

1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 01 (Class XI, Part- 1)
Module Name/Title	Emerging Modes of Business – Part 2
Module Id	kebs_10502
Pre-requisites	Knowledge about Emerging Modes of Business
Objectives	After going through this lesson, the learners will be able to understand the following: <ul style="list-style-type: none">• Benefits of e-Business• Limitations of e-Business• Online Transactions• Security and Safety of e-Transactions• Resources required for Successful e-Business Implementation
Keywords	Benefits of e-Business, Limitations of e-Business, Online Transactions, Security and safety of e-Transactions

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Introduction

E-business has played a vital role in the era of globalization. Due to e-Business, the whole world is converted into a global village. E-Business provides a number of benefits to both business firm and various parties.

Let's study benefits of e-Business: -

Benefits of e-Business



(i) **Ease of formation and lower investment requirements:** Unlike a host of procedural requirements for setting up an industry, e-business is relatively easy to start. The benefits of internet technology accrue to big or small business alike. In fact, internet is responsible for the popularity of the phrase: '*networked individuals and firms are more efficient than networked individuals.*' This means that even if you do not have much of the investment

(networth) but have contacts (network), you can do a fabulous business.

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(ii) CONVENIENCE

- Internet offers the convenience of '24 hours x 7 days a week x 365 days' a year business. Such flexibility is available even to the organisational personnel whereby they can do work from wherever they are, and whenever they may want to do it. e - business is truly a business as enabled and enhanced by electronics and offers the advantage of accessing anything, anywhere, anytime.

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Yes, e-business is truly a business as enabled and enhanced by electronics and offers the advantage of accessing anything, anywhere, anytime.

(iii) Speed: As already noted, much of the buying or selling involves exchange of information that internet allows at the click of a mouse. This benefit becomes all the more attractive in the case of information-intensive products such as software's, movies, music, e-books and journals that can even be delivered online.

(iii) SPEED

- Cycle time, i.e. the time taken to complete a cycle from the origin of demand to its fulfillment, is substantially reduced due to transformation of the business processes from being sequential to becoming parallel or simultaneous.

Cycle time, i.e., the time taken to complete a cycle from the origin of demand to its fulfilment, is substantially reduced due to transformation of the business processes from being sequential to becoming parallel or simultaneous. You know that in the digital era, money is defined as electronic pulses at the speed of light, thanks to the electronic funds transfer

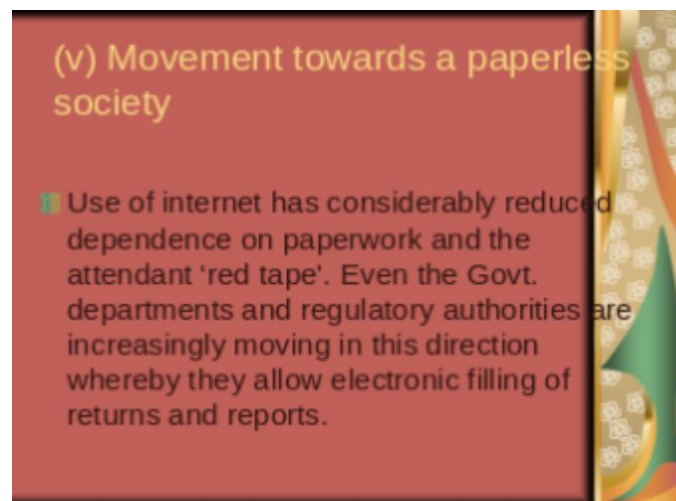
technology of e-commerce.

(iv) Global reach/access: Internet is truly without boundaries. On the one hand, it allows the seller an access to the global market; on the other hand, it affords to the buyer a freedom to choose products from almost any part of the world. It can be said that in the absence of internet, globalisation would have been considerably restricted in scope and speed.

(iv) GLOBAL REACH/ACCESS

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(v) Movement towards a paperless society: Use of internet has considerably reduced dependence on paperwork and the attendant 'red tape.' You know that Maruti Udyog does bulk of its sourcing of supplies of materials and components in a paper less fashion. Even the government departments and regulatory authorities are increasingly moving in this direction whereby they allow electronic filing of returns and reports.



In fact, e-commerce tools are effecting the administrative reforms aimed at speeding up the process of granting permissions, approvals and licenses. In this respect, the provisions of Information Technology Act 2000 are quite noteworthy.

Limitations of e-Business



Doing business in the electronic mode suffers from certain limitations. It is advisable to be aware of these limitations as well.

(i) Low personal touch: High-tech it may be, e-business, however, lacks warmth of interpersonal interactions. To this extent, it is relatively less suitable mode of business in respect of product categories requiring high personal touch such as garments, toiletries, etc.

(ii) Incongruence between order taking/giving and order fulfilment speed: Information can flow at the click of a mouse, but the physical delivery of the product takes time. This incongruence may play on the patience of the customers. At times, due to technical reasons, web sites take unusually long time to open. This may further frustrate the user.

(iii) Need for technology capability and competence of parties toe-business: Apart from the traditional 3R's (Reading, Writing, and Arithmetic), e-business requires a fairly high degree of familiarity of the parties with the world of computers. And, this requirement is responsible for what is known as digital divide, that is the division of society on the basis of familiarity and non-familiarity with digital technology.

(iv) Increased risk due to anonymity and non-traceability of parties: Internet transactions occur between cyber personalities. As such, it becomes difficult to establish the identity of the parties. Moreover, one does not know even the location from where the parties may be operating. It is riskier, therefore, transacting through internet.e-business is riskier also in the sense that there are additional hazards of impersonation (someone else may transact in your name) and leakage of confidential information such as credit card details. Then, there also are problems of 'virus,' and 'hacking,' that you must have heard of. If not, we will be dealing with security and safety concerns of online business.

(v) People resistance: The process of adjustment to new technology and new way of doing things causes stress and a sense of insecurity. As a result, people may resist an organisation's

plans of entry into e-business.

(vi) Ethical fallout: “So, you are planning to quit, you may as well quit right now”, said the HR manager showing her a copy of the e-mail that she had written to her friend. Sabeena was both shocked and stunned as to how her boss got through to her e-mail account. Nowadays, companies use a ‘electronic eye’ to keep track of the computer files you use, your e-mail account, the websites you visit etc. Is it ethical?

It may be pointed out that most of the limitations of e-business discussed above are in the process of being overcome. Websites are becoming more and more interactive to overcome the problem of ‘low touch.’ Communication technology is continually evolving to increase the speed and quality of communication through internet. Efforts are on to overcome the digital divide, for example, by resorting to such strategies as setting up of community telecentres in villages and rural areas in India with the involvement of government agencies, NGOs and international institutions. In order to diffuse e-commerce in all nooks and corners, India has undertaken various projects. In view of the above discussion, it is clear that e-business is here to stay and is poised to reshape the businesses, governance and the economies. It is, therefore, appropriate that we familiarise ourselves with how e-business is conducted.

Online Transactions

Operationally, one may visualise three stages involved in online transactions. Firstly, the pre-purchase/sale stage including advertising and information-seeking; secondly, the purchase/sale stage comprised of steps such as price negotiation, closing of purchase/sales deal and payment; and thirdly, the delivery stage. Except the stage relating to delivery, all other stages involve flow of information. The information is exchanged in the traditional business mode too, but at severe time and cost constraints. In face-to-face interaction in traditional business mode, for example, one needs to travel to be able to talk to the other party, requiring travel effort, greater time and costs. Exchange of information through the telephone is also cumbersome. It requires simultaneous presence of both the parties for verbal exchange of information. Information can be transmitted by post too, but this again is quite a time consuming and expensive process. Internet comes in as the fourth channel which is free from most of the problems referred to above. In the case of information-intensive products and services such as software and music, even delivery can take place online.

What is described here is the process of online trading from a customer’s standpoint.

(i) Registration: Before online shopping, one has to register with the online vendor by filling-up a registration form. Registration means that you have an 'account' with the online vendor.

The image displays two side-by-side screenshots of the Amazon India mobile application interface. The left screenshot shows the login screen with the 'amazon.in' logo at the top. It features a 'Login' section with a 'Forgot password?' link, input fields for 'Email (phone for mobile accounts)' and 'Amazon password', a 'Show password' checkbox, and a yellow 'Login' button. Below this is a 'New to Amazon?' section with a 'Create a new Amazon account' button and links for 'Conditions of Use', 'Privacy Notice', and 'Interest-Based Ads'. The right screenshot shows the mobile registration screen with the URL 'https://www.amazon.in/ap/r...' at the top. It has a 'Sign up with your mobile number' section with a name field containing 'SUDHIR', a country code dropdown set to 'IN +91', and a phone number field containing '999999999'. It also includes a 'Use your email instead' button, a 'Create a password (6+ characters)' field, a 'Show password' checkbox, and a yellow 'Continue' button. A link 'Already have an account?' is at the bottom.

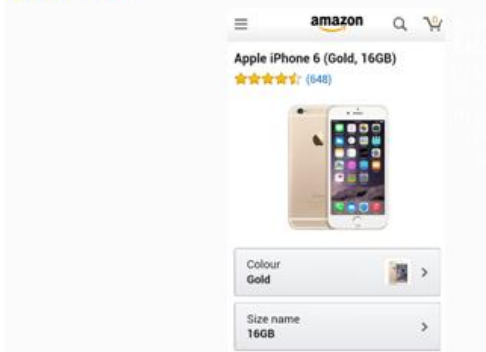
(i) REGISTRATION

- Before online shopping, one has to register with the online vendor by filling-up a registration form. Registration means that you have an 'account' with the online vendor.

Among various details that need to be filled in is a 'password' as the sections relating to your 'account', and 'shopping cart' are password protected. Otherwise, anyone can login using your name and shop in your name. This can put you in trouble.

(ii) Placing an order: You can pick and drop the items in the shopping cart. Shopping cart is an online record of what you have picked up while browsing the online store. Just as in a physical store you can put in and take items out of your cart, likewise, you can do so even while shopping online. After being sure of what you want to buy, you can 'checkout' and choose your payment options.

E-Commerce: Select An Item To Purchase
Step 2 of 8



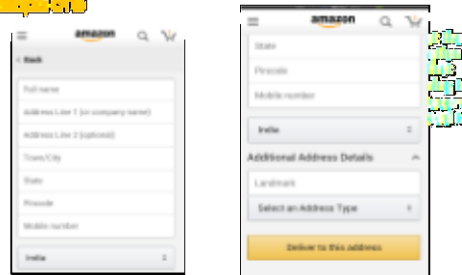
E-Commerce: Add Item to Shopping Cart
Step 3 of 8



E-Commerce: Login
Step 4 of 8

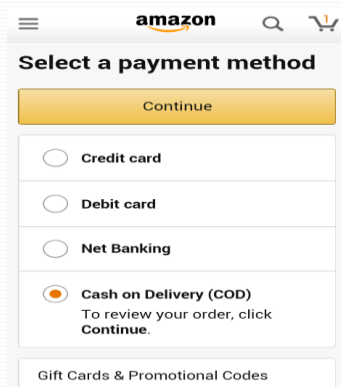


E-Commerce: Mobile Number Information
Step 5 of 8



(iii) Payment mechanism: The payment for the purchases through online shopping may be done in a number of ways:

E-Commerce: Enter Payment Information
Step 7 of 8



- Cash-on Delivery (CoD): As is clear from the name, payment for the goods ordered online may be made in cash at the time of physical delivery of goods.
- Cheque: Alternatively, the online vendor may arrange for the pickup of the cheque from

the customer's end. Upon realisation, the delivery of goods may be made.

- **Net-banking Transfer:** Modern banks provide to their customers the facility of electronic transfer of funds over the net. In this case, therefore, the buyer may transfer the amount for the agreed price of the transaction to the account of the online vendor who may, then, proceed to arrange for the delivery of goods.
- **Credit or Debit Cards:** Popularly referred to as 'plastic money,' these cards are the most widely used medium for online transactions. In fact, about 95 per cent of online consumer transactions are executed with a credit card. Credit card allows its holder to make purchase on credit. The amount due from the card holder to the online seller is assumed by the card issuing bank, who later transfers the amount involved in the transaction to the credit of the seller. Buyer's account is debited, who often enjoys the freedom to deposit the amount in instalments and at his convenience. Debit card allows its holder to make purchases through it to the extent of the amount lying in the corresponding account. The moment any transaction is made, the amount due as payment is deducted electronically from the card.

To accept credit card as an online payment type, the seller first needs a secure means of collecting credit card information from its customer. Payments through credit cards can be processed either manually, or through an online authorisation system, such as SSL Certificate.

Digital Cash: This is a form of electronic currency that exists only in cyberspace. This type of currency has no real physical properties, but offers the ability to use real currency in an electronic format. First you need to pay to a bank (vide cheque, draft, etc.) an amount equivalent to the digital cash that you want to get issued in your favour. Then the bank dealing in e-cash will send you a special software (you can download on your hard disk) that will allow you to draw digital cash from your account with the bank. You may then use the digital funds to make purchases over the web. This type of payment system hopes to resolve the security problems related to the use of credit card numbers on the internet.

Security and Safety of E-Transactions: E-Business Risks

Online transactions, unlike arm's length transactions in physical exchange, are prone to a number of risks. Risk refers to the probability of any mishappening that can result into financial, reputational or psychological losses to the parties involved in a transaction.

Because of greater probability of such risks in the case of online transactions, security and safety issues becomes the most crucial concern in e-business. One may broadly discuss these issues under three headings: transaction risks, data storage and transmission risks, and threat to intellectual property and privacy risks

SECURITY & SAFETY OF e – TRANSACTIONS : e – BUSINESS RISKS

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(i) Transaction risks: Online transactions are vulnerable to the following types of transaction risks:

TRANSACTION RISKS

- Default on Order Taking and Giving
- Default on Delivery
- Default on Payment

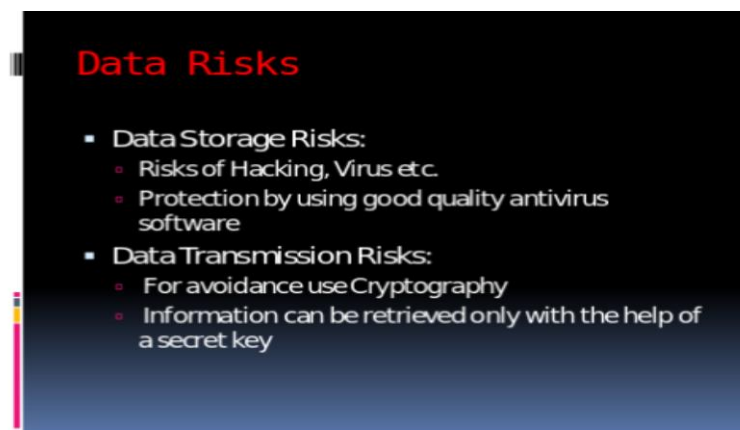
- Seller denies that the customer ever placed the order or the customer denies that he ever placed the order. This may be referred to as ‘*default on order taking/giving.*’
- The intended delivery does not take place, goods are delivered at wrong address, or goods other than ordered may be delivered. This may be regarded as ‘*default on delivery.*’
- Seller does not get the payment for the goods supplied whereas the customer claims that the payment was made. This may be referred to as ‘*default on payment.*’

Thus, in e-business risk may arise for the seller or the buyer on account of default on order taking/giving, delivery as well as payment. Such situations can be averted by providing for identity and location/address verification at the time of registration, and obtaining authorisation as to the order confirmation and payment realisation. For example, in order to confirm that the customer has correctly entered his details in the registration form, the seller may verify the same from the ‘cookies’. Cookies are very similar to the caller ID in telephones that provide telemarketers with such relevant information as: the consumer’s name, address and

previous purchase payment record. As for customer's protection from anonymous sellers, it is always advisable to shop from well-established shopping sites. While allowing advertisers to sell their products online, these sites assure customers of the sellers' identities, locations and service records. Sites such as eBay, amazon even provide for rating of the sellers. These sites provide protection to the customers against default on delivery and reimburse the payments made up to some extent.

As for the payments, almost 95 per cent of the cases people use credit cards for their online purchases. At the time of confirming the order, the buyer is required to furnish the details such as the card number, card issuer and card validity online. These details may be processed offline; and only after satisfying himself or herself about the availability of the credit limits, etc., the seller may go ahead with the delivery of goods. Alternatively, e-commerce technology today permits even online processing of the Credit card information. For protecting the credit card details from being misused, shopping malls these days use the encryption technology such as Netscape's Secure Sockets Layer (SSL).

(ii) Data storage and transmission risks:



Information is power indeed. But think for a moment if the power goes into the wrong hands. Data stored in the systems and en-route is exposed to a number of risks. Vital information may be stolen or modified to pursue some selfish motives or simply for fun/ adventure. You must have heard of 'virus' and 'hacking'. Do you know the full form of the acronym 'VIRUS?'



It means Vital Information Under Siege. Actually, virus is a program (a series of commands) which replicates itself on the other computer systems.



The effect of computer viruses can range from mere annoyance in terms of some on-screen display (Level-1 virus), disruption of functioning (Level-2 virus) damage to target data files (Level-3 virus), to complete destruction of the system (Level-4 virus). Installing and timely updating anti-virus programmes and scanning the files and disks with them

provides protection to your data files, folders and systems from virus attacks.

Data may be intercepted in the course of transmission. For this, one may use *cryptology*. It refers to the art of protecting information by transforming it (encrypting it) into an unreadable format called 'cyphertext'. Only those who possess a secret key can decipher (or decrypt) the message into 'plaintext'. This is similar to using 'code words' with someone so that others do not understand your conversation.

(iii) Risks of threat to intellectual property and privacy:

Internet is an open space. Once the information is available over the internet, it moves out of the private domain. It then becomes difficult to protect it from being copied. Data furnished in the course of online transactions may be supplied to others who may start dumping a host of advertising and promotional literature into your e-mail box. You are then at the receiving end, with little respite from receiving junk mails.

A presentation slide with a black background and a blue gradient at the bottom. The title 'Intellectual Property Risks and Privacy Risks' is written in red text at the top. Below the title, there is a single bullet point in white text: '▪ The risk of using the information by other persons as once information is made available on the Internet, it becomes difficult to protect it from others.' A small vertical bar with colored segments (yellow, red, blue) is visible on the left side of the slide.

Intellectual Property Risks and Privacy Risks

- The risk of using the information by other persons as once information is made available on the Internet, it becomes difficult to protect it from others.

Resources Required for Successful E-Business Implementation

Setting up of any business requires money, men and machines (hardware). For e-business, you require additional resources for developing, operating, maintaining and enhancing a website where 'site' means location and 'web' means world wide web (www). Simply speaking, a website is a firm's location on the world wide web. Obviously, website is not a physical location. Rather, it is an online embodiment of all the content that a firm may like to provide to others.

For successful implementation of e-Business, an organization requires the following resources:

1. Well-designed website: - A business enterprise must develop a comprehensive website to communicate effectively with its customers. The website should provide detailed information about firm's products and services which can be depicted with the help of images.



2. Adequate Computer Hardware: Business firm must procure and install computers with necessary speed, memory to carry out expected volume of business.
3. Technically qualified manpower: - There must be trained workforce with technical knowledge who can handle various aspects of order processing and timely delivery.
4. Effective telecommunication facilities: - e-business requires an effective telecommunication system in the form of telephone lines, optical fiber cables to handle traffic on the internet.
5. Systems of receiving payment: - The business firm must have mechanism to receive payment for sale of goods and services and refunds in case of excess payment through banks and other institutions.

Summary

Though e-business is high tech, it suffers from the limitation of being low in personal touch. The Customers as result do not get attended to on an interpersonal basis. Besides, there are concerns over security of e-transactions and privacy of those who transact business over the internet. The Benefit of e-business also seem to have accrued unevenly across countries and across regions within a country.