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Issues and Challenges of E-Commerce

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Abstract

The advent of e-commerce is certainly made our lives better in many ways. E - Commerce is something which involves an online transaction. E commerce can be generally divided into two types that is E-merchandise and E-finance. The major contents of this are use of internet for ordering goods and services, online payment and transaction of money between banks. India is the second largest mobile market in the world and recent studies revealed that youth population of India spends around 70% of their time in internet and other related activities. The idea of “cashless economy” is a boost to E - commerce services in Indian context. Most of the financial services are also carried out online due to safe and fast transaction. Even though the usage of E - commerce services are constantly increasing, it is to be noted that majority of them are unaware of the risk it possess. With greater advancements come greater risks. There are large number of people getting affected by online fraud and having no idea regarding how to prevent it. Therefore the researcher has taken an attempt to provide awareness to the people who largely depend on E - commerce services. The present paper undertaken by the researcher focus on the various challenges and risks involved in E - commerce activities namely monetary, technological, ethical challenges and lack of quality assurance. The major objective of this paper is to create awareness about various challenges and risks in dealing with e-commerce specifically individuals in online buying, selling and other allied transactions.

Key Words: E finance, E merchandise, Cashless economy

WHAT IS E-COMMERCE?

Buying and selling of goods can be traced back thousands of years before. Before the invention of money barter system was the common mode of purchase and selling. Bartering is trading services or goods with another person when there is no money involved. This type of exchange was relied upon by early civilizations. After the invention of internet, E-commerce started to become more familiar. E- Commerce is generally known as the process of purchasing and selling of goods and services through internet. Many authors and researchers have defined and interpreted E-commerce or Electronic Commerce in many different ways. They are:

1. The use of internet to do business transactions (Bellman, 1999)
2. Digitally enabled commercial transactions between and among individuals and organizations (Eliqs M. Award, 2014)
3. Electronic environment that allows buying and selling products, services and sharing of information on the internet (Joseph P. T, 2012)

E-commerce has shifted the practice of monetary transaction to online or cash less transaction. The idea of carrying liquid cash in our wallet is a dun and dusted practice in the current context. The advent of internet and commercialising the internet service has boosted the e-commerce sector. The 7 basic types of e-commerce are,

- Business-to-Business (B2B)
- Business-**to**-Consumer (B2C)
- Consumer-**to**-Consumer (C2C)
- Consumer-**to**-Business (C2B).
- Business-**to**-Administration (B2A)
- Consumer-**to**-Administration (C2A)
- Business **-to**-Government (B2G)

HISTORY

We can trace the history of e-commerce from the very early period. The initial notion of e-commerce is “sell and buy”. The current form e-commerce began after the invention of electronic devices and internet. But much before that people used other forms of systems of fulfilling their needs.Thecurrent form of e-commerce becomes useful after the commercialisation of internet in the 90’s. it has opened a huge market outside the physical world which ranks billions in terms of revenue in the present scenario. At first e-commerce was generally termed as a way to carryout monetary or other transactions of goods and services with the use of internet. Some of the helpful technologies for thatwas Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT) which gave an opportunity for users to exchange business information and do electronic transactions. The ability to use these technologies appeared in the late 1970s and allowed business companies and organizations to send commercial documentation electronically.

Even though internet began functioning in the year 1991 it become popular among common people in the year 1994 after the discovery of security protocols like HTTP and DSL which aids in getting proper and uninterrupted internet services. As in the case of every other technologythis becomes widely popular in the United States and the other European countries. They were the pioneer in starting the e-commerce business in a larger scale and making it a commercial success.But the collapse of domains system in the 2000 led to the disappearing the many retailers and that’s where the "brick and mortar" retailers recognized the advantages of electronic commerce and began to add such capabilities to their web sites (e.g., after the online grocery store Web van came to ruin, two supermarket chains, Albertsons and Safeway, began to use ecommerce to enable their customers to buy groceries online). In the end of 2001 business to business model had a staggering 700 million dollar transaction.

E-COMMERCE IN INDIA

India is a big market for e-commerce services. Even though India is in a developing stage the volume of internet users are high compared to other countries.the e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow around 200 billion by 2026. The increasing use of internet and mobile phones triggered such a large growth in the country. The launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow much further. Online retail sales in India are expected to grow 31% and touch almost 32.70 billion dollars in 2020. The e-commerce market is currently led by filpkart, amazon India and paytm mall. During a study conducted in 2018 electronic is found to be the largest contributor to online retail sales with a share of 48%. Since 2014 the Government of India has launched various innovative initiatives to boost the sector namely, digital India, make in India, skills India, start-up India etc. this is expected to support the growth of e-commerce in the country. For this purpose India has taken measures like lifting of the participation of foreign players in e-commerce field and hiked the limit of foreign direct investment in India. This largely boosts the e-commerce sector to a great extent. There are many studies and statistics supporting this fact.

As per the above chart studies conducted in 2014 reveals that India is the second largest country in E –commerce sales only behind China. It is the fact that e-commerce has become widely popular in the country and has all scope to flourish further. Today even small retailers are expanding their business through online modes. One of the platform for these small retailers are online shopping portals like flipkart, amazon etc. In the Indian context there are various phases which mark the growth of e-commerce

1991- Introduction of E-Commerce

1991 marked the birth of e-commerce in India at a time were people had no idea about internet or its services. The internet becomes more popular when e-commerce businesses start investing more on online services. This becomes a strong foundation stone for e-commerce before becoming immensely popular in the 21st century.

2002: IRCTC

It was through IRCTC that India first learned to book tickets via internet. The major strategy of Indian government for the implementation of the IRCTC was to make it convenient for the general public to book tickets. The Traditional way of purchasing train tickets was to physically going to the stations and standing in long que. IRCTC has eliminated this issue by implementing online booking portals. Today passengers can even book food and plan their entire trip accordingly in their convenience. Such is the scale of development and innovations in the field of e-commerce in India and is expected to reach more heights in future.

2003: Introduction of Low Cost Airline with Air Deccan

After the successful implementation of IRCTC, the online booking system was expanded in the field of airline. The airlines like Airdeccan, Indianairlines etc. opened online booking system in the initial phase and got tremendous response from the part of customers. They also encourage online booking as they could eliminate more manpower in that area. Apart from that they could eliminate agents as they take up a lot of amount from the customers as commission. Today the booking system is not confined to mere ticket purchase but rather people can book food, hotel rooms, bus bookings, airport pickup etc.

2007: The Deep Discounted model of Flipkart

The positive responses for such online activities had attracted giant online market leaders like amazon, flipkart, in investing in India. They had recognised India as a highly profitable market and they intended to reap in great profits with their investments. In the case of flipkart they had implemented deep discounted model and they provided goods in a much more discounted rate than physical stores. In the past few years the online shopping has come across some innovative changes as far as the range of products and cash payment is concerned. It has reached every nook and corner of the country and has made the purchase much more convenient. The online market place has become an area with tight competitions and they are in constant need of making changes that could attract the customers. The customer preference is usually given for those who provide wide range of products at a discounted price in their doorstep. In addition, discounts, coupons, 30 day return guarantee etc. could influence the preference of customers.

Despite being a developing country, India has shown a commendable increase in the ecommerce industry in the last couple of years, thereby hitting the market with a boom.

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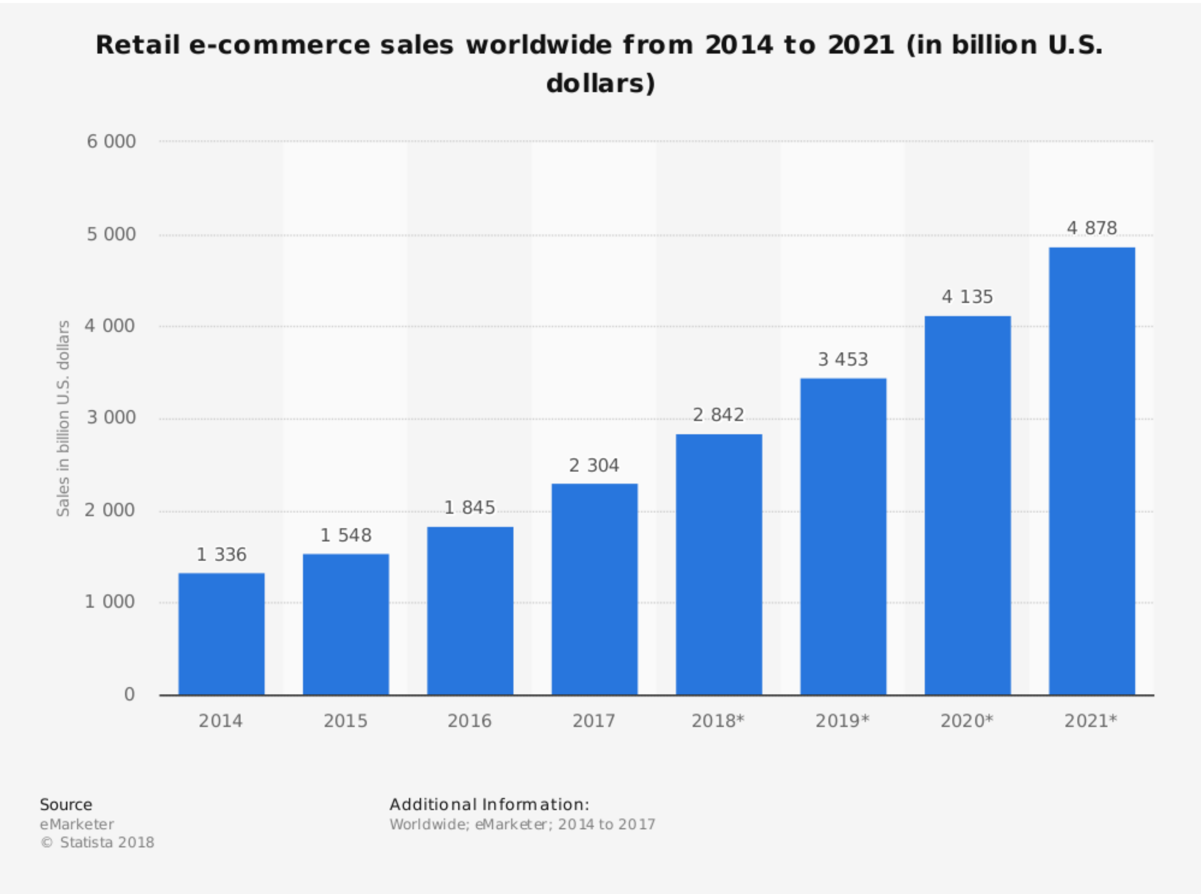
Though the Indian online market is far behind the US and the UK, it has been growing at a fast page.

The Key drivers of in Indian ecommerce have been:

- Increasing broadband Internet and 4G penetration.
- Growing Living standards
- Availability of much wider product range
- Busy lifestyles and lack of time for offline shopping
- Increased usage of online categorized sites
- Evolution of the online marketplace model with websites like eBay, Flip kart, Snapdeal, etc.

STATISTICS

Retail e-commerce sales worldwide were 2290 billion US dollars and are expected to rise to 2774 billion in 2018, according to Statistic. Thus, global e-commerce sales are predicted to show 20% growth, which is a huge number for business and certainly a steady trend with no signs of decline.



The graph provides statistics on e-commerce sales across the world from 2014 and predicted till the year 2021. The graph has shown an increasing trend all the years and is expected to do almost 100 billion sales. So this is a clear indication that the e-commerce is moving towards acquiring a large share in the purchase and sale of goods.

Benefits of E-commerce.

In the present era purchasing and selling of goods has become so easy that one could do it with a click. As we discussed above e commerce become widely popular after the commercialisation of internet. In the earlier times people needed to go to physical store in order to purchase the product. But the recent development has made it more simple. As people become technologically literate, people began to shift from traditional market to modern market. E-commerce caters enormous benefits not only to the buyers or the sellers, but also to the society at large. These benefits are in a way catching the attention of the customers and consumers. These benefits are actually driving the growth and adoption of this technology by attracting more customers. This might be slow in pace but the shift is significant to break the myth around the present and future of e-commerce in India. Some of these benefits are noted below.

1. **Worldwide coverage**: Internet being one of the largest medium of communication across the globe provides opportunity for a seller to reach out to the customer base; breaking the geographic barriers. Today home delivery of items even from outside the country is possible with the development in the technology. A company can quickly locate more customers, the best suppliers and the most suitable business partners worldwide.
2. **Low setup cost**: A virtual store requires relatively less investment rather than to establish a physical store. With the increasing cost of property (land and building) and real estate, the dream of being there at the door step of the customer at the time of requirement is becoming a harsh reality. The clearances and permissions from various authorities are making things worse. The cost of interior design, lightening, parking facility, storage, cleanliness, payment of salary and bills of the employees working in the physical stores etc. are adding up to the cost of establishment. Possibly that is the reason why many start-ups are finding the digital presence more attractive than the actual one

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3. **24 × 7 connectivity**: Unlike the physical store the virtual store does not have a time to open or close. Anyone can transact at any point of time from any location at their own convenience. This is one greatest advantages of e-commerce.
4. **Lower prices than traditional stores**: It shortens and almost eliminates the marketing distribution channels, makes products cheaper and vendors' profits higher. This can be termed as disintermediation. Figure-3 below describes why and how exactly the online sellers are challenging the physical store players really hard. Lower start up or establishment cost along with disintermediation is doing the trick for the online players in terms of their offering at a much lower price. But, this does not mean that the profit margins are increasing due to this.
5. **Better real time communication**: With the help of technologies like e-mail, fax, bar code scanning, online fund transfer, online payment and electronic data interchange; the system itself takes care of everything after initiation. Automatic order processing, billing, invoicing, acknowledgement of receipt and real time tracking of consignments etc. are building a sense of trust among the participants by reducing the dependency on each other.
6. **Online management of information**: Any information in its digital format is much more compact and easy to handle. Storage and retrieval of information is not a problem these days. Hands on access to information as and when required are making the entire system more efficient and productive.
7. **Enhanced customer service**: With such advanced technologies customer service is no big deal. Database management, Customer Relationship Management (CRM), data mining and data warehousing and the previously discussed automated systems are not only helping the customer rather these are in a way providing an opportunity to the sellers to handle or deal with the customer better.
8. **Enhanced productivity:** When the system is almost automatic, information storage, retrieval and sharing is possible on real time basis, the investment is relatively low and the system is efficient in its own way; this increases the productivity and profitability of the system or organization without any doubt.
9. **Faster and economical customer acquiring, servicing and retaining:** The digital way helps companies in getting services and material fastly at a cost effective manner. It reduces the cost of making, processing, distributing in a digitalised way.

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10. **Time saving and hassle free:** Delivers relevant and detailed information in seconds. It also saves the time International Journal of Academic Research and Development 180 to travel to the place of shopping.
11. **Online auctions and bids:** Electronic auctions benefit both the buyers and sellers in the digital domain.

Limitations for E-Commerce:

Like everything else e-commerce has its benefits and limitations. But, the limitations are much smaller than the benefits. The opportunities are larger than the threats. This makes it worth giving a try and worth taking a risk to invest. The limitations can be divided in to two broader groups' namely technological and non-technological limitations.

Technological Limitations

The technological limitations of e-commerce are discussed below.

1) First of all other than having business management skills; e-commerce calls for advanced knowledge and high level of technical skills to understand the mechanism and to operate profitably. Since, the business has virtual presence; coordinating and channelizing things, it requires continuous monitoring and human intervention from time to time.

2)Insufficient infrastructure to enrich e-commerce penetration to bottom of the society: The ICT infrastructure of India is still very poor. Though computer literacy, internet penetration and use are increasing over the years but still it is concentrated around a few cities.

3) Insufficient bandwidth, inconsistent power supply and lack of infrastructure are the major concerns for ecommerce to succeed in a country like India.

4)Difficulties in integrating the internet and E-Commerce applications with some of the existing applications and databases. New special web servers are required for the smooth functioning. The availability specific hardware and software is also limited to few places.

5)Increasing threats from hackers and online stalkers. Increasing virus attacks and increasing concerns for privacy, secrecy and identity theft. It is also not very secure to share bank account or credit card details online.

Non-technological Limitations

The non-technological limitations of e-commerce are discussed below.

1) Perception that e-commerce is expensive and unsecured.

2) No touch and feel experience.

3)Customers having trust issues from changing to virtual stores from physical or traditional stores.

4)Fear of online transactions.

5)Many sellers and buyers are adopting a wait and watch policy till the e-commerce industry stabilizes before they take part.

6)Lack of common international regulations and universal industry standards for quality, security and reliability.

7) Unresolved legal issues.

8) Lack of mature methodologies for measuring benefits and justifying the success of E-commerce.

Commerce has become one of the most popular mediums of transactions in the recent years. While it does offer quite a lot of benefits to both buyers and sellers, it is not totally free from disadvantages. By having an idea of these limitations, we can address them and come up with a solution. Security is one of the main limitations of E-Commerce. In most cases, people are hesitant to provide their personal and financial details in spite of advanced data encryption security systems in place. Moreover, there are some websites that do not have the capability and features installed to authenticate transactions. As such, there are instances of fraudulent activities. The fear of providing financial information like credit card details hinders the growth of ecommerce.

Lack of Privacy of a customer is compromised in E-Commerce. You need to provide your personal details, such as address, telephone number, and so on to the seller. There are still lots of sites that do not have the advanced technology to protect sensitive information. Moreover, there are also sites that illegally collect consumer statistics without permission. This is one reason why people get sceptical while using E-Commerce.

Ecommerce frauds

No area in this world is free from issues. It is a part of all the transactions or activities we do. In such a way e-commerce has also got a big disadvantage in the form of e-commerce frauds with the creation of internet we have become technologically dependent persons. In other wordswe can say that our life has become fully or semi-automated. Online shopping is also not free from such problems. Now we can send money to different people anywhere in the world for any products. Items from pen to cars can be purchased and sold online. Since it being so simple to operate it is being used by lot of people. This is one the drawback of e-commerce has this it can negatively affect the purchase behaviour of a person. There are various kinds frauds associated with online shopping.One type of online fraud is overcharging. Some companies charge extra amount in the name of delivery charges and other associated charges. In some cases others just steal multiple amounts without your consent. This can be eliminated by purchasing from very well reputed online companies as they provide better security services for the people.

Duplication of websites is also a problem in the current scenario. Some people get fooled by certain website which looks similar with the original websites. There are many instances where people have loss money. This kind of fraud is called phishing. In some cases the information you put in the websites are not secure. It is extremely dangerous since the information of our credit cards and debit cards can be taken up by others. These websites has the opportunity to procure this information and those making financial trouble for the customer. Apart from that low quality or duplicate products are also a big issue in the present scenario. Many people have complained about receiving substandard products in place of original one. The product will be in a discounted rate but have serious problem with the quality. The differences in quality can be easily recognised when compared with the original product. This is a serious waste of time and money of the customer. One final thing about e-commerce is regarding its refund and return policy. They may provide refund and return but on give that option after the purchase. While purchasing if we find any problem like lack of quality of the product or a damaged one, it will make it difficult for the people to return the product or get the refund. You have to be cautious about purchasing online as the fake product won’t give any guarantee regarding its functioning. And this can result in loss of money.

Future of E-commerce

E-commerce is definitely one of the business options that one will have to explore in the future. E commerce is said to bring about paradigm shift in the world of trading. Current predictions indicate a growth in the e commerce business in India. Mobile phones have become much cheaper and affordable along with internet which makes more people depend on e commerce services. It is backed by increase online purchase and monetary transactions becoming common among people. Considering India’s demographic dividend and rising internet accessibility, the sector is slated to scale higher heights. Although India’s overall retail opportunity substantial, the sector is beset with some serious challenges.

Future of E commerce is bright and fascinating globally as well as in Asia. Same case is there in India, were total B2C sales are 25.61 Billion dollars in 2016 and projected to reach 68.47 Billion dollar by 2019. India has 12.7 Million digital buyers in 2016 and will reach 239.7 Million by 2019.

Conclusion

Increasing use of internet and mobile phones, growing use of online payment and other favourable things regarding e-commerce in India has provided opportunity to fundamentally alter the way companies connect with their customers. Due to this digital revolution, the e-commerce sector in India has become more than 4 times its size, from $3.8 billion in 2009 to $18 billion in 2016, growing at a CAGR of more than 30%. The sector is expected to cross the $100 billion mark within the next five years, contributing over 4% to India’s GDP. The main opportunities for e-commerce in India are online travel, one of the key drivers of India’s e-commerce market, accounts for nearly 71% of ecommerce business in India. Though the online retail market in India, currently at $1.6 billion, is a miniscule fraction of India’s overall $500 billion retail industry; retail e-commerce has recorded a three-fold growth since 2011, predominantly driven by million dollar investments by domestic and foreign investors. Along with these opportunities the most important challenges for ecommerce to overcome are in Financing, Infrastructure, Logistics and focus on building Customer Loyalty to usher in the next wave of sustainable growth in ecommerce. Dedicated e-commerce laws are required to address issues in the sector’s legal and regulatory framework and Banks must play a leading role as ‘Facilitators’ by offering cost effective cash management solutions, secure payment gateways and other relevant banking services.

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