



CHALLENGES OF E-COMMERCE (B2C) IN INDIA : A REVIEW

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Abstract

This article surveys the challenges of conducting business to consumer (B2C) e-commerce in developing countries. Low credit card penetration and poor delivery systems are widely viewed as serious problems for B2C e-commerce in developing countries. An analysis of payment and delivery methods in developing country like India provided by B2C sites is seen by **reviewing the literature** available. The results of an examination of e-commerce sites show that sites from all areas used a variety of payment and delivery methods, many of which are not highly used in developed economy like USA. The review also shows that how e-commerce sites have chosen to deal with low credit card penetration and poor delivery systems. The implications for practice and future research are discussed.

Key Words: B2C, E-Commerce, Developing Countries.

Introduction

Most e-commerce transactions occur between customers and sellers in the advanced economies of North America and Western Europe. Majority of the world's population, however, exists outside the borders of these countries. Currently, e-commerce revenue in developing countries is miniscule in comparison to that found in the advanced economies.

The state of e-commerce in developing countries is similar to what it was in the United States in the mid-90. Predictions are variable, but they tend to point to significant growth of Internet access among businesses and among consumers in many developing countries within the next five to ten years. The fact that those connected to the Internet also tend to be among the more affluent in these societies makes this group very attractive to firms that sell over the Internet.

The purpose of this paper is to **review**

1. The basic features of the economies and business practices found in developing countries that affect the development of business-to consumer (B2C) e-commerce.
2. To assess some aspects of how B2C e-commerce sites have adapted to regional conditions in these economies in their attempts to successfully sell to consumers over the Internet. Although the focus of this study is on business to-consumer e-commerce, this is not meant to imply any lack of importance of business-to business (B2B) e-commerce.

The challenges for e-commerce efforts in developing countries are the lack of,

1. Telecommunications infrastructure,
2. Qualified staff to develop and support e-commerce sites
3. Skills among consumers needed in order to use the Internet,
4. Timely and reliable systems for the delivery of physical goods.
5. Low bank account and credit card penetration.
6. Consumers low income.
7. Low computer and Internet penetration

1. Lack of Telecommunications Infrastructure encompasses poor backbone Internet connectivity, lack of fixed telephone lines for end user dial-up access, and the underdeveloped state of the Internet Service Providers. In almost all developing countries, the availability of high-speed Internet access for non-business users ranges from non-existent to negligible in major towns and cities. Even computers that use fixed line dial-up connections often achieve low connection speeds and are unreliable due to the low quality of the fixed line infrastructure. Although the literature says very little about how e-commerce sites in developing countries have dealt with this, it suggests that the developers of B2C e-commerce sites need to design the sites' web pages so they can operate in the low bandwidth environment used by a majority of their potential customers.

2. The low average income of the population in developing countries is an obvious problem for the development of B2C e-commerce in addition to decreasing the degree of Internet penetration in the country. The low income affects the amount that people have to spend on purchases over the web. Cultural barriers also may exist in some countries to the acceptance of e-commerce as a way of doing business. In India for instance, shopping is a social activity, and personal, face-to-face contacts with sellers is an important part of the shopping experience. Distrust of what businesses do with personal and credit card information is an e-commerce issue in any country, but, in countries where there may be good justification for such distrust, it could become a serious obstacle to e-commerce growth.



3. Lack of developed legal and regulatory systems that provide for well-established “rules of the game” also would be expected to inhibit the development of e-commerce in developing countries.

4. How B2C ecommerce sites have coped with the problems?

The main issues are of poor delivery systems and lack of credit card penetration. These two problems were chosen as the focus of a detailed examination for a number of reasons since the two are most widely cited problems of engaging in B2C e-commerce in developing countries.

Additionally, these two issues require some sort of solution in order for an e-commerce site to exist; a site must provide at least one way for customers to pay and at least one way to get the order to the customer. The western model of B2C exemplified by Amazon.com has customers pay online with a credit card, and select from among a few delivery options such as Priority Mail, Next Day or Second Day courier. This model is unlikely to be followed by a B2C site when one or both of the necessary conditions for its application are not met.

India is perhaps has less favourable position for the growth of e-commerce among the growing economies of the world. It may have become easier for Indian businesses to start a business, but their access to credit and ease of paying taxes has worsened.

The World Bank’s Doing Business Report 2016 shows that India now ranks 130 out of 189 countries in the ease of doing business, moving up four places from last year’s adjusted ranking of 134.

5. Indian Scenario

As of **2016 May** the country was home to **3,424,971,237** Internet users, which is about **46.1** percent of the population. India perhaps, has the lowest fixed telephone line density (5.6/100). At less than 0.5 computers per 100 people, it also has lowest per capita computer ownership. One area that provides a favourable environment for e-commerce in India is its strong software development industry. Although the growth of this industry has been focused on exporting services, India has developed an educational system that produces a large pool of highly trained software development professionals that can be used for the development of software for use within the country. **The last decade** has seen the rise of the offshore software development industry with annual revenues of approximately **USD 20570 million in April of 2016**,

Indian e-commerce sites used courier services almost exclusively for making deliveries. Nine sites used a courier service, with only two sites providing another option. Eight Indian web sites used the COD payment option. Although this is the same number found in Russian sites, it represents greater use of COD since five of the Russian sites provided the COD payment option only to customers receiving shipments from their private delivery service. All but three Indian sites allowed for payment via credit/ Debit card. The e-money systems found in India were ones that transferred funds from the customer’s account to the vendor online. There was a significant use of checks and demand drafts in India. This option was used by 9 of the Indian sites. Few Indian sites in the sample provided the bank/wire transfer option.

6. Comparison of Indian e commerce sites to USA sites. To allow for this assessment, from 10 B2C sites from the USA (as an example of a country with well developed B2C e-commerce). The mean number of delivery and payment options provided by USA sites was 1.4 and 1.9, respectively. All sites provided 2–3 courier options, and 4 delivered via standard or priority mail. All sites allowed for credit card payments. Besides credit cards, other payment options were online transfers from checking accounts (3 sites), financing (3 sites), gift certificates (2 sites), and check/money order (1 site). The USA means differed from those in India. Results suggest the existence of at least one significant difference in delivery methods ($p < 0.01$) and payment methods ($p < 0.01$) when comparing sites India. No sites in the USA provided their own delivery service, while this approach was fairly common for sites from India. Some payment methods were found in developing countries that were either not used, or infrequently used by USA sites e.g. COD, cheque /draft, and bank transfers are examples.

7. Conclusion

This **review** has practical implications and raises questions for further study. The results provide a preliminary gauge on the extent to which the B2C practices in developing countries differ from those in developed countries.

It is observed that besides lack of credit card penetration, there are probably other factors that account for the use of multiple methods. Perhaps lack of trust is more pronounced in developing countries. Regional preferences and customs may call for providing preferred payment alternatives such as bank transfer, or draft. It also may be the case that cultural preferences exist for paying in cash after receiving or inspecting the shipment.

One possible interpretation related to delivery systems is that the state of these systems in India is not as bad as the literature suggests. If most sites in a region can reliably make deliveries within some reasonable time frame, this would suggest the



existence of an acceptable delivery system. It may not be the next or 2nd day service enjoyed in the USA, but it probably would not be unreasonable for a large number of consumers.

One difference between these sites and e-commerce sites in the United States is the low reliance on the country's mail system. Reliable delivery is achieved in most cases through the use of courier systems. Many sites in the USA also provide the option to send shipments via US Mail. Low reliance on mail delivery systems in developing countries probably follows from widespread beliefs regarding the low quality of these mail systems. An issue apart from the availability of reliable courier services is their affordability. The development of proprietary delivery services is likely motivated by the desire to provide high quality service for **free** or at a low price to customers.

It is important for a business that becomes involved in B2C e-marketing in a region to be aware of what competitors are doing. Failing to provide options comparable to those of competitors may put a site at a relative disadvantage. Presumably these options are provided because they are valued by some segment of potential customers.

It is suggested that it could be useful to look at what B2C sites are doing outside of the home market. It may be the case that suitable methods may be in use in other countries that could be adapted for use locally. If so, there could be an advantage of being the first to offer a new payment or delivery option within a region. One possibility comes to mind. Private delivery services could be a good match for India. Private delivery services actually serve a dual purpose. Beyond providing an affordable, fast, reliable delivery method, they provide a human face to the e-commerce site. They provide customers with a personal touch and thus confidence.

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