India's E-commerce Market

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Why in News?

According to a recent report by **Invest India,** an Investment Promotion and Facilitation Agency, India's **E-Commerce Sector** is projected to reach **USD 325 billion by 2030.**

- This will position India as the **3rd largest** online retail market globally by scale.

What is the Status of the E-Commerce Sector in India?

- **About: E-commerce,** short for **Electronic Commerce**, encompasses the buying and selling of goods and services over the internet.
    - It eliminates geographical barriers, allowing transactions to occur seamlessly across borders.
    - It includes a wide range of activities, from online retailing to **digital payments,** and continues to evolve with advancements in technology and changes in consumer behaviour.
- **Types:**

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Major Types of E-commerce

TYPE OF E-COMMERCE	EXAMPLE
B2C—Business to Consumer	Amazon.com is a general merchandiser that sells consumer products to retail consumers.
B2B—Business to Business	eSteel.com is a steel industry exchange that creates an electronic market for steel producers and users.
C2C—Consumer to Consumer	eBay.com creates a marketspace where consumers can auction or sell goods directly to other consumers.
P2P—Peer to Peer	Gnutella is a software application that permits consumers to share music with one another directly, without the intervention of a market maker as in C2C e-commerce.
M-commerce—Mobile commerce	Wireless mobile devices such as PDAs (personal digital assistants) or cell phones can be used to conduct commercial transactions.

- **Key Statistics:**
    - Between 2019 and 2026, number of online shoppers in India will reach:
        - **88 million in Rural India,** showing a Compound annual growth rate (CAGR) **of 22%** and
        - **263 million** in Urban India showing a CAGR **of 15%.**
    - In the fiscal year 2022-23, **Government e-marketplace (GeM)** achieved its highest-ever Gross Merchandise Value of **USD 2011 billion.**
    - As of 2023, the e-commerce sector in India is valued at **USD 70 billion,** constituting approximately **7%** of the country's total retail market.
        - As of 2022, Top 3 countries in the e-commerce market are : **China, USA and Japan.**
        - As of 2022, India ranked **7th** in the e-commerce Market.
- **Driving Factors:**
    - **Smartphone and Digital Penetration:** The rise in smartphone usage has been a significant catalyst for e-commerce growth in India. It has democratised access to online platforms.
        - **1.18 billion** people, representing over **80%** of India's population, will have access to smartphones **by 2026.**
        - The **Unified Payments Interface (UPI)** has emerged as a significant player in digital transactions, facilitating transactions worth **USD 1.5 trillion in 2022.**
    - **Affordability of Cheap Internet:** It plays a pivotal role in India's internet penetration.
        - Now one gigabyte of data is priced at approximately **USD 0.17 (Rs 13.5)**, which gives incentive to a substantial number of the population to opt for online activities
        - India ranks 7th on the list of countries with cheapest mobile data.
        - Also, **internet penetration** is expected to grow to **87% by 2025.**
    - **Improved Logistics and Supply Chain:** The growth of e-commerce in India has been

supported by the development of efficient logistics and supply chain networks.
- Government initiatives such as the **National Logistics Policy** streamlines deliveries to the last mile, enhancing logistical efficiency and cost-effectiveness.
    - **Rising Middle-Class Population and Disposable Incomes**: India's growing middle-class population and increasing disposable incomes have fueled the demand for e-commerce.
        - According to the World Economic Forum, nearly **80% of households in 2030 will be middle-income** in India.
    - **Convenience and Time-Saving:** E-commerce offers consumers the convenience of shopping from the comfort of their homes or on-the-go, saving time and effort.
        - **Example:** Food delivery platforms like **Zomato and Swiggy** have gained immense popularity due to the convenience they offer to consumers, allowing them to order meals without leaving their homes or offices.
    - **Wider Product Assortment and Competitive Pricing:** E-commerce platforms provide consumers with a vast array of product choices and competitive pricing options, making it easier to find desired products at affordable rates.
        - This has been a significant draw for consumers, particularly in smaller cities and rural areas **where product availability and pricing can be limited.**
    - **Rising Focus on Rural E-Commerce:** Recent reports highlight the growing prominence of **Rural-Centric E-Commerce.**
        - It expects a significant portion of demand to originate from **tier 2-4 towns** and **rural areas by 2026.**
        - This trend is further reinforced by government initiatives and the emergence of quick commerce.
- **Challenges:**
    - **Counterfeit and Intellectual Property Infringement:** Cases of counterfeit and substandard goods being sold on popular e-commerce platforms have been reported in India.
        - It can undermine consumer trust and lead to legal and financial consequences for e-commerce companies.
    - **Infrastructural Challenges:** Internet penetration remains relatively low in certain areas. **Postal addresses are not standardised,** affecting logistics.
        - Due to lack of supply chain integration, high delivery charges, more time taken to deliver product
    - **Lack of Clear Regulatory Framework:** Clear legislation is needed to regulate e-commerce practices domestically and internationally.
        - The **rise of social commerce**, where consumers can make purchases directly through social media platforms, poses a potential challenge to the traditional regulatory framework.
    - **Technological Disruptions and Cybersecurity Threats:** The e-commerce industry is susceptible to technological disruptions, such as the **emergence of new business models, advancements in artificial intelligence,** and cybersecurity threats like data breaches, hacking, and phishing attacks.
        - Customers are sceptical of paying by credit card due to the increasing **threat of fraud** by hackers

What are the Government Initiatives Related to the E-Commerce Sector in India?

- **FDI Policy:** 100% FDI is allowed in B2B e-commerce. Also, 100% FDI under the automatic route is permitted in the marketplace model of e-commerce.
- **National E-Commerce Policy:** The Indian government is set to introduce a national e-commerce policy that aims to create a favourable environment for the development of the sector and drive exports.
    - **Key Features:**
        - **Aim:** Establish a regulatory framework that facilitates ease of doing business in the sector.
        - **Boosting Exports:** Recognizes India's significant e-commerce export potential. Aims to capitalise on global cross-border e-commerce growth.

- **Regulatory Body and FDI:** Considers establishing a regulator for the e-commerce sector. Advocates for transparency in rules governing FDI.
- **Addressing Trader Concerns:** Clarifies issues related to deep discounts and preferences given to select sellers.
  - Open Network for Digital Commerce **(ONDC):** This initiative fosters an open-source e-commerce network that connects consumers, platforms, and retailers, promoting transparency and interoperability.
    - It will provide equal opportunities for Micro, Small, and Medium Enterprises (MSMEs) to thrive in digital commerce.
  - **The Consumer Protection (e-commerce) Rules, 2020.** The Rules directed the e-commerce companies to display the country of origin alongside the product listings.
    - In addition, the companies will also have to reveal parameters that go behind determining product listings on their platforms.
  - **Digital India initiative:** The **Digital India initiative** has provided solid impetus to other government-led initiatives, including **UMANG,** Start Up India **and** Aatmanirbhar Bharat, which have great potential to translate into global success.
  - **India Stack:** This initiative comprises a set of open **APIs (Application Programming Interfaces)** that enable government agencies, businesses, and developers to leverage digital infrastructure for various services, including e-commerce.
  - **BharatNet Project:** Aims to provide internet connectivity in local bodies (Panchayats), increasing e-commerce reach in rural areas.
    - Heavy investment is being made by the Government for rolling out a **fibre network for 5G** that will help boost e-commerce in India.

What Measures can be Adopted to Boost the E-Commerce Sector?

- **Robust Infrastructure Development:** Investing in improving logistical infrastructure, including transportation networks and warehousing facilities is needed to enhance last-mile delivery and reduce fulfilment costs.
  - Utilising **AI technology, data analytics and automation** to optimise logistics and supply chain management.
- **Strong Payment System:** As E-commerce heavily relies on online payment, it is necessary to build a secure payment system to build trust and facilitate transactions.
  - It is important to ensure that the payment gateway complies with the PCI DSS for security.
    - The **Payment Card Industry Data Security Standard (PCI DSS)** is a set of security standards designed to protect credit card data.
    - It is required by all organisations that process, store, or transmit credit card information.
- **Regulatory Framework for E-commerce:** It is needed to ensure that consumer rights are safeguarded through a clear framework, which includes accurate product descriptions, transparent pricing, fair return and exchange policies, and effective grievance redressal mechanisms.
- **Creating Awareness:** It is crucial to create awareness among people to promote and increase the growth of this industry.
  - It can be done through several ways such as:
    - **Education and training** can help in gaining a better understanding of the benefits and opportunities offered by e-commerce exports.
    - **Networking events** which can serve as a platform for businesses and individuals to connect and share ideas.
    - **Marketing campaigns** can also play a crucial role in creating awareness about e-commerce exports.

__Drishti Mains Question:__

The Open Network for Digital Commerce (ONDC) initiative is expected to make e-commerce more inclusive and accessible for consumers. Discuss.