



## 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 **3<sup>rd</sup> 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 marketplace 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 **7<sup>th</sup>** 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 democratized 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.

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