



GROWTH OF E-COMMERCE IN INDIA, ISSUES AND FUTURE IMPLICATIONS

Dr. Ramroop K. Sharma¹

¹Assistant Professor (CES), Dept. of Accounting and Financial Management, The Maharaja Sayajirao University of Baroda, Vadodara, Gujarat, India.

ABSTRACT

E-Commerce has become a powerful tool of doing business. E-Commerce is useful in different daily activities. It has witnessed stupendous growth based on growing consumer potential in the Indian market. Now, the E-Commerce firms have experienced the initial phase and they are moving to a more structured and matured phase. It is evident that more and more Indians have started doing E-Commerce transactions. This paper makes an attempt to provide a holistic outlook of growth of E-Commerce in India, issues and future implications. It is a descriptive research. Secondary data are used from various sources. The findings suggest that there is growth of in E-Commerce in India and such growth is expected to continue in near future. Simultaneously there are issues including the issue of payment frauds which is on the rise. There is need for strict and focused steps to support E-Commerce such as enactment of E-Commerce law. Also, there is need for transparency at all levels in organisations to reduce incidents of frauds to propel E-Commerce.

KEYWORDS: Growth of E-Commerce, Payment Frauds, E-Commerce Law, Transparency

1. INTRODUCTION

E-Commerce refers to buying or selling of goods or services through internet. According to Ray (2014), the adoption of E-Commerce is based on technological developments. Moreover, the use of network by one makes ripple effect on others and they initiate use of technology consequently it leads to growth of E-Commerce. It is experienced now in case of smart phones and earlier it was the case with internet.

1.1 Categories of E-Commerce: E-Commerce is classified into B2B (Business to Business), B2C (Business to Consumer), C2C (Consumer to Consumer) and C2B (Consumer to Business) categories or business models.

1.1.1 Business-to-Business (B2B): According to Ray (2011), B2B refers to E-Commerce

transactions which take place between two business organisations. For e.g., between industrial manufacturers, partners and retailers or companies. It consists of purchasing and procurement, supplier management, inventory management, channel management, sales activities, payment management, service and support, among other activities. Some important B2B exchanges in India are tradeindia.com, matexnet.com, Alibaba.com, AuctionIndia.com, Indiamart.com, TeaAuction.com, MetalJunction.com, Chemdex (www.chemdex.com), Fastparts (www.fastparts.com), and FreeMarkets (www.freemarkets.com).

1.1.2 Business-to-Consumer (B2C): B2C transactions take place directly between business and consumers. Trading exchanges for the same are

Amazon.com, Yahoo.com and Schwab.com. In India, online services like ticketing, banking, tax payment, bill payment, hotel room booking, entertainment, online games, matrimonial sites, job sites are showing signs of development in B2C transactions. Though, the total value of the B2B transactions is much higher than B2C transactions.

1.1.3 Consumer-to-Consumer (C2C): C2C involve transactions between and among consumers. C2C transactions do not amount to high portion of E-Commerce. C2C is done through auction sites. If one has to sell something, then it is to be listed at an auction site and others can bid for the same. C2C transactions may or may not include third party. For e.g., classified (www.numberoneclassifieds.com), games (www.heat.net), jobs (www.monster.com), web-based communication (www.icq.com), and personal services (webpersonals.com).

1.1.4 Consumer-to-Business (C2B): According to Desai (2013), this is a comparatively new model of E-Commerce. It is a reverse of traditional E-Commerce models. In this model, consumers provide goods or services to businesses. C2B transactions are in case of internet forums where consumers provide product development services or consultancy to businesses.

2. OBJECTIVES OF THE STUDY

- To study growth of E-Commerce in India.
- To understand future implications of E-Commerce.
- To point out emerging issues in E-Commerce.

3. RESEARCH METHODOLOGY

Study is descriptive in nature. Secondary data downloaded through internet are used from various sources mainly from the World Bank Report, selected surveys and other literature to achieve objectives of the study.

4. LITERATURE REVIEW

According to Debbarma and Nandi (2014), Indian E-Commerce and online shopping together plays a significant role in growth of the economy due to the fast developing information technology. However, along with developments in E-Commerce, there are also security and privacy concerns for the consumers. Low credit card penetration and low trust in online transactions have

resulted into cash on delivery as the preferred mode of payment. But for E-Commerce firms, unlike electronic payments, manual cash collection is laborious, risky and expensive. According to NASSCOM, approximately 50% of the online population in emerging markets will trade online by the year 2018 which will be close to the average penetration of 63% in developed countries. Saxena (2015-16) points out that E-Commerce plays an important economic role in the country. It provides opportunities to small and medium firms to grow their businesses. Zubair et al. have opined that the India's planned drastic improvement in internet connectivity; the availability of smart phones and tablets at affordable price is going to enhance India's internet penetration rapidly in the coming years.

5. ANALYSIS AND FINDINGS

5.1 Growth of E-Commerce in India:-

According to Grant Thornton India and ASSOCHAM (2015), between the year 2009 and 2013, Compounded Annual Growth Rate (CAGR) in E-Commerce was 32%. In India, CAGR is expected grow at 63% in the year 2016. The reasons include penetration of mobile, internet and increased consumer demand. However, comparatively, India is almost a decade behind China in terms of market size of E-Commerce. China's market size was similar to India's in the year 2005. Online shoppers in India are expected to increase from 20 million in the year 2013 to 40 million in 2016. Extra 200 million people will have access to the internet in the next three years, mainly through smart phones.

During the years 2015-2020, India's E-Commerce market is estimated to grow at a CAGR of higher than 36%. E-services segment which includes online travel, online payments and online classifieds is expected to continue its domination till the year 2020. However, the Electronic retailing (E-tailing) segment which includes electronics, apparels, accessories, health and personal care is expected to grow higher than E-services segment over a period of next five years. During the years 2015-2020, the western region is expected to have the largest share of E-Commerce in the country. In India, the major E-tailing players are Flipkart, Snapdeal and Amazon.

Figure 1 Utility of the Digital Technology to Businesses, People and Governments



Source: World Development Report, Digital Dividends, 2016, p. 12, retrieved from <https://issuu.com/world.bank.publications/docs/9781464806711>

Digital Technology (DT) is useful to all section of the society. There are different utilities of DT to Businesses, People and Governments (Figure 1).

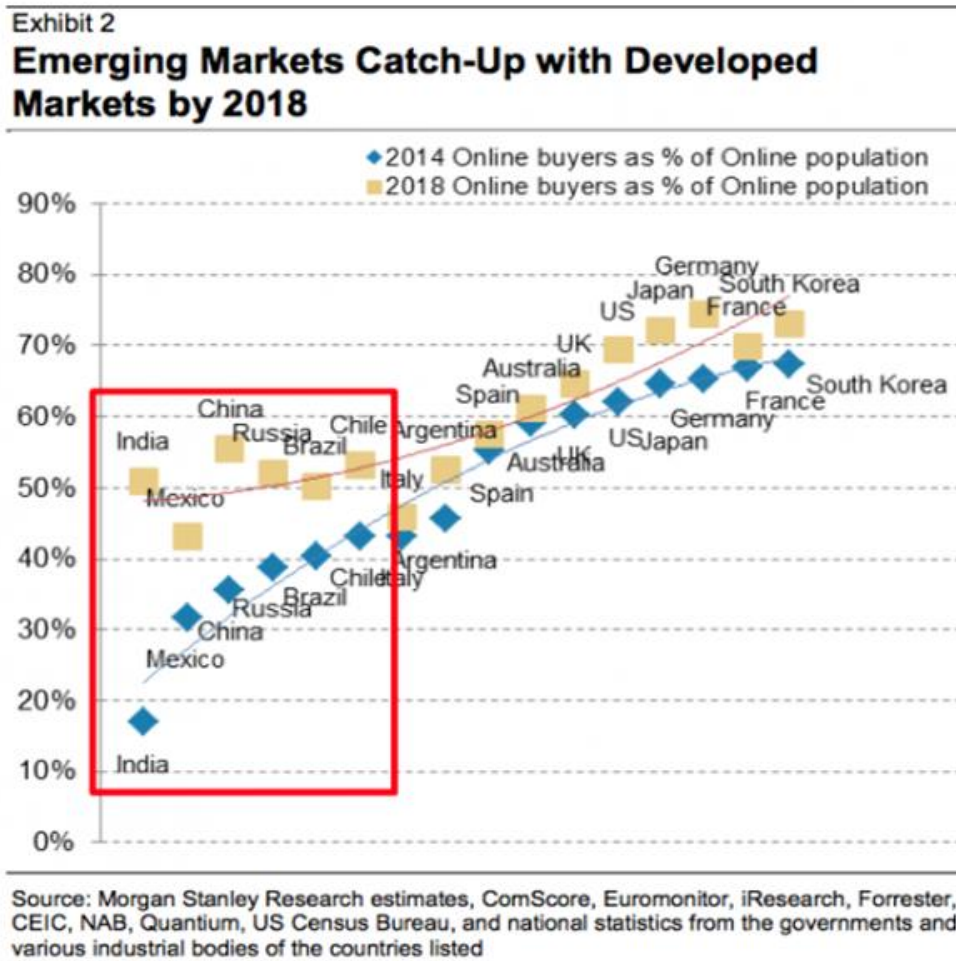
Figure 2 Areas of E-Commerce



Source: Internet and Mobile Association of India - Digital Commerce, March 2011 cited in Desai, Nishith, (2013). E-Commerce in India-Legal, Tax and Regulatory Analysis, p. 4, retrieved from www.nishithdesai.com

Online travel dominates the Indian E-Commerce and accounts for approximately 76% of the E-Commerce transactions. On the other hand, E-tailing accounts for only 8%. Other areas share even little in E-Commerce as mentioned in Figure 2.

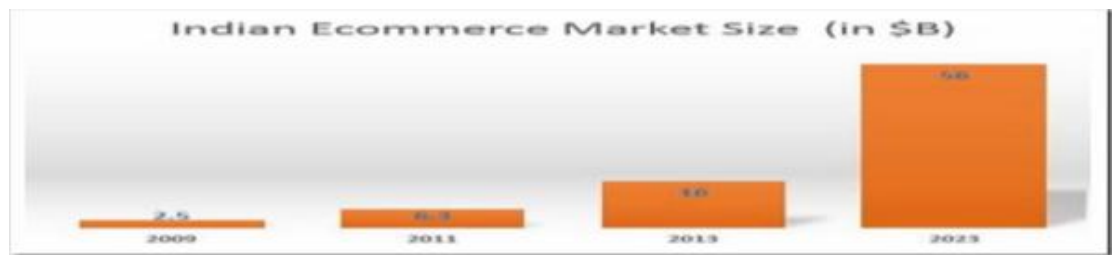
Figure 3 Growth of E-Commerce in India



Source: Tiernan Ray, Tech Trader Daily, cited in ROXANNE BAUER, Media (R) evolutions: E-Commerce Will Rise in Emerging Markets, 11/05/2014, retrieved from <http://blogs.worldbank.org/publicsphere/dev4peace/education/media-revolutions-e-commerce-will-rise-emerging-markets>

In the year 2014, in India, online buyers as a percentage of on line population is approximately 15% to 19%, which increases to almost 50% in the span of four years i.e., from the year 2014 to 2018 (Figure 3) and India will start competing with developed markets or countries around the year 2020. It shows huge potential for growth of E-Commerce in India.

Figure 4 Growth of E-Commerce Market in India



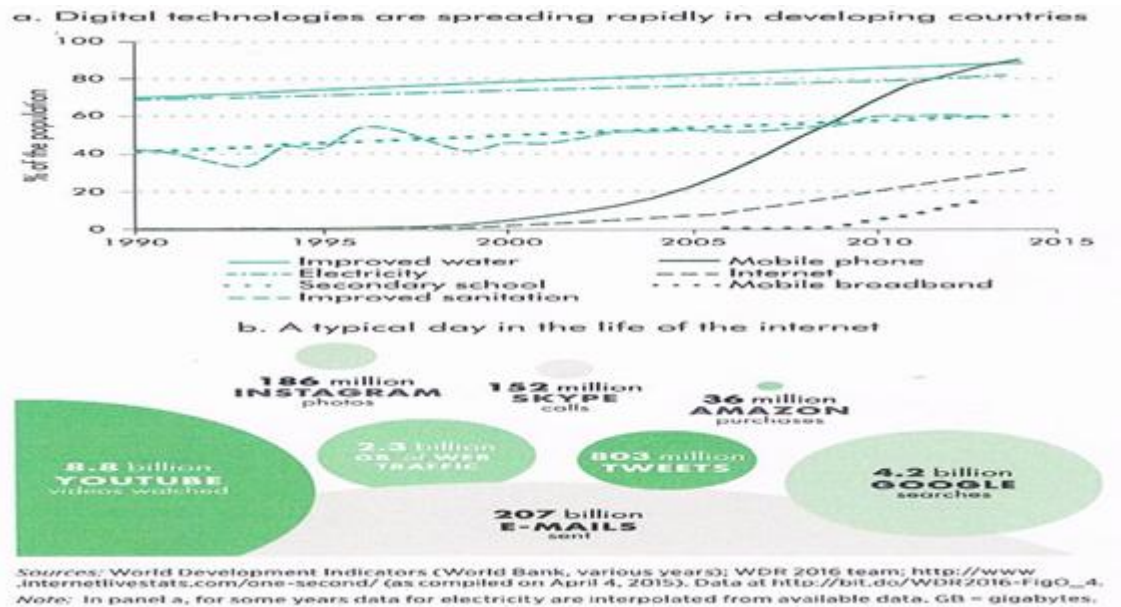
Source: Sonnet Debbarma, Gypsy Nandi, (2014). Promoting E-Commerce in India: Main Issues and Challenges, International Journal of Computer Science and

Information Technologies, Vol. 5 (6), pp. 7372-7375.

India is showing rapidly increasing trend in growth of E-Commerce (figure 4).

5.2 Future Implications:-

Figure 5 Digital Transformations Leading to Growth of Internet in Developing Countries

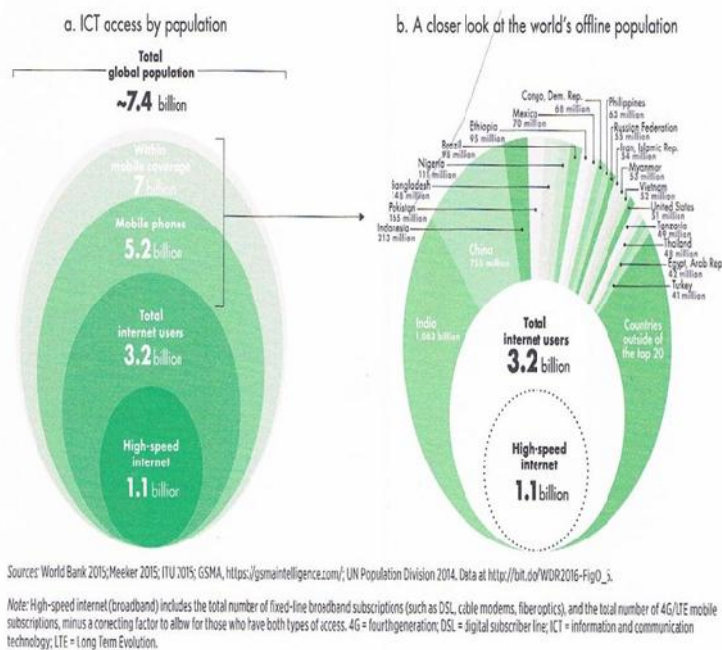


Source: World Development Report, Digital Dividends, 2016, p. 6, <https://issuu.com/world.bank.publications/docs/9781464806711>

According to World Development Report, on an average, 8 in 10 individuals in the developing countries own a mobile phone and the number is increasing. Even among the bottom of the population, about 70% own mobile. But use of internet is not so high. Only 31%

population in developing countries had access to internet in the year 2014 while in high-income countries it is 80%. China has the largest number of internet users, followed by the United States, with India, Japan, and Brazil are the top five countries. More and more use of internet augurs possibility of growth of E-Commerce. There is increased use of mobile phone and internet since the year 2000 and broadband since the year 2006 (Figure 5).

Figure 6 Internet Population - Online and Offline



Source: World Development Report, Digital Dividends, 2016, p. 8, <https://issuu.com/world.bank.publications/docs/9781464806711>

Presently, internet remains unavailable, inaccessible, and unaffordable to a majority of the world's population. India and China contribute significantly in world's offline population. So in future, as soon as offline population starts converting to online population, there will be scope for increase in E-Commerce in India.

5.3 Issues in E-Commerce:-

5.3.1 Taxation

Implications of Value Added Tax can be different in different states. Once, Goods and Services Tax (GST) law is enforced and GST covers E-Commerce firms, discounts to customers may be adversely affected.

5.3.2 Multiple Laws

E-Commerce firms have to comply with many laws. There is no separate E-Commerce law. E-Commerce business may be sole proprietorship, partnership, limited

liability partnerships or a company, public or private. Since form and structure of E-Commerce organisations differ, laws applicable to such organisations will also differ, albeit to some extent.

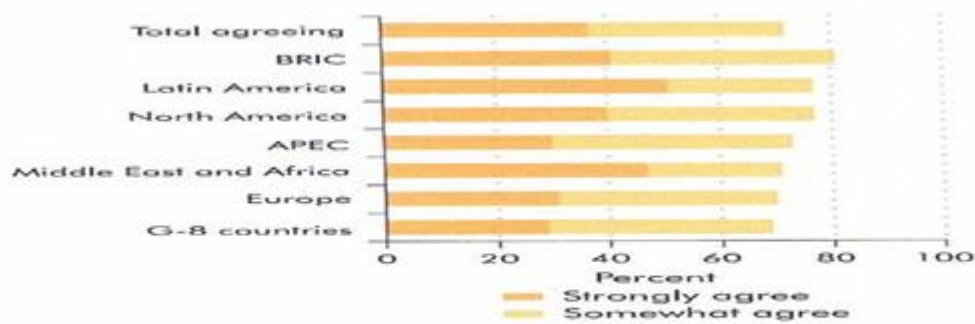
5.3.3 Role of Government

Recently government has introduced new guidelines for online market places prohibiting online retailers to offer discounts directly to customers. This may slow down momentum of growth of E-Commerce.

5.3.4 Payment Frauds in India

About 25% of the 17,867 complaints that India's banking ombudsmen received in the year 2012-13 were related to credit card transactions. However, about Rs. 13 crore worth of card fraud was netted in the year 2011. The most common types of frauds reported in India were skimming (stealing card information through camera at ATM) and online fraud.

Figure 7 Online Data and Personal Information should be Physically Stored on a Secure Server in their Own Country



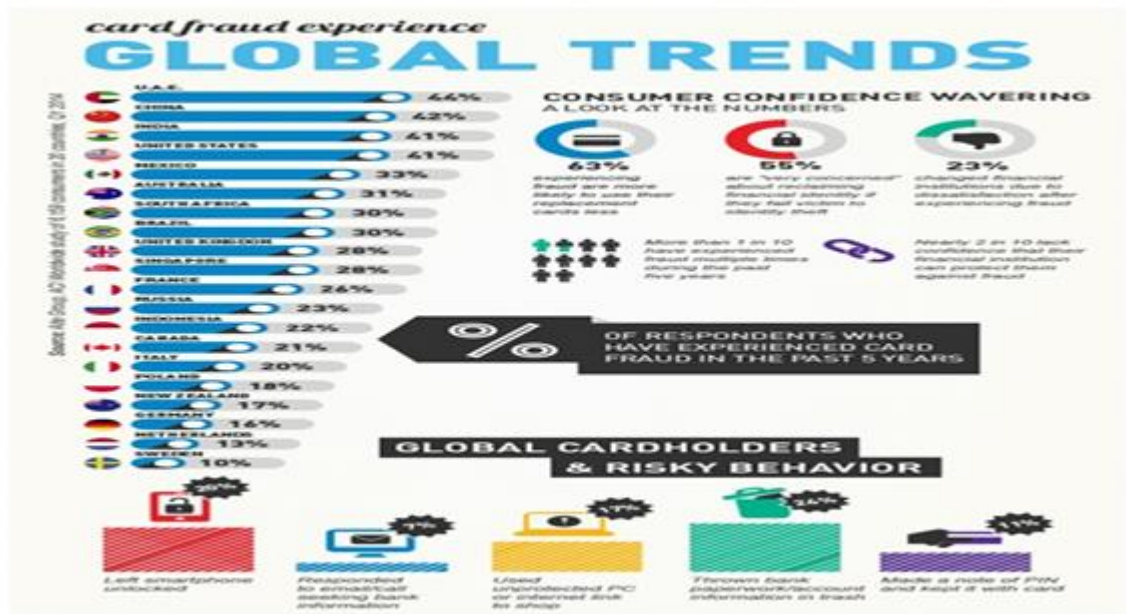
Source: CIGI and Ipsos 2014. Data at http://bit.do/WDR2016-Fig6_4.
 Note: APEC = Asia-Pacific Economic Cooperation; BRIC = Brazil, Russia, India, China; G-8 = Canada, France, Germany, Italy, Japan, the Russian Federation, the United Kingdom, and the United States.

Source: World Development Report, Digital Dividends, 2016, p. 300, <https://issuu.com/world.bank.publications/docs/9781464806711>

In Brazil, Russia, India and China countries, 40% respondents strongly agree that their online data and personal information should be physically stored on a

secure server in their own country, and another 40% somewhat agree as depicted in figure 7. So, a super majority (80%) have agreed for online data security implies that they are scared of data theft and have security concerns.

Figure 8 Credit Card Frauds in India and Global Trends



Source: ACI Universal Payments, 2014 Fraud Survey

Aite Group has published a research report based on Global Consumer Fraud Survey, 2014 which is done in 20 countries questioning the confidence that consumers have in their financial institutions and payment accounts. The report focuses on global and regional card fraud trends, consumer behaviors and attitudes toward fraud, and consumer trust. According to the report, 41% Indians have experienced card frauds in past 5 years. Such card frauds were highest in UAE (44%), followed by China (42%), India (41%), US (41%) and Mexico (33%) are the top 5 countries in terms of experiencing card frauds (Figure 8).

6. REGULATORY FRAMEWORKS TO PREVENT AND INVESTIGATE FRAUDS

Reserve Bank of India advises banks on prevention and detection of fraud. Further, as per Securities and Exchange Board of India (SEBI) Act, 1992, the main objective of SEBI is to protect the interests of investors in the stock market. The Companies Act, 2013 also empowers the Serious Fraud Investigation Office to probe companies which are suspected of fraud. Apart from this, the Act recommends establishing vigil mechanism for directors and employees. Also, the auditors can act as a whistleblower and report fraud to the central government, audit committee or the board, depending on the quantum of fraud. However, the primary responsibility for prevention and detection of fraud is on the company’s Board of Directors and management. Rotation of auditors or audit firms may also be useful in this context. Generally,

Audit Committee takes care of risk management parameters. Moreover, class action law suits, regulation and code for Independent Directors are the measures to protect interests of owners in case of companies. Central Bureau of Investigation investigates economic crimes. Prevention and investigation of frauds mainly includes controls, risk management and investigation. Controls can be preventive or detective. Preventive control includes initiating measures before fraud occurs while detective control includes taking measures after fraud has taken place. Risk management practices facilitate assessment of degree of risk involved and investigation includes transaction analysis or use of forensic accounting as a tool to detect fraud.

CONCLUSION

The findings suggest that is rapid growth of E-Commerce in India; simultaneously the possibilities of such growth in future are abundant. Among the issues, the issue of payment frauds is on the rise. Taxation laws and role of government are two crucial aspects which will have future implications of growth of E-Commerce. According to Ray (2011), enactment of a single E-Commerce law will facilitate domestic and international trade expansion, privacy of basic rights, intellectual property and prevention of fraud and consumer protection. Therefore, need for separate single E-Commerce law and transparency in all conducts of E-Commerce is the need of the hour.

REFERENCES

1. ACI Universal Payments. (2014), "Fraud Survey".
2. Bhatti, Zubair K., Jody Zall Kusek, and Tony Verheijen, "Looged on Smart Government Solutions from South Asia," World Bank Group, p. 18, retrieved from <https://ideas.repec.org/b/wbk/wbpubs/20487.html>
3. "Cross-border E-Commerce Report - India," retrieved from <http://www.thepaypers.com/online-fraud-prevention/india/20>
4. Dama, Upendra, "Payment Fraud on the Rise in India with E-Commerce Growth," Times of India, <https://storify.com/vletuknow/payment-fraud-on-the-rise-in-india-with-e-commerce>
5. Debbarma, Sonnet, Gypsy Nandi. (2014), "Promoting E-Commerce in India: Main Issues and Challenges," International Journal of Computer Science and Information Technologies, Vol. 5 (6), pp. 7372-7375.
6. Desai, Nishith, Associates. (2013), "E-Commerce in India Legal, Tax and Regulatory Analysis," pp. 2-3, http://www.nishithdesai.com/fileadmin/user_upload/pdfs/Research%20Papers/E-Commerce_in_India.pdf
7. Grant Thornton India and ASSOCHAM. (2015), "Law & Technology: Evolving Challenges as a Result of Fraud in E-Commerce Sector," pp. 1-21, retrieved from http://gtw3.grantthornton.in/assets/ASSOCHAM_E-commerce_in_India.pdf
8. "India E-Commerce Market Forecast and Opportunities," (2020), <http://www.researchandmarkets.com/reports/3421634/india-e-commerce-market-forecast-and#rela0>
9. "Internet and Mobile Association of India - Digital Commerce," (March 2011), cited in Desai, Nishith. (2013), "E-Commerce in India-Legal, Tax and Regulatory Analysis," p. 4, retrieved from www.nishithdesai.com
10. NASSCOM, retrieved from <http://www.nasscom.in/ecommerce>
11. PricewaterhouseCoopers Pvt. Ltd. India, ASSOCHAM. (June 2015), "Current Fraud Trends in the Financial Sector," pp. 13-14, <https://www.pwc.in/assets/pdfs/publications/2015/current-fraud-trends-in-the-financial-sector.pdf>
12. PricewaterhouseCoopers Pvt. Ltd. India, ASSOCHAM. op. cit., p. 20.
13. Ray, Sarbapriya. (2011), "Emerging Trend of E-Commerce in India: Some Crucial Issues, Prospects and Challenges," Computer Engineering and Intelligent Systems, Vol. 2, No. 5, pp. 19-35. <http://iiste.org/Journals/index.php/CEIS/article/viewFile/503/388>
14. Ray, Tiernan, Tech Trader Daily cited in Roxanne Bauer, "Media (R) evolutions: E-Commerce will Rise in Emerging Markets," 11/05/2014, retrieved from <http://blogs.worldbank.org/publicsphere/dev4peace/education/media-revolutions-e-commerce-will-rise-emerging-markets>
15. Saxena, Pallavi. (2015-16), "E-Commerce and Its Impact on Indian Society," International Journal of Management and Commerce Innovations, Vol. 3, Issue 2, Month: October - March, p. 522, retrieved from <file:///C:/Users/RAM/Downloads/E-Commerce-2747.pdf>
16. Times of India. (June 16, 2016), "Tax at Source Clause Worries E-tailers."
17. World Development Report, Digital Dividends. (2016), pp. 1-330, retrieved from <https://issuu.com/world.bank.publications/docs/9781464806711>
18. 4th International Conference on Governance Systems (ICGS-2016) "Governance in E-Commerce: Contemporary Issues & Challenges" 2-3rd September, 2016, Gujarat Technological University, Ahmedabad.