the themes of e-commerce websites and recommended improvements that can be made to help customers make the decision to purchase from an online store. The findings showed that most people start deciding if they want to buy something after they are 21 years old and retailers should have websites that are well-made, planned, and strategic.

**Rahman, et.al.** observed that In India, people who use e-commerce are becoming more modern and using it for reliable, convenient purposes. This is due to the emergence of the digital generation of Indians in India adopting its use. E-commerce takes place over the internet and is used to exchange goods or services for money.

**Kaur, H. and Kaur, D.** said that Technology, such as the internet offers customers an avenue to choose what they want by providing them with convenient options. As e-commerce has grown annually, it is used to trade goods within communities and provides stakeholders with a soft way to link with buyers who trust Indian companies in their lives. Consumers have become more entrepreneurial in India and rely on a new form of income for sales - e-commerce.



**Trivedi (2004)** indicated that There are barriers to Indian people using the Internet, such as the social nature of buying and limited access. These barriers are being put in place by Indian companies; however, there is potential for growth in India due to many major Western company's success with e-commerce.



### **OBJECTIVES OF THE STUDY**

-  To study the challenges & opportunities of e-commerce in India.
-  Understanding e-commerce concepts.
-  How Is E-Commerce Changing in India?

### **3. Current Status of E-commerce in India:**

E-commerce in India is currently at a very exciting stage. The industry is growing rapidly, with new players and new opportunities emerging all the time. The current status of e-commerce in India can be summarized as follows:

-  The industry is still in its early stages of development, with a lot of room for growth.
-  The market is highly fragmented, with a large number of small and medium sized players.

-  There is a growing awareness of e-commerce among Indian consumers, although adoption rates are still relatively low.
-  Payment infrastructure is still a major challenge, although there are some positive developments in this area.

Overall, the current status of e-commerce in India presents both huge opportunities and challenges. It will be interesting to see how the industry develops over the next few years.

### **3.1 Future of E-commerce in India:**

E-commerce is gradually gaining popularity in India. According to a report by Forrester, the Indian e-commerce market is projected to grow to \$32 billion by 2020, from its current \$11.6 billion. This growth will be driven by increasing Internet and mobile penetration, as well as changing consumer behavior.

With the number of Internet users in India expected to reach 500 million by 2017, there is a huge potential for growth in the e-commerce market. Moreover, with the launch of 4G services, data consumption is expected to increase, which will further boost online shopping.

Apart from the growing market, there are other factors that are favorable for the growth of e-commerce in India. These include the country's young population, increasing disposable incomes, and rising awareness about online shopping. Additionally, with more women joining the workforce, there is a growing need for convenient shopping options that can be accessed from home.

E-commerce has already made a mark in India with several big players such as Flipkart, Amazon, and Snapdeal leading the way. However, there is still a long way to go before it becomes main stream.

### **3.2 How Is E-Commerce Changing in India?**

E-commerce is evolving rapidly in India. What was once a fledgling industry is now booming, with new players and new opportunities emerging all the time? Here's a look at how e-commerce is changing in India, and what the future may hold for this growing sector.

One of the biggest changes in e-commerce in India has been the rise of mobile shopping. In the early days of e-commerce in India, most shoppers used desktop computers to make their

purchases. But as mobile devices have become more widespread and affordable, more and more Indians are using them to shop online. This shift has had a big impact on the way businesses operate, as they've had to adapt their websites and apps to be user-friendly on smaller screens.

Another major change has been the growth of social media and messaging platforms as channels for marketing and sales. Platforms like WhatsApp and Facebook Messenger are now being used by businesses to reach out to potential customers and promote their products. This trend is likely to continue, as these platforms offer a convenient way for businesses to reach a large number of people quickly and easily.

### **3.3 Who are the major players in the Indian E-commerce market?**

The Indian E-commerce market is still in its early stages, but there are already a few major players. The most well-known are Flipkart and Amazon, but there are also a number of smaller players such as Snapdeal and Shopclues. These companies are all vying for a piece of the growing E-commerce pie in India.

Flipkart is currently the leader in the Indian E-commerce market, followed by Amazon. Both of these companies have been investing heavily in the Indian market, and it shows in their growth. Flipkart has been especially aggressive, acquiring a number of smaller companies to boost its presence. Amazon is not far behind, and is also looking to expand its reach in India.

The other major players in the Indian E-commerce market are Snapdeal and Shopclues. These companies are not as well known as Flipkart and Amazon, but they are still significant players. They both have a strong presence in India, and are looking to grow their businesses even further.

Overall, the Indian E-commerce market is still in its infancy. However, there are already a few major players that are vying for market share. Flipkart is currently the leader of Indian E-commerce market.

### **3.4 Key Challenges Facing Online Retailers**

The online retail industry in India is still in its nascent stages, and faces several challenges that need to be addressed in order for it to grow. These include infrastructure issues, lack of trust among consumers, and a fragmented market.

### **3.5 Infrastructure Issues:**

One of the biggest issues facing online retailers in India is the lack of reliable infrastructure. This includes both delivery infrastructure, such as last-mile delivery, and payment infrastructure.

Lack of trust among consumers is another issue that needs to be addressed. In a country where cash on delivery is still the preferred mode of payment, it will be difficult to convince consumers to pay online. This is especially true for first-time buyers.

### **3.6 Fragmented Market:**

Another challenge facing online retailers is the fragmented nature of the market. With so many different players, both big and small, it can be difficult to stand out from the crowd. This fragmentation also makes it difficult to build up a significant customer base.

The biggest challenges faced by e-commerce sites in India are:

1. **Lack of trust:** In India, there is a lack of trust when it comes to online shopping. This is because there have been many instances of fraud and scams. As a result, people are hesitant to shop online.
2. **Infrastructure:** The infrastructure in India is not as developed as it is in developed countries. This includes the lack of a reliable and fast internet connection, which is essential for an enjoyable online shopping experience.
3. **Payment options:** In India, not everyone has access to credit cards or PayPal account, which are the most common payment options for online shopping. This limits the number of people who can shop online.
4. **Logistics:** The logistics involved in online shopping can be quite complicated in India. This is because of the vast size of the country and the diverse range of products that are available.

### **3.7 Opportunities for Indian E-Commerce:**

India is the second most populous country in the world with over 1.3 billion people, and it is projected to surpass China as the world's most populous country by 2027. India is also the

world's fastest-growing major economy, with an annual growth rate of 7.5% in 2016. In light of these facts, it is not surprising that the e-commerce market in India is booming.

The number of internet users in India has grown rapidly in recent years, reaching 400 million in 2016. This is expected to grow to 600 million by 2020. This increase in internet users is one of the key drivers of growth in the e-commerce market in India. Another key driver is the rising disposable incomes of consumers in India. According to a report by McKinsey, the number of middle-class households in India is expected to grow from 50 million in 2007 to 583 million by 2025. This growth in middle-class households will lead to a corresponding increase in spending power, which will drive up demand for e-commerce products and services.

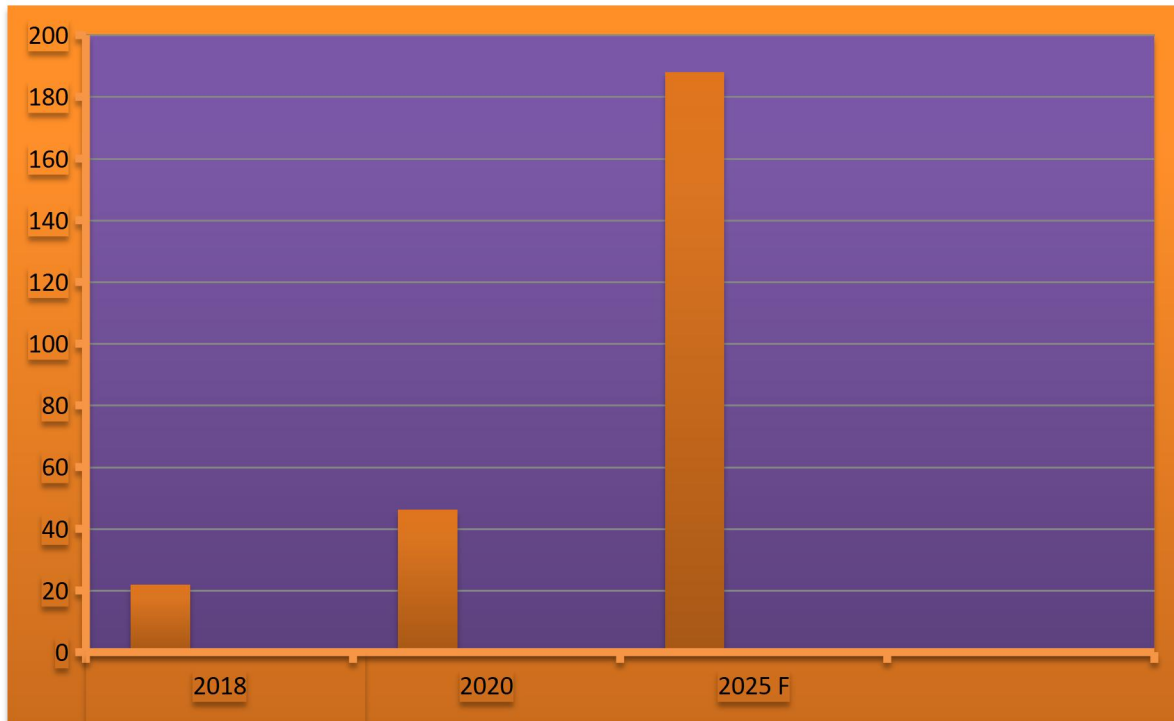
#### **4. DATA ANALYSIS**

There are only 10% of people in India who use the internet and it's growing. By 2025, 230 million people will be online shoppers, and by 2024 there will be \$119 billion spent in e-commerce. Amazon is expected to lead India with \$2 trillion, which beats Walmart that has \$2 trillion in 2027.

With a declining economy and global uncertainty, web retailers still anticipate strong sales in 2021. Much of the action on social commerce, e-commerce and online grocery will happen by the end of 2021. Beauty industry is worth approximately \$4 to 5 billion dollars in India. As e-commerce increases in the next ten years, there will be a higher demand for warehouses and storage facilities. The e-commerce boom in India is gaining speed; this has led to an increased popularity for Indian cities that house one of the fastest growing online communities.

COBS24 LTD announced US\$ 450 million in funding in October 2021. The funding came from debt and equity, and was sourced from various banks.

#### **Indian E-commerce market (US\$ billions)**



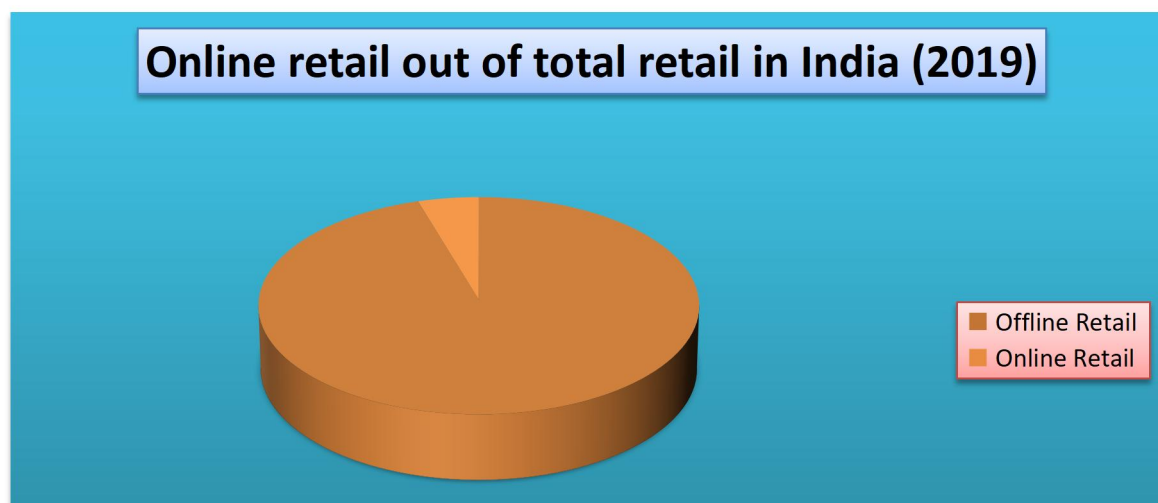
**Source: Media sources**

India's E-commerce sector has been revolutionized with the introduction of online marketplaces and the recent amendment of the FDI guidelines. With FDI now allowed up to 100% in marketplace models, companies will be able to invest more into E-commerce in India. The Government of India is also working on 5G, which will help boost E-commerce in India.

### **India's online retail vs. Total Retail**

There are a lot of opportunities for online retailers to grow with the rising internet population in India. By 2024, 4.7% of retail transactions fell to 10.7%; and by 2025, 220 million shoppers will reach the internet across the country.





India is one of the leading countries for online retail sales in the world, and their industry is expected to reach \$130 billion by 2021. The top three online retailers in India are Amazon, Flipkart, and Snapdeal, but they each face significant challengers from Alibaba Group Holdings Ltd. Alibaba is China's largest online retailer, with 33% of the market share of the country's online shopping. However, they face significant competition from Amazon, Flipkart, and Snapdeal.



**Source: Redseer, Crisil, Report by EY, Indian Private Equity and Venture Capital Association**

## CONCLUSION

E-commerce in India is still in its early stages, but it has great potential for growth. The Indian government is supportive of e-commerce and has taken steps to encourage its development. However, there are still some challenges that need to be addressed, such as the low penetration of broadband internet and the lack of trust among consumers. With continued efforts from the government and private sector, these challenges can be overcome and e-commerce in India can reach its full potential. E-commerce is still in a nascent stage in India with a lot of scope for growth. The industry has been growing at a rapid pace and is expected to grow further in the coming years. The government's policies and initiatives have been supportive of the growth of the e-commerce industry in India. The historical status of e-commerce in India shows that it has come a long way since its inception and is poised for further growth in the future.

## SUGGESTIONS

- ❖ Selling goods online can help you retain your business. By inputting extra information about products, fulfilling orders electronically, and staying in touch with customers consistently, you can have a successful venture on the internet.
- ❖ People can take advantage of their own products through the internet by using an online store, in order to sell or advertise those products. You can create a generate your own, unique brands for your business, as well.
- ❖ Having more options for online shopping created a need. In turn, more people are establishing reputable companies and enjoying the benefits.
- ❖ Digital technology is transforming the way people shop and in turn, it creates new opportunities for wholesalers, retailers and producers. Retailers should be up-to-date with current trends to provide the best customer service.
- ❖ With the amount of information available, consumers are much smarter about what products they buy and why. They can compare products and see pricing information, among other things.
- ❖ It is logical for online retailers to understand legal process, and take precautions for success. New laws and regulations are arising, making it necessary for online retailers to stay up-to-date on the legal process.

- ❖ The number of IPR issues in e-commerce transactions has grown over time due to the simplicity of duplicating material and misleading users. IPR needs to be more strictly regulated for there to be an end to these problems.
- ❖ The economic growth and increased global trade has led to an upsurge in the number of jobs, with immigration having an indirect impact on employment opportunities.
- ❖ The website should be easy to read and it should have content that is easy to understand. The website should also use mixed media so people can view the items in a more interesting way.

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