

## E-COMMERCE IN INDIA

Exchange of goods and services between individuals and groups has been in existence since time immemorial. A wide range of methods, devices, techniques and tools developed by technocrats and traders have made the process more dynamic. E-Commerce, the latest addition to this area, denotes the exchange of goods and services with the help of electronic devices and internet. It covers any business deal that generates commerce and leads to payment on the net.

E-Commerce, in such a context, can be referred to as 'any process of delivery of information, products or services and payments by telephone lines, computer networks or other similar means'. The internet's two way flow of information – from, as well as to, the customers – facilitates business houses with a powerful means to expand the richness of their offerings. Electronic commerce addresses the needs of organizations, merchants and customers to cut costs while improving the quality of products and enhancing the speed of delivery. It also covers the use of computer networks to search and retrieve information in support of human and corporate decision-making.

Usually e-commerce and i-commerce are referred to interchangeably. However, distinction of these two terms can be made that i-commerce is a subset of electronic commerce. E-commerce is business conducted exclusively through the electronic format whereas i-commerce is business conducted

through electronic format on internet. There are three parties involved in e-commerce – Business (B), Consumer (C) and the Government (G). This leads to five major models in e-commerce deals – Business-to-Business (B2B); Business-to-Consumer (B2C); Consumer-to-Consumer (C2C); Business-to-Government (B2G); and Consumer-to-Government (C2G).

With the advent of IT revolution and adoption of globalization, liberalization and privatization policies, e-commerce has been gaining popularity in India on a wide scale. In fact, the growth and development of e-commerce in India is directly related to the worldwide momentum already attained by this form of business deals. E-commerce has broken down the geographical barriers and brought together customers across the globe. Industrial units and business houses in India are in the process of transition to electronic commerce. The noteworthy feature is that there has been a considerable change in the rule of doing business in accordance with the changed scenario of business dealings. Internet facilities established a link between information technology and business and the wide popularity already attained by the internet contributed a lot towards the growth of e-commerce.

### **Specific Functions of E-commerce**

- Communication function aiming at providing information to facilitate the business transaction. (e.g. e-mail)
- Process management function covering the automation and improvisation of business processes. (e.g. networking of computers)
- Service management function for improving the quality of service with the application of technology. (e.g. tracking shipments and scheduling pick up)
- Transaction capabilities function expediting buying and selling. (e.g. various online services)

### **E-Commerce in Indian Scenario**

As indicated earlier, in recent days, e-commerce has gained a vital positioning in the economic scenario of India. Most of the companies, which were till recently shying away from global competition, have started gearing up to cope with globalization and liberalization policies. It is quite obvious in

the Indian situation that e-commerce has been accelerating new dimension to exchange of products by opening enormous opportunities to the corporate sector. It offers new places of marketing, new medium of communication, new forms of information and new means of distribution. The reason for the wide popularity of e-commerce in India is mainly attributed to the internet connections available at present even in the remote areas.

On Independence Day of 1995, there were about 2000 internet connections and 10,000 users in India. This has been increased to 60 lakh of internet connections and 16 million of net users in the beginning of 2003. Till recently, there were only a few websites for Indian business houses and this has enormously increased at present. There is at least one major site announcement per day and the nature and appearance of sites also have changed drastically.

E-commerce revenues in India rose dramatically over the last three years. During 2003-'04, e-commerce is expected to generate 30 million dollars with an approximate user base of 1 million. In India, the major share of e-commerce revenue is being generated from B2C market than from B2B. It is estimated that there would be considerable increase both in B2B and B2C transactions with the infrastructure development of telecommunication by 2005.

E-commerce as a tool helps the business houses to enhance the access to the consumers, irrespective of their places of residence throughout the world. In case of traditional commerce, the product needs to be transferred from the place of production to warehouse and is to be processed through various channels of distribution in order to reach the consumer. E-commerce performs the role of minimizing the number of intermediaries in distribution process and thus, shortening the supply-chain process. It helps in enlarging customer service, reaching new market, improving productivity and enhancing product quality. In India, almost all the business houses have the chain of middlemen and inappropriate pricing mechanism. These shortcomings can be circumvented using internet. The model that works in such an Indian context is expected to be peaceful and complementary coexistence of both online and offline deals.

The low cost of PCs, growing installed base for internet use and increasingly competitive Internet Service Providers

(ISP) market would help the acceptance and growth of e-commerce in India. The role of cyber cafes in providing low cost access to the common man requires special mention as well as attention.

### **Legal Framework**

E-commerce has become highly competitive and this has created a wide range of related issues like e-patents, e-advertising, e-marketing, e-banking, e-taxation, e-trademarks, supply chain management and e-litigation. Judicial bodies are now over burdened with prayers to get varied e-squabbles resolved. The modern forms of communication and trading practices have warranted thorough revamping of the old set of rules and regulations. The mounting pressures of the situation have influenced the enactment of legislative measures at the national level:

- to provide legal recognition to electronic documents and define the time and placement of exchange so that they can be admitted as evidence in the Law;
- to define the procedure for affixing digital signature attending electronic documents, provide for non-repudiation of contracts besides ensuring data integrity and confidentiality in storage and transmission of data;
- to define cyber crimes and suggest penalties and punishments; and
- to set up the required mechanism to administer non-delayed justice in cyber related claims.

To pave way for the development of e-commerce and internationally acceptable level of legal uniformity, the United Nations Commission on International Trade Law (UNCITRAL) established by the General Assembly adopted the model law of electronic commerce in 1996. It sought to facilitate the use of electronic data interchange, e-mail, telegram, telex etc. by ensuring standards.

The Information Technology Act passed by the Parliament of India in May 2000, is the second cyber law in the whole of South Asia, after Singapore. India has joined the select band of nations in the world that have legislated cyber laws. The IT Act 2000 promotes legal infrastructure to the cyber world. It facilitates electronic intercourse in trade

and commerce, eliminating barriers that stand in the way of electronic commerce. It specially caters to the uncertainties relating to writing and signature requirements over the net. The Act makes e-mail as a valid and legal form of communication in India, which can be duly produced and applied before the Law. Industrial and business houses are now in a position to carry out electronic commerce using the legal infrastructure provided by the Act. Legal entities can use digital signatures to carryout their transactions online. These digital signatures have been given legal validity and sanction in the Act.

With the growth of internet worldwide cyber laws deals with numerous legal issues. This may vary from Domain names to Intellectual Property Rights; to Electronic Commerce; to Encryption; to Electronic Contracts; to Cyber Crimes; to Online Banking and so on.

The Act also provides for e-governance in India. The Chapter III of the Act deals with filing of any form, application or other document with any office, authority, body or agency owned or controlled by the appropriate Government in the electronic form as may be prescribed by the appropriate Government. Section 5 provides for legal recognition of digital signature states, where any law provides that information or any other document shall be authenticated by affixing the signature or any document shall be signed or bear the signature of any person then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied, if such information or matter is authenticated by means of digital signature affixed in such manner as may be prescribed by the Central Government.

The Information Technology Act has made suitable amendments to the Indian Evidence Act, the Indian Penal Code and the Bankers Books Evidence Act to provide for the use of electronic records as evidence before Court of Law. The RBI Act has also been amended to provide recognition for transfer of funds through electronic means.

### **Problems of E-Commerce in India**

Business houses have been experiencing several hurdles in the process of conducting trade through cyber way. For the growth of e-commerce, the communication infrastructure facilities play a crucial role. It is the base for the interaction

of customers with World Wide Web. These facilities and their awareness among the society are restricted and limited. Most important drawback is that the computer literacy continued to be awfully poor in India. Without an improvement to this sad state of affairs, computer facilities available throughout the county make no sense. The common man's phobia to the computer and internet is something that requires serious attention of planners, policy makers and administrators.

Another major barrier is the apathy of consumers in India towards plastic money available in varied forms like credit cards, debit cards and other similar smart cards. Though there are a large number of card holders, the proportion of active card users is less than 20 percent. This is likely to make plastic money an inappropriate device to provide support to e-commerce over the net especially among the common rural mass. Inadequate facilities for electronic payment make the situation worst.

Yet another obstacle to e-commerce is the security and privacy issues. E-commerce is unwittingly exposing private customer information including name, address, and data related to plastic money. Owing to security concerns of credit and information the consumers are afraid of effecting online purchases.

Absence of cyber laws was another major problem for e-commerce deals in India. The IT Act 2000 was introduced with the intention of eliminating this hindrance. However, consumers are yet to gain confidence that cyber laws are effectively implemented.

Payment and delivery systems are the vital ingredients that determine the ultimate success of e-commerce. Delivery systems in India are mainly handled by courier network. Delayed delivery is one of the major issues confronted by the parties involved in e-commerce. Inadequate bandwidth that limits growth of web and e-commerce is a major issue that requires proper management. Other barriers include inadequate volume, non-availability of skills, high rate of technological obsolescence and increase in infrastructural costs.

## **Conclusion**

The growing importance of e-commerce in the era of globalization and liberalization along with the membership of

WTO has brought about significant changes in the business deals in Indian economy. It has opened new vistas to the entrepreneurs in India and the real success depends upon the efforts and attitude of business units as well as consumers to make use of opportunities by availing the protection and security measures provided in the IT Act. Let us hope that the electronic means of trading activities would pave the way to revolutionize the marketing system ensuring maximum benefits to the entrepreneurs and consumers in the coming days.

**Exercise****Short Answer Questions**

1. What is E-Commerce?
2. Who are the parties involved in E-Commerce?
3. State different types of E-Commerce Models.
4. What are the functions of E-Commerce?
5. Briefly state the legal framework of E-Commerce in India.
6. Specify the problems of E-Commerce in India.

**Easy Questions**

1. Write a note on E-Commerce highlighting its importance in globalisation.
2. Explain the Significance of E-Commerce in Indian Economy.