



## e-Commerce in India

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### Introduction

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- Electronic commerce or e-commerce is a business model that lets firms and individuals buy and sell things over the Internet.
- Propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, **the Indian e-commerce market is expected to grow to US\$ 200 billion by 2026 from US\$ 38.5 billion in 2017.**
- India's e-commerce revenue is expected to jump from US\$ 39 billion in 2017 to US\$ 120 billion in 2020, growing at an annual rate of 51%, the highest in the world.
- The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second-largest e-commerce market in the world by 2034.

# 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.

## Advantages of e-Commerce

- The process of e-commerce enables sellers to come closer to customers that lead to **increased productivity and perfect competition**. The customer can also choose between different sellers and buy the most relevant products as per requirements, preferences, and budget. Moreover, customers now have access to virtual stores 24/7.
- e-Commerce also leads to significant **transaction cost reduction for consumers**.
- e-commerce has emerged as one of the fast-growing trade channels available for the **cross-border trade of goods and services**.
- It provides a **wider reach and reception across the global market**, with minimum investments. It enables sellers to sell to a global audience and also customers to make a global choice. Geographical boundaries and challenges are eradicated/drastically reduced.

- Through direct interaction with final customers, this e-commerce process **cuts the product distribution chain** to a significant extent. **A direct and transparent channel** between the producer or service provider and the final customer is made. This way products and services that are created to cater to the individual preferences of the target audience.
- Customers can easily locate products since e-commerce can be one store set up for all the customers' business needs
- **Ease of doing business:** It makes starting, managing business easy and simple.
- The growth in the e-commerce sector can boost employment, increase revenues from export, increase tax collection by ex-chequers, and provide better products and services to customers in the long-term.

The e-commerce industry has been directly impacting the micro, small & medium enterprises (MSME) in India by providing means of financing, technology and training and has a favourable cascading effect on other industries as well.

## Disadvantages of e-Commerce

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- There is lesser accountability on part of e-commerce companies and the product quality may or may not meet the expectations of the customers.
- It depends strongly on network connectivity and information technology. Mechanical failures can cause unpredictable effects on total processes.
- Definite legislations both domestically and internationally to regulate e-commerce transactions are still to be framed leading to lack of regulation of the sector.
- At times, there is a loss of privacy, culture or economic identity of the customer.
- There is a chance of **fraudulent financial transactions and loss of sensitive financial information.**
- The Internet is borderless with minimum regulation, and therefore protecting intellectual property rights (IPR) on the Internet is a growing concern. There are currently several significant IPR issues including misuse of trademark rights.

## Government Initiatives Regarding e-Commerce in India

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- In February 2019, a **draft National e-Commerce policy** has been prepared and placed in the public domain, which addresses six broad issues of the e-commerce ecosystem viz. e-commerce marketplaces; regulatory issues; infrastructure development; data; stimulating domestic digital economy and export promotion through e-commerce.
- The Department of Commerce initiated an exercise and established a **Think Tank on 'Framework for National Policy on e-Commerce'** and a **Task Force under it** to deliberate on the challenges confronting India in the arena of the digital economy and electronic commerce (e-commerce).

- The Reserve Bank of India (RBI) has decided to allow "interoperability" among Prepaid Payment Instruments (PPIs) such as digital wallets, prepaid cash coupons and prepaid telephone top-up cards. RBI has also instructed banks and companies to make all know-your-customer (KYC)-compliant prepaid payment instruments (PPIs), like mobile wallets, interoperable amongst themselves via Unified Payments Interface (UPI).
- **FDI guidelines for e-commerce by DIPP:** In order to increase the participation of foreign players in the e-commerce field, the Government has increased the limit of foreign direct investment (FDI) in the e-commerce marketplace model for up to 100% (in B2B models).
- Government e-Marketplace (GeM) signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless and transparent payment system for an array of services in October 2019.
- The heavy investment of Government of India in rolling out the fibre network for 5G will help boost e-commerce in India
- In the Union Budget of 2018-19, the government has allocated Rs 8,000 crore (US\$ 1.24 billion) to **BharatNet** Project, to provide broadband services to 150,000-gram panchayats.

## Way Ahead

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- e-Commerce has become an important part of many multilateral negotiations such as Regional Comprehensive Economic Partnership (RCEP), WTO, BRICS etc.
- e-Commerce still faces various issues like international trade, domestic trade, competition policy, consumer protection, information technology etc. As a growing sector with huge interest from both domestic and international players, it becomes pertinent to regulate it keeping in mind the interest of both entrepreneurs and consumers. A conducive environment and a level playing field should be encouraged.
- Policymakers should also be mindful of shaping a vibrant domestic industry. A comprehensive policy is of utmost importance to reflect India's position in both domestic and international or multilateral forums.

*For Mind Map*