



Expanding Exports with E-commerce

This editorial is based on [“E-commerce can propel exports”](#) which was published in the Hindu Business Line on 12/02/2023. It talks about the role of E-commerce in exports for India and related issues.

For Prelims: E-commerce, Make in India, Manufacturing Sector, Cyber Attacks, Free-trade agreements, Digital India initiative, Start Up India, Atmanirbhar Bharat

For Mains: Challenges with E-Commerce Exports in India, Government Policies & Interventions

India is quickly **emerging as one of the leading players in the global e-commerce industry**. E-commerce is dramatically opening up the global market for Indian entrepreneurs at scale and this has changed the fate of [‘Made in India’ products](#).

After experiencing the convenience of online shopping during the [pandemic](#), customers continue to favour digital shelves. There are an **estimated 2.14 billion online shoppers globally** and the number continues to grow rapidly.

This presents a **fantastic opportunity for businesses in India to start thinking about the global opportunity more seriously**. With wider availability of the internet, rising e-commerce marketplaces, manufacturing on demand, easier access to capital, and variable models for logistics and shipping, Indian entrepreneurs can plug themselves into global supply chains and create strong export businesses.

However, there are bottlenecks related to logistics, cross-border payments, compliance requirements and more. It will take a lot of work to expand the export opportunities for millions of small businesses across the country.

What is the State of Exports from India?

- **India’s manufacturing sector has grown 3 times over the last three decades in FY22** with contributions from traditional sectors like petrochemicals, steel, cement, and automobiles, as well as new sunshine areas like electronics, toys, and others.
 - Manufacturing Production in India increased 2.60% in December of 2022 over the same month in the previous year.
- There’s also **been a steady spike in other categories like** bed linens, jewellery, toys, coffee, butter, honey, millets, musical instruments, and more, which is boosting overall exports.
- The export of [India’s toy story](#) has **grown at nearly 30% CAGR over the last seven years**.
- Export of butter and dairy spreads from India has risen at a 25% CAGR.
- The rise of the Direct-to-Consumer (D2C) revolution in India has also been seen where **new-age brands from different corners of India are serving customers across the country** and the world.

- Industry estimates suggest that there are over **800 successful D2C brands in India today**, with a sector valuation of over USD40 billion.
- India's merchandise trade crossed the USD1-trillion mark in calendar year 2022 with the share of exports at USD450 billion and imports at USD723 billion.
 - Outbound shipments grew 13.7% year-on-year (YoY) in 2022, while imports rose by 21% in comparison to 2021.

What are the Challenges with E-Commerce Exports in India?

- **Infrastructural Barriers:**
 - Lack of proper infrastructure, such as warehousing and transportation, makes it difficult for e-commerce businesses to scale and reach a larger audience.
- **Payment and Financial Services:**
 - Access to payment and financial services, especially for small businesses, is still a major challenge.
- **Lack of Trust:**
 - Customers are often **hesitant to make online purchases from unfamiliar websites**, which can limit the growth of e-commerce exports.
- **Shipping and Delivery:**
 - **Shipping and delivery of products to foreign countries can be expensive and time-consuming**, leading to dissatisfaction among customers.
- **Customs and Duties:**
 - Complex customs and duties regulations can make exporting goods challenging and time-consuming.
- **Cybersecurity:**
 - **E-commerce websites are vulnerable to [cyber attacks](#)**, which can lead to loss of sensitive information and negatively impact the reputation of the business.
- **Lack of Standardization:**
 - **Lack of standardization in terms of product quality, delivery, and customer service** can make it difficult for e-commerce businesses to gain a competitive edge.
- **Competition from International Players:**
 - Competition from well-established international e-commerce companies can make it difficult for Indian companies to grow and succeed in the global market.

What are the Related Steps taken?

- **Free-trade Agreements:**
 - To Encourage Cross-Border Trade, the government has signed various **[Free-trade agreements](#)** with countries such as the UAE, the UK, Australia, and others, which has led to a rise in exports.
- **Digital India initiative:**
 - The **[Digital India initiative](#)** has provided solid impetus to other government-led initiatives, including **[Start Up India](#)** and **[Aatmanirbhar Bharat](#)**, which have great potential to translate into global success.

How India can Lead the E-commerce Export Market?

- **Creating more Awareness:**
 - Creating awareness about e-commerce exports is crucial in promoting and increasing the growth of this industry.
 - One effective strategy for creating more awareness about e-commerce exports on the ground is through:
 - 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.

- **Improving Infrastructure:**

- India needs to **invest in better infrastructure facilities** such as roads, ports, and warehouses to make it easier for e-commerce companies to export their products.

- **Simplifying Export Regulations:**

- The government can simplify the **export regulations and procedures to make it easier** for e-commerce companies to start exporting.

- **Encouraging Foreign Investment:**

- The government can **encourage foreign investment in the e-commerce sector** to bring in more resources and expertise to help companies grow.

- **Developing a Strong Logistics Network:**

- A strong logistics network is crucial for e-commerce exports, and India needs to develop this network to ensure that products reach their destination on time.

- **Promoting Digitalization:**

- The government can **encourage digitalization in the e-commerce sector** to make it easier for companies to connect with customers and suppliers and streamline their operations.

- **Offering Incentives:**

- The government can **offer incentives to e-commerce companies that are focused on exports**, such as tax breaks, subsidies, and grants, to encourage them to grow and expand their operations.

- **Building Strong Partnerships:**

- The government can **build strong partnerships with other countries and organizations** to help Indian e-commerce companies access new markets and find new customers.

Drishti Mains Question

Analyze the impact of e-commerce on India's exports and suggest measures for effectively utilizing its potential to enhance the country's competitiveness in the global market.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Mains

Q. There is a clear acknowledgement that Special Economic Zones (SEZs) are a tool of industrial development, manufacturing and exports. Recognizing this potential, the whole instrumentality of SEZs requires augmentation. Discuss the issue plaguing the success of SEZs with respect to taxation, governing laws and administration. **(2015)**

Q. Account for the failure of manufacturing sector in achieving the goal of labour-intensive exports. Suggest measures for more labour-intensive rather than capital-intensive exports. **(2017)**

Q. “The emergence of Fourth Industrial Revolution (Digital Revolution) has initiated e-Governance as an integral part of government”. Discuss. **(2020)**