

India's E-commerce Market

For Prelims: e-Commerce, Foreign Direct Investment, Consumer Protection, Data Privacy, Intellectual Property, The Information Technology Act, Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules 2021, Consumer Protection (E-Commerce) Rules 2020, Foreign Direct Investment Policy

For Mains: Need of E-Commerce export policy, Comparison of Indian E-Commerce Export Policy with Other Countries

Source: BS

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 <u>Compound annual growth rate (CAGR)</u> 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 <u>Unified Payments Interface (UPI)</u> 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 <u>National Logistics Policy</u> streamlines deliveries to the last mile, enhancing logistical efficiency and cost-effectiveness.
- Rising Middle-Class Population and Disposable Incomes: India's growing middleclass population and increasing disposable incomes have fueled the demand for ecommerce.
 - 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 ecommerce 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 ecommerce 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 <u>Digital India initiative</u> has provided solid impetus to other government-led initiatives, including **UMANG**, <u>Start Up India</u> and <u>Aatmanirbhar Bharat</u>, 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 ecommerce 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.

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