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# **ISSUES AND CHALLENGES FACED BY THE E-COMMERCE INDUSTRY IN INDIA.**

AUTHORED BY - POOJA N HATYAL & DR, CHRISTABELL JOSEPH

## **ABSTRACT**

The e-commerce industry is a potential game changer. People in India are slowly and gradually shifting from physical stores to online or virtual shopping. In simple, electronic commerce is the buying and selling of goods and services with access to the Internet. It is indeed noticeable that there is an increase and growth in the e-commerce market in India. India is the most attractive country for emerging markets for the e-commerce industry; the issues and challenges of e-commerce must be noticed. There are several issues and challenges before the e-commerce industry, including cyber and data security, technology issues, digital illiteracy, language acting as a barrier, taxation issues or the challenge to access. Although the market has not broken down, consumers round-the-clock shop efficiently at their convenience with just a few clicks.

Even after all the issues and challenges faced by the e-commerce industry, there are a few online mammoths like flipkart.com, makemytrip.com, meesho, firstery.com and many more that have overcome the challenges and have shown escalation in growth trends of e-commerce in India. One massive push for the growth of e-commerce was during and post covid pandemic, which made the retailers embrace e-commerce locally and globally. Also, consumers actively participated in shopping during the same time. A few significant factors for the growth of e-commerce in India are customer convenience, increasing internet usage, curated e-commerce, safe and secure payment options, pricing and discounts, rise in digital literacy and government initiatives like Digital India, e-market and skill India.

The E-commerce industry can overcome issues and challenges by finding suitable solutions. A few significant factors for the growth of e-commerce in India are customer convenience, safe and secure payment options, pricing and discounts, rise in digital literacy, governmental initiatives like Digital India, e-market and skill India. This growth in the e-commerce industry is successfully reaching out to the general masses with the help of social media, which is not only a platform for advertisement but also for receiving feedback for promoting new launches and helps to build brand image. With the help of social media, retailers can keep track of first-time and repeat buyers of a product. Spending patterns and lifestyles of consumers can be predicted and studied with the help of social media.

E-commerce business in India will increase and positively affect the country's economy and retail industry. There are more advantages of e-commerce than disadvantages that can be overcome. It is a win-win situation for businesses and customers in the e-commerce industry. The e-commerce market will be more competitive and diverse, is the prediction. It is rewarding to run a successful e-commerce business, but still challenging. Customers in India return the commodities that they purchase online. The payment mode preferred mainly by the customers is cash on delivery. Besides these difficulties, legal issues include E-contracts, data protection, Intellectual property rights, competition, advertisements, etc. The present paper intends to study e-commerce by throwing light on the problems and challenges faced by the e-commerce industry in India and the opportunities and future of the same. This paper also suggests and lays out steps for the development of the e-commerce industry and solutions for its challenges.

**Keywords:** e-commerce, customer, challenges, internet, India

## **Introduction**

Due to rising internet penetration, smartphone use, and the expansion of the middle class, the Indian e-commerce market has experienced tremendous growth and transformation in recent years. The sector above has emerged as a crucial element of India's digital economy, providing customers with the ease of e-commerce and empowering enterprises to expand their customer base. But along with this quick development and growth come several challenging problems that the Indian e-commerce sector has to deal with. In this regard, to obtain a thorough understanding of the dynamics and potential of this business, it is essential to investigate and comprehend the myriad problems that it encounters, ranging from logistical challenges and regulatory obstacles to customer trust and competition. Everyone in India has a limited amount of time and is online aware. In this case, everyone wants to buy items without having to go and to save time. Demand for the e-commerce industry and its area is rising, along with the need for an outstanding assortment of services of a specific kind. In every aspect of business, including customer service, new product development, and design, e-commerce is already present. India's e-commerce industry is expanding due to the availability of a large selection of low-cost products, large online suppliers, and a customer pool. Nowadays, every company unit wants to be a part of an online company due to India's growing internet user population. In India, e-commerce is still expanding, but it presents a significant opportunity.

## **Meaning and definition of e-commerce**

E-commerce is the use of electronic communications and digital information processing technology in business transactions to create, transform, and redefine relationships for value creation between or among organizations, and between organizations and individuals.<sup>1</sup> Numerous programs are used in e-commerce. Such as file transfer protocol, web services, electronic data exchange (EDI), fax, online catalogues, shopping carts, and electronic data interchange. Given the range of products and services available today, online purchasing is increasing the allure and convenience of online shopping for customers

nationwide. E-commerce, as a representation of globalization, is the pinnacle of success in this digital age, which has altered and continues to alter how business is done globally. Electronic commerce has become the most popular due to the internet's commercialization. The best routes for business processes that cross corporate boundaries.

The electronic interchange of business data, transactions, and other types of communication about the purchase and sale of goods and services is another definition of e-commerce. Digital payment systems, online marketplaces, retail storefronts, and other online platforms and technology that support these electronic transactions are all included. With its rapid growth in recent years, e-commerce has given consumers and businesses new ways to interact, trade, and transact in a digital world.

Electronic commerce, or e-commerce, is a type of business model, or segment of a larger business model, that enables a firm or individual to conduct business over an electronic network, typically the internet. Electronic commerce operates in all four of the major market segments: business to business, business to consumer, consumer to consumer, and consumer to business. It can be thought of as a more advanced form of mail-order purchasing through a catalog. Almost any product or service can be offered via e-commerce, from books and music to financial services and plane tickets.<sup>2</sup>

In electronic commerce, payments for products and services are made through various means, including bank transfers, digital wallets, credit/debit cards, and other online payment systems. Digital channels include social media sites, smartphone applications, webpages, and other online interfaces that help with the transaction process and are used for e-commerce activities. A worldwide marketplace made possible by e-commerce gives companies access to clients across national borders, facilitating trading internationally and expanding their customer base.

E-commerce may be thought of as a digital version of mail-order catalog shopping. Also called online

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<sup>1</sup> Archana Srivastava, *Challenge for E-Commerce in India*, Vol. 6 Issue 1, Asian Journal of Technology & Management Research, (2018).

<sup>2</sup> Megala, K., *Challenges of E-Commerce in India*, vol. 6, no. S1Shanlax International Journal of Commerce, (2018).

commerce, e-commerce is the transaction between a buyer and a seller that leverages technology.

## **Issues in E commerce**

### **Product delivery/exchange of goods**

The efficient and punctual delivery of goods is ensured by the courier services provided by multiple organizations to deliver different products and services. The trading of products, or e-commerce businesses, picking up the items from customers on time is another major problem.

### **The genuineness of the goods**

Customers must receive authentic and genuine branded and non-branded goods from various vendors.

### **Competition in Prices**

When purchasing, customers examine the costs of the goods provided by the different e-commerce websites. Therefore, it makes it difficult for the vendors to update and maintain the product's pricing on websites to increase sales.

### **Less awareness**

Knowledge of the different products offered in the online e-commerce sector is necessary. Most regions have lower levels of awareness regarding online e-commerce goods.

### **Product objective**

There must be an excessive number of things available on the internet market. This is only possible if the sellers update themselves in light of the products' demand (taste and preference).<sup>3</sup>

## **Challenges faced by e commerce industry**

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<sup>3</sup> Pratibha Bhardwaj & Anshu, *Issues and Challenges of E-Commerce in India*, volume 24 issue 4, Think India journal, (2015)

Even while there are many opportunities in the e-commerce industry, there are also several unique obstacles that might be challenging for a new firm to overcome. Nonetheless, India has unquestionably been a lucrative e-commerce industry for the previous seven years running. Therefore, regardless of how big or small the firm is, many venture capitalists, angel investors, private companies, and high-net-worth individuals are investing money in e-commerce. E-commerce is expanding quickly, but there are still several obstacles in the way of its operations in India.

**Marketing & Branding:** A significant expenditure is needed for marketing and branding to increase traffic and sales on an e-commerce website. This is a substantial expense that can be computed as cost per sale or cost per acquisition.

**Declining margins:** Since other companies have already entered the Indian e-commerce sector, customers are taken advantage of with significant discounts, offers, deals, and simple return policies, among other things, which has led to low margins.

**Logistics & Delivery:** Getting goods to customers remains a significant challenge for any new online retailer. Remembering that the final delivery of the product to the customer's door involves no middlemen makes E-Commerce logistics distinct from traditional goods deliveries.

The final mile delivery of the product to the customer is a crucial component of E-Commerce logistics. The inability of several e-commerce businesses to provide last-mile delivery caused them to collapse. The logistics for e-commerce might be owned or outsourced.

**Touch and Feel:** Indian consumers have a more conventional mindset and feel more at ease purchasing goods from physical establishments than online retailers. E-commerce businesses that sell goods like clothing, jewellery, and handicrafts must contend with obstacles in the sales process since consumers prefer to see, touch, and feel items before making a purchase.

**The challenge of access:** The adoption of e-commerce requires access to enabling technologies and human capital that have received the relevant training. High user charges and restricted access to communications infrastructure, however, may act as a barrier. Even in nations with highly

developed infrastructure, access costs impede the growth of e-commerce. The severity of this issue is higher in less developed countries.

**Security versus privacy:** Online marketplaces' global reach raises concerns about consumer protection and privacy. Different nations have different ideas on how to uphold peoples' rights to privacy. The emergence of technology that facilitates client tracking and profiling prompts inquiries regarding the handling and commercialising of information gathered via online platforms. Information collected electronically can be matched, aggregated, and mined to uncover the traits and behaviours of people or groups. Concerns about using cookies and other technologies that monitor a user's online activity have arisen.<sup>4</sup>

**Touch and Feel Factors:** Indian consumers feel more at ease making in-person product purchases. They typically chose the goods by holding them in their hands. As a result, Indian consumers are more likely to purchase tickets and make reservations online for electronics, books, and travel. Businesses that deal in goods like clothing, jewellery, and handicrafts must overcome obstacles in their sales strategy because consumers prefer to see and touch items before purchasing.

**Incorrect postal address:** The customer will receive a call from the business inquiring about his location after placing an online order. Because there is always some standardization when writing post addresses, the address provided needs to be more. It is also one of the main obstacles India's e-commerce must overcome.

**Shipping Challenges:** Poor supply chain integration, expensive product delivery fees, delivery delays, and, in certain places, inadequate courier services further irritate customers.<sup>5</sup>

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<sup>4</sup> Buckley, Patricia, and Sabrina Montes, *The Promise and Challenge of E-Commerce*, vol. 1, no. 2 Georgetown Journal of International Affairs, (2000),

<sup>5</sup> Subhash Masanappa Suryawanshi, *E- Commerce in India - Challenges and Opportunities E- Commerce*, Vol. 3, Issue 3, International research journal on multidisciplinary studies, (2017).

**Fake websites:** One of the biggest problems facing the e-commerce sector is fake websites. Although they appear to be authentic e-commerce websites, fake websites are frauds. False websites can offer counterfeit goods and steal the financial and personal information of their users.

**Fraud:** Fraud can significantly affect consumers and e-commerce companies alike. Fraudulent purchases can cost e-commerce enterprises money, and credit card issuers may charge them chargeback costs. Consumers who fall prey to fraud risk losing money, having their credit cards stolen, and getting faulty or counterfeit goods.

**Less negotiation and discounts:** Online retailers hardly provide discounts, and haggling is impossible.

**Returns and Refunds for Products:** Customers often exchange or return products that they are not happy with. This is yet another serious problem that contributes to overall revenue losses, shipping cost losses, and reputational damage.

**Infrastructure Issues:** The Internet serves as the foundation for e-commerce. Compared to several Western countries, Internet penetration in India is still relatively low. Poor connectivity quality exists in many areas, a significant obstacle to e-commerce.

**Absence of Cyber regulations:** Another significant issue affecting E-Commerce is the need for rules governing online transactions.<sup>6</sup>

## Legal framework and issues

### E- contracts:

The Indian Contract Act, 1872 (“ICA”) and the Information Technology Act, 2000 both regulate e-contracts in India. These rules specify that voluntary permission and legal consideration between

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<sup>6</sup> Monika Kataria, *E-commerce: opportunities and challenges in India*, Vol. 08, No. 04, - Journal of Modern Management & Entrepreneurship, (2018).

consenting adults are necessary for an e-contract to be enforceable. Electronic evidence is also recognized by the Evidence Act. Businesses that need to make sure that contracts are signed by adults face a dilemma because the internet environment makes it more likely for minors to enter into agreements. Since e-contracts do not yet require stamp duty payment, the stamping of contracts, which is a requirement for physical papers, becomes problematic. This may alter in the future for e-contracts, though, given the availability of e-stamp sheets and the potential for online stamp duty payments.

### **Data protection:**

In India, concern over online transaction security and safeguarding sensitive personal data is addressed through the Information Technology Act's Section 43A, which mandates "reasonable security practices" for protecting identifiable personal information. Sensitive data, encompassing passwords, financial details, and health records, requires strict security procedures, consent, and a privacy policy for organizations collecting such information. Additionally, technologies like NEFT, RTGS, and EFT bolster transaction security, overseen by the RBI under the Payment and Settlement Systems Act of 2007. The IT Act, along with amendments and RBI guidelines, establishes a framework for cybersecurity measures, introducing stricter authentication for online transactions and liability for safeguarding personal data.

### **Intellectual property rights:**

Online media presents a plethora of opportunities for trademark, copyright, and patent infringement. E-commerce websites are established and designed by outside parties, and frequently, outside companies also provide the content. If the parties' agreements do not expressly provide IP rights, there may be major problems with IPR ownership. Valid permissions should be in place before using any third-party intellectual property. The disclaimer and IPR policy for interactive websites should make these points very apparent, and the companies who offer the goods and services should routinely monitor how their websites are being used. Trade marks protect domain names, and conflicts may arise from confusingly similar domain names.<sup>7</sup>

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<sup>7</sup> Harish Kumari, *Commerce in India-Challenges and Legal Issues*, VOL. 2(1), International Journal of Business Management, (2015).

### **Effective supply chain, efficient delivery system, and service management:**

In e-commerce, it's critical to keep consumer protection concerns in mind continually. There are no particular rules about internet transactions under the Consumer Protection Act of 1986 ("CPA"), which regulates relationships between customers and suppliers of products and services. When a "deficiency in service", "defect in goods", or an "unfair trade practice" occurs, a provider of goods or services becomes liable. The CPA expressly states that any services provided for free are not included in its purview. Thus, under the CPA, users will be regarded as customers if the internet medium is only used for the transaction.

### **Findings, conclusion and suggestions**

Poor internet penetration and connectivity, especially in rural areas, is a major obstacle for e-commerce growth. Additionally, the lack of standardized postal addresses and reliable logistics networks can make it difficult to deliver products to customers. The majority of Indians still prefer to pay with cash on delivery (COD), which can be expensive and ineffective for e-commerce companies. Online payment methods are further restricted by the low credit card usage rate.

Because they are worried about fraud, security, and the quality of the products, many Indian consumers are still reluctant to shop online.

India's e-commerce industry is highly competitive, with local and foreign businesses fighting for market dominance. It may be challenging for small enterprises to compete as a result. The e-commerce industry in India is still evolving, and there is a lack of clear and comprehensive regulations.

In conclusion, several obstacles prevent the Indian e-commerce sector from growing and operating smoothly. Businesses face uncertainty due to regulatory barriers resulting from constantly changing laws, and concerns over fair competition are raised by a small number of significant firms' dominance in the market. Bottlenecks in the infrastructure and logistics, especially in remote places, make operations less efficient. Concerns about data security and privacy are still urgent, made worse by the growth of fraud and fake goods. The Indian e-commerce ecosystem is further

complicated by the need to maintain customer trust, navigate the competitive scene, and ensure environmental sustainability.

Collaboration between government agencies, regulatory entities, and industry players is crucial to addressing these issues. In addition to addressing concerns of market dominance, policymakers should work toward more transparent and stable regulatory frameworks that promote fair market competition. Investing in solid infrastructure and logistics can increase the effectiveness and reach of e-commerce operations, particularly in rural areas. To safeguard customer information and foster confidence, data privacy regulations and cybersecurity protocols must be constantly improved and strictly enforced. E-commerce sites should give priority to authentication techniques and have robust security measures in place to thwart fraud and fake goods.

Additionally, by encouraging innovation in last-mile delivery methods, eco-friendly packaging, and ecologically friendly business practices, the environmental impact of the e-commerce industry can be lessened. Promoting e-commerce technology education and skill development, especially in rural regions, can empower a workforce that is more skilled and varied. Ultimately, increasing customer confidence and expanding the Indian e-commerce business can be achieved by fostering digital literacy among consumers and guaranteeing easy, safe online transactions. The Indian e-commerce sector may create a more favourable and vibrant environment for long-term growth and innovation by tackling these issues as a group.

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