“EMERGING TREND OF E-COMMERCE IN INTERNATIONAL BUSINESS—PROSPECTS AND CHALLENGES IN INDIA”

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1. Introduction

Electronic commerce or e-commerce promises to be an exciting and innovative change to the way that trade is currently conducted. The methods of doing business are changing rapidly and the amount of business conducted on the internet is growing and will continue to flourish.

The changes to the current trading volume could have a negative effect on some international environmental objectives such as sustainable development. There is also a potential for developing countries to be further exploited by developed countries as e-commerce matures. In addition, there are questions as to whether the internet will increase the "digital divide" between the "have and have-nots."

2. Description of E-Commerce

Electronic commerce can be defined as "any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact." This practice has the potential to revolutionize our economy thanks to the internet. Many companies are taking advantage of this explosive market and have created web sites directed at marketing products via e-commerce to both businesses and consumers. Many consumers prefer shopping electronically rather than shopping at "brick-and-mortar" retailers located in shopping malls. Some B2C companies only exist to consumers on the internet; for example, Amazon.com, a B2C website who sells books, music, hardware, toys and electronics has 17 million accounts as of February 2000 which is up from 6 million just one year earlier.

B2B e-commerce will also undoubtedly affect international trade. It allows companies to select the best suppliers for their needs regardless of their geographical location, and to sell to a global market. Some of the advantages promised to users of B2B e-commerce include:

- Shorter transaction and fulfillment cycles
- Lower procurement administrative costs
- Reduced operating expenses
The single greatest driver for the rapid expansion of B2B e-commerce companies is the cost savings. Researchers believe that as inefficient tasks are improved, the savings may be as high as 65%.

3. International E-Commerce

Most of the increased B2B e-commerce transactions are not expected to be conducted at the international level, at least not in the near future. A 1998 World Trade Organization (WTO) report predicted only $60 million in international trade over the internet by 2001, which would represent 0.02% of total estimated e-commerce. These numbers are far less than the international e-commerce numbers predicted by Merrill Lynch [1 billion by 2003].

3.1 International Issues with E-commerce

The WTO and the EU have embraced the reality of e-commerce and have begun to study both the potential and possible problems that e-commerce may bring. For example, the EU now has an entire website dedicated to e-commerce. The WTOs Committee on Trade and Development recently held a seminar on electronic commerce and development in developing countries. At this seminar, most of the questions were related to B2C e-commerce, the speaker had to remind the developing countries that the future direction of e-commerce would be B2B and not B2C.

Concerns have already been raised about the legal and administrative changes that may be necessary to address new e-commerce and transaction models facilitated by the internet. Issues that are being discussed by both the EU, WTO and private companies include:

- Privacy
- Data protection / Security
- Intellectual property rights
- Applicable Law / Jurisdiction
- Taxes
- Standardization

The WTO has reminded its member countries that products which are bought and paid for over the internet through e-commerce and are physically delivered are subject to existing WTO rules on trade in goods.

4. Growth and Prospects of E-Commerce in India

E-commerce in India is still in budding stage but it offers extensive opportunity in developing countries like India. Highly intended urban areas with very high literacy rates, an enormous rural population with fast increasing literacy rate, a rapidly growing internet user base, technology advancement and adoption and such other factors make India a dream destination for e-commerce players.

5. Advantages of E-Commerce to Businesses in India

There is a rising awareness among the business community in India about the opportunities offered by e-commerce. Ease of Internet access and navigation are the critical factors that will result in rapid adoption of Net commerce. Safe and secure payment modes are
crucial also along with the need to invent and popularize innovations such as Mobile Commerce.

6. Facilitators of e-commerce in India

Information directories

The products and services are listed with appropriate sub-headings to make it easy for a serious information-seeker to find what he wants. Allied services provided by them: Message boards, chat rooms, forums, etc.

B. Banks:

1) Net banking/phone banking This is an online banking facility available for savings account holders as well as current account holders. Some of the special Net banking services are: Demat accounts for sale/purchase of stocks and shares, Foreign Exchange services, Direct/Instant payment of bills on the account-holder’s behalf, Financial Planning & advice, Electronic Funds Transfer, Loans to account-holders.

2) Credit/Debit Cards- Banks facilitate e-commerce by providing the most vital trade instrument, namely the Credit or Debit Card, without which E-commerce would be impossible.

7. Category of e-commerce and its trendy uses in India

Today, E-commerce is an essence in Indian society and it has become an integral part of our daily life. There are websites providing any number of goods and services. There are those, which provide a specific product along with its allied services Multi-product e-commerce. These Indian E-commerce portals provide goods and services in a variety of categories.

i) Online Trading in Stocks & Shares and e-commerce- Online stock trading activity is gaining momentum in India. Services offered by the online stock trading companies include online buying and selling of stocks and shares, market analysis and research, details of companies, comparison of companies, and research on equity and mutual funds, customer services through email and chat.

ii) Real estate and e-commerce- There are a number of real estate portals and sites that provide information to users regarding the property they wish to buy/sell. This information includes properties available for sale/purchase, the cost, location, etc. They provide information on new properties as well as properties for resale.

iii) Travel & tourism and e-commerce- Use of e-commerce in India is increasing in the travel segment. India has a rich history and heritage and e-commerce is instrumental, to a large extent, in selling India as a product, encouraging Indians as well as foreigners to see its multifaceted culture and beauty. Horror, Home & Garden, etc.

vii) Matrimony and e-commerce- Matrimony eCommerce portals provide the seekers appropriate information regarding the prospective matches, region of their residence, their religion, caste, etc. Allied services are
8. Barriers to e-commerce in India

Some of the infrastructural barriers responsible for slow growth of eCommerce in India are as follows. Some of these even present new business opportunities.

i). Payment Collection: When get paid by net banking, one has to end up giving a significant share of revenue (4% or more) even with a business of thin margin. This effectively means one parting away with almost half of profits. Fraudulent charges, chargebacks etc. all become merchant’s responsibility and hence to be accounted for in the business model.

ii). Logistics: Businesses have to deliver the product, safe and secure, in the hands of the right guy in right time frame. Regular post doesn’t offer an acceptable service level; couriers have high charges and limited reach. Initially, one might had to take insurance for high value shipped articles increasing the cost.

iii). Vendor Management: However advanced system may be, vendor will have to come down and deal in an inefficient system for inventory management. This will slow down drastically. Most of them won’t carry any digital data for their products. No nice looking photographs, no digital data sheet, no mechanism to check for daily prices, availability to keep your site updated.

iv). Taxation: Octroi, entry tax, VAT and lots of state specific forms which accompany them. This can be confusing at times with lots of exceptions and special rules.

Cyber crime includes criminal acts such as computer viruses, phishing, and denial of service attacks that cause e-commerce websites to lose revenues. Understanding and defending against cyber crime is critical for companies involved in e-commerce.

9. Conclusion

The bursting of the dotcom bubble has made several companies apprehend that doing business on the Internet is not as easy at it sounds. Undoubtedly, the power of the Internet to reach any part of the world holds terrific potential for enhancing international trade and boosting global economy. However, just as every coin has a flip side; it has been observed that doing business on the Internet also has risks and legal issues associated with it. The rapid pace of e-commerce development has generally left the legal system struggling to keep up and gasping for breath.

In much the same way as companies doing ecommerce must invent new business procedures and rules, the legal system is trying to adapt existing laws to fit new settings where it is simply unclear how these laws will apply. In the midst of this legal turmoil, India is one of the few countries across the globe that has enacted an e-commerce legislation. However, much more is needed to effectively regulate the tangled web.

10. References


