A Review of E–Commerce in India: The Past, Present, and the Future

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ABSTRACT

Electronic Commerce or E-commerce nowadays has become a home affair for every one of us. From merely being a marketing platform to one touch buying and selling, the E-commerce market in India has undergone tremendous growth. The objective of this paper is to identify and examine the factors responsible for the E-commerce boom in India and to recommend strategies to accelerate the growth of E-commerce industry. We examine the historical trends and provide evidence on how the Indian E-commerce sector is positioned for an exponential growth. Through the literature survey, we identify the emerging markets, trends and impact of COVID – 19 on the industry. From this analysis, it was found that the focus till date has only been on the demand side of the E-commerce sector - to generate the demand. With a great success towards that direction, we identify the need to shift our focus on interventions/support to the supply side of the sector. Based on historical trends, a set of strategies have been recommended to the policy makers, using which the growth of the sector can be accelerated.

Keywords: E–Commerce, E–tail, Electronic Commerce, Digital India, Future of Commerce, E–grocery, Post – Pandemic commerce, COVID – 19

1. Introduction

The first wave of E–commerce came shortly after the introduction of the internet in India, in 1995. In early 90s, E-commerce was mostly B2B client services and business management portals. However, by late 90s, it widened its scope to B2C, matrimonial and online recruitment portals.

B2B E-commerce typically is an electronic business relationship between two companies or a producer and a wholesaler; whereas an electronic business relationship where businesses directly sell to their end users is B2C E-commerce. When in 2002 IRCTC launched its e-ticketing portal, a new era of E-commerce in India started. Post this event, online travel related commerce dominated the Indian E-commerce market. It constituted about 87% and 79% of the total revenue share of E-commerce industry, in year 2011 and 2013 respectively (PwC, 2014). This trend started to reverse from 2013 when online retail markets began to set their feet in E-commerce industry. By the end of 2015, online electronic retailing or E-tailing rose up to hold equal contributions as online travel in the E-commerce market (PwC, 2014). In subsequent years there were varieties of segments that added up in the Indian E-commerce market like mobile/DTH recharges, online sales of luxury products, fashion E-commerce with most of the retail brands entering E-commerce and expecting a considerable share in their businesses from online channels. With improving data affordability, consumption growth, and newer financial products, the E-commerce market is set to grow, be it across e-tail, travel, consumer services or online financial services. PwC quotes that “from the next set of online shoppers, three out of every four customers are expected to come from Tier II cities or beyond, and a vast majority of them would be less tech-savvy, seek greater transparency from brands and prefer consuming content in local languages” (PwC, 2018).
By 2017 the E-commerce industry was reported to be at USD 38.5 billion and emerged as the fastest growing industry in India. The growth trends suggest that by 2034, India will overtake the US to become second largest E-commerce market in the world. As can be seen from Figure 1, the E-commerce market is expected to reach USD 200 billion by 2026 from USD 38.5 billion in 2017 (IBEF, 2020).

![Market Size of E-Commerce Industries across India (in Billion USD)](https://www.statista.com/statistics/792047/india-E-commerce-market-size/)

India has a vast potential for the E-commerce market. India’s E-commerce revenue is speculated to jump from USD 39 billion in 2017 to USD 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world (IBEF, 2020). With an increase in the internet access and an exponential surge in digital payments, E-commerce can be a deciding factor in the country’s journey towards a trillion-dollar digital economy by 2025. Government’s initiatives like Digital India, E-market, Skill-India, and promotion of Unified Payments Interface (UPI) over almost all national platforms are steps towards shaping India as a digitally empowered society.

E-Commerce, B2B, B2C, Retail, and brick-mortar stores—all of them will be affected by the shifts in consumer behavior post COVID-19. Research by Technomic suggests, 52% of consumers are avoiding crowds while 32% are leaving their houses less often due to Corona virus. Grocery delivery services have shown record sales growth as a result of social distancing efforts. Big basket has experienced twice as much traffic and revenue in the month of March after lockdown, while their average basket size was 20% higher than the normal days. Grofers reported an 80% surge in the number of orders and 48% in amount spent by shoppers (Bhattacharya, n.d). Most of the sectors of E-commerce are hit by the economic slowdown and some of the sectors are expected to rise stronger than before.

1.1 Objectives of the Study
This is a review paper which aims to study the growth of E-Commerce in India. Looking at the past growth is important, as it would help us formulate the strategy for the future.

- To identify and examine the factors responsible for the E-commerce boom in India post 2010
- To examine the emerging trends in the E-Commerce industry of India
- To briefly study the impact of COVID-19 on the E-Commerce industry of India
- To recommend strategies to accelerate the growth of E-commerce industry

1.2 Methodology
Existing literature on E-Commerce sector of India were retrieved through secondary research. The retrieved literature was analyzed to identify emerging trends. This knowledge was used to recommend the future strategies to accelerate the growth of the industry.
2. Key Factors driving E-commerce success in India

In this section, we have examined some of the key factors that are influencing the exponential growth of the E-commerce sector in India.

2.1 Rise in Digital literacy: Digital literacy has recently risen to significant levels in India, which has attracted some major global investors to invest in the Indian E-commerce market. Over 120 million people were expected to shop online in 2018 and the number of people shopping online was expected to rise up to 175 million by 2020. Although the E-commerce market is dominated by its millennial consumer base, surprisingly, a large number of older people also shopped online in 2018 (IBEF, 2020). The large amount of content created, uploaded and updated on a daily basis clearly indicates the remarkable increase in digital presence of Indian consumers.

2.2 Government Initiatives: The Government of India is continuously making efforts to drive India towards a trillion-dollar online economy by 2025. Some of the major government initiatives that are fueling swift growth of E-commerce in the country are listed below

2.2.1 Government e-marketplace (GeM): In October 2019, the GoI signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate cashless, paperless and transparent payment system for variety of services.

2.2.2 Bharat Net and Digital India: In the Union Budget of 2020-21, Rs 8,000 crore (US$ 1.24 billion) was allocated to BharatNet Project which aimed at providing broadband services to 1,50,000 gram panchayats. The project further targeted 2,50,000 gram panchayats by March 2020. The government plan also included setting up 5,00,000 Wi-Fi hotspots for providing broadband services to 5,00,00,000 rural citizens. Various government initiatives like Udaan, Umang, Start-up India Portal etc. were also launched under the Digital India movement. A simple mobile based platform for digital payments, Bharat Interface for Money (BHIM) was also launched by the government.

2.2.3 E-commerce draft policy and favorable FDI norms: The GoI’s Draft National E-commerce Policy encourages FDI in the marketplace model of E-commerce. As per new guidelines on FDI in E-commerce, 100 per cent FDI under automatic route is permitted in the marketplace model of E-commerce (Department of industrial Policy and Promotion, 2018).

2.3 Investment: Undoubtedly, India is emerging as the fastest growing internet economy and has attracted investors from across the world. Since 2009, the E-commerce sector has received around USD 13,338 million in 904 funding rounds. Due to an increase in investments in the E-commerce sector, new companies started to enter the market since 2009. Maximum number of new E-commerce companies i.e. 1650 were formed in 2015. At present around 4757 E-commerce start-ups are active in India. In 2017, Indian E-commerce industry bagged 21 private equity and venture capital deals worth USD 2.1 billion, and more than USD 7 billion in 2018. Favorable FDI policies increased FDI inflows. Domestic investment and support from key industrial players is fueling the growth of E-commerce in India (IBEF, 2020).

2.4 Internet content in local languages: With over 22 major languages, 720 dialects spoken written in 13 different scripts, the language of available online content is a key factor in attracting consumers. With such a diverse linguistic crowd, it became a must-to-do thing for websites, portals and pages to offer their content in local languages. This factor also drew attention from all the major E-commerce giants. In August 2018, Flipkart acquired an artificial intelligence company, which converts speech to text in 10 Indian languages (Sen, 2018). Currently, almost all government and private portals offer content in local languages. This has led to an increase in the consumer demand even in small towns and cities. (Hidden, 2016). More than half of total Sales from E-commerce was generated from Tier – II cities like Asansol, Ludhiana, Rajkot, Dhanbad (Hidden, 2016).

2.5 E-Transactions: India is swiftly moving towards becoming a cashless economy and digitalization of transactions is the best way out. Since 2010, India has been gradually growing when it comes to cashless transactions, but there was a steep jump after Demonetization when the country fell short of cash. More people shifted to cashless transactions including internet banking and UPI payments. Data from the Bank for International Settlements (BIS) pronounces India as a champion with
Respect to percentage increase in volume of cashless payments, as India topped the list with 55% increase in cashless payments in year 2018, compared with 48% in China, 23% in Indonesia, 10% and 7% in UK and USA respectively (Bank for International Settlements, 2018). Digital payment transaction turnover as a percentage of GDP has also significantly increased from 7.14% in 2016 to 8.42% in 2018 (Reserve Bank of India 2019). India observed 67 million cashless payments per day on an average for FY18. However, there were only 18 cashless payments per inhabitant on average in 2018, compared to 142 in China and 529 in Sweden, according to the BIS (Bank for International Settlements, 2018). The number of people transacting using debit cards at point of sale terminals has increased by 86%. Nearly 140 million new debit cards were recorded in the country during the same period. UPI transactions accounted for Rs 2.16 trillion (US$ 30.94 billion) in January 2020, recording 1.3 billion transactions (IBEF, 2020). It is quite evident from these data points that people are getting in terms with going cashless.

![Cashless payments in India](https://stats.bis.org/)

**Figure 2**: Cashless payments in India. Data from Bank of International Settlements (BIS). Retrieved from [https://stats.bis.org/](https://stats.bis.org/)

KPMG attributes this success to inclusive government policies focused on digital payment innovations like intermediate payment service (IMPS), UPI, USSD based payments, national common mobility card (NCMC), etc. and literacy programs, advent of mobile payment service providers, robust payment infrastructure, increase in smartphone user base, and POSs compatible with cashless/device based transactions (KPMG, 2019). There is still a lot of scope for growth. Around the world, as digital transactions replace cash, payment companies have become some of the fastest growing and most valuable enterprises. India has more than 45 mobile wallet providers, and some 50 UPI-based wallet providers, according to KPMG (Detrixhe, 2019).

COVID - 19 has changed the way consumers shop. Customers who may have never utilized mobile grocery shopping, including senior citizens, have abandoned strict habits and transitioned with ease. This change of behavior would not have occurred without the need for isolation, but after the crisis, these habits may remain (Davis et al., 2020). According to the latest report from IPSOS, consumers said that they have increased the frequency of purchasing products online (UNCTAD, 2020). Due to COVID - 19 induced shutdowns the number of online transactions has increased considerably. As shown in figure 3, India witnessed 55% increase in online shopping, while Vietnam, China, and Italy recorded 57%, 50%, 31% increase in online commerce respectively (Clapp, 2020). The above data points suggest that the recent shift in consumer behavior due to COVID - 19 would accelerate E – commerce growth in India.
2.6 **Rising internet penetration:** Internet penetration is the measure of the portion of the population that has access to the internet. Internet penetration in India escalated from just 4 per cent in 2007 to 52.08 per cent in 2019 (IBEF, 2020). Registering a Compound Annual Growth Rate (CAGR) of 24 % between 2007 and 2019, India is adding approximately 10 million daily active internet users to the internet community, each month, which is the fastest in the world. With deepening internet penetration, internet users in India are expected to rise from 687.62 million in September 2019 to 840 million by 2022 (IBEF, 2020, TRAI, 2019). Growing number of internet users would necessarily translate to growing consumer base for the E-commerce industry.

At present, the number of active internet users in India is the second highest in the world and the data usage of 8 GB/subscriber/month is comparable to developed countries (Mandavia, 2019). Moreover, India is also among the largest data consumers in the world. India has an average data consumption of 9.8 GB/smartphone/month, which is the highest in the world. The urban internet users dominated the internet subscriber base for long, but the recent reports by the Internet & Mobile Association of India (IAMAI) and Nielsen shows that internet population in rural India is taking over urban India for the first time. As of November 2019, the rural internet user base was 227 million, 10% more than the 205 million urban internet user base. By 2021, Rural India is further expected to grow up to 45% as compared to the current rate of 21.76 % (Internet and Mobile Association of India, 2020). With 40 % internet penetration and the second largest internet user base globally, India embodies large potential to be an internet superpower.

2.7 **Increase in Smartphone User Base in India:** Mobile-enabled shopping is the backbone of India’s E-commerce industry. The rise in internet penetration and cashless transactions is attributed to the proliferation of smartphone user base in India. Mobile devices combined with affordable internet access and mobile data is a key factor driving the tremendous growth in India’s E-commerce sector. The mobile phone subscriber base in India has increased from 904.51 million in March 2014 to 1173.75 million in September 2019 (Competition Commission of India, 2020). Growth of online retail in towns and cities beyond metros, especially in tier II and tier III cities, is driven by an increased mobile internet consumption in the country. Increased smartphone user base has made access to shopping websites easy for more Indians. Number of smartphone users in India is projected to rise by 84%, up to 859 million by 2022 from 468 million in 2017 growing rapidly at a CAGR of 12.9% annually (ASSOCHAM,2019). In FY2019, out of total internet subscribers, 92% used internet service through mobile phones of which 91% accessed the internet via smartphones (Kemp, 2020).

Besides the growth in smartphone penetration and access to the internet, the growth of E-commerce in India has been enabled through the introduction of various alternative payment methods like cash on delivery and EMI payments, at a time when Indians are still adapting to digital payments. Discounts and deals offered by the marketplaces, revolutions in delivery
and warehouse management enabling quicker access to a large product range, especially in tier II and tier III cities, where choices were limited are some of the major factors contributing to the growth of E-commerce in India.

3. Emerging Markets of Indian E-commerce Sector

3.1 E-tailers: Wholesale and retail trade constitute a significant part of India’s economy. The sector accounts for 22 percent of India’s GDP and 8 percent of employment (Khanna, 2020). India’s retail sector is dominated by small mom-and-pop stores. Retail industry reached USD 950 billion in 2018 and is expected to cross a trillion-dollar mark by the end of 2020. Retail market in India is projected to grow up to USD 1,200 billion in 2021 (IBEF, 2020). However, more than 80 percent of all retail outlets in India are cash-driven. This datapoint can be compared with 55 percent of retailers in China and 35 percent in Brazil (Kaka et al., 2019).

The sector is not untouched by the ongoing digital revolution in India. Digital technology in the form of E-commerce is revolutionizing the sector. Between 2006 and 2011, trade grew by an average of 7.7 percent while GDP expanded by 7.2 percent, representing an elasticity of 1.07. Industry growth rose to 8.9 percent from 2012 to 2017, while GDP growth slowed to 6.5 percent, representing an elasticity of 1.4. This second, faster phase of growth in trade coincided with a steep rise in Indian E-commerce, from about $2 billion in 2012 to $20 billion by 2017 (Kaka et al., 2019). E-Retail shared just 3% of the total retail market in FY18. It is expected to expand to 5% by the end of FY 20 registering a CAGR of 35% (Tandon, 2020).

As shown in figure 4, electronics segment is the biggest contributor to e-tail in India with a share of 48%. Smartphones dominated the electronics e-tail followed by other electronics utilities such as laptops, printers, routers, and home décor. Apparel is the second largest contributor to e-tail, followed by home and furnishing, personal care, books, and other non-electronics categories (IBEF, 2020).

![Shares of Various Segments in E-commerce Retail by Value](https://www.ibef.org/download/E-Commerce-March-2020.pdf)

In contrast to this, the offline, organized retail market is dominated by food & grocery occupying 65% of the total share, followed by Apparel & footwear, consumer durables & IT, jewellery, health and entertainment (CARE Ratings Limited, 2019). With growing smartphone access, internet penetration, and rapidly growing market, there are lots of opportunities for e-tailers in India to capitalize upon. Food & grocery segment did not hold a major share in e-tail till recently. However, with changing consumer behavior due to COVID-19, online food & grocery share in the e-tail is forecasted to increase and this is one of the major emerging segments in the Indian E-commerce.

3.2 MSMEs: At least 2.5 crore traders in India are micro and small in nature who do not have deep pockets to sustain a severe economic catastrophe (The Economic Times, 2020). Government’s constant push to steer MSMEs to go digital has made it one of the fast-emerging E-commerce markets with tremendous scope for growth and opportunities. It has been reported that nearly 43% of the MSMEs participate in online sales in India (Competition Commission of India, 2020)
Going Digital and participating in E-commerce has resulted in significant cost cutting for MSMEs. MSMEs can enter into the E-commerce space with investment as small as 100 US Dollars. MSMEs using E-commerce record up to 60% reduction in marketing and distribution costs. MSMEs having adopted E-commerce have also reported 27% higher revenue growth than their offline counterparts (United Nations Industrial Development Organization, 2017).

As per the latest available data from the Ministry of Micro, Small and Medium Enterprises (MSME), MSMEs in India account for 45% of the total manufacturing output and contribute 40% of the total exports from the country. Studies show that MSMEs that use E-commerce platforms are around five times more likely to export than those engaged in traditional economy. These data points make it evident that MSMEs are one of the fastest emerging markets that can boost the E-commerce sector of the country.

4. Impact of COVID – 19 on Indian E – Commerce

While it is understood that COVID – 19 has had varied impact on different sectors, it was clearly observed that the pandemic had a positive impact on essential goods sector, while sectors that had non-essential goods as their primary segment took a hit. E-commerce industry has had varied impact across different geographies. We will be examining the impact of COVID – 19 on the E-commerce sector of India

4.1 Demand Analysis

The lockdown of almost 3 months due to the coronavirus pandemic brought a pause in the E-commerce sector in India, with a complete regulatory ban on serving the online customers except for essential goods. With several states still fighting COVID – 19, there are different directives for commerce in each state and this has caused a disruption in the E-commerce sector, as major companies have a deeply integrated distribution network whose different nodes are in different states. However, E-commerce of essential goods saw a surged demand during and post the lockdown period, due to evolved customer expectation on home delivery.

According to a recent report by the Department of Telecommunications, India’s internet consumption rose by 13% since the nationwide lockdown. The Cellular Operators Association of India (COAI) said that operators recorded a 30% jump in traffic around last weeks of March after lockdown was announced. ACT Fibernet, one of the country’s largest internet service providers claimed that it recorded a 40% increase in data consumption. The internet consumption in rural India has increased with a greater pace than in urban India. The more time spent online is a clear indication of more and more people getting on board the internet. This deeper penetration of Internet is least expected to reverse like other trends. Once a consumer onboards internet and starts using it for daily needs, it is highly likely that he/she continues using the same due to the convenience it offers. By demographics, pre COVID – 19 India had seen a high E-commerce adoption in the age group of 20 – 30. However, in post COVID – 19 India, studies expect that adoption of E-commerce by other age groups will increase as well.

Covid-19 has caused a huge dent on the Indian retail market. The uncertain times and predicted shift in consumer behavior can pose severe threats to the industry. According to Confederation of All India Traders (CAIT), Indian Retail sector has witnessed a loss of Rs 5.50 lakh crores since the lockdown was imposed. It is feared that at least 20% of the Indian retailers are likely to wind up their businesses in the next few months. Additionally, about 10% of other traders who are dependent on these 20% traders, too, are likely to collapse (The Economic Times, 2020).

Amidst the lockdown and restrictions on sale of non-essential goods, commerce from all of the segments that dominated E-commerce remained shut. Just 8% of the modern retail sector accounts for essential items (Gandhi, 2020). While major e-retail segments like fashion, accessories, electronics, etc. remain shut, food and grocery segment – which constitutes the majority of offline retail is turning out to dominate online retail as well.

4.2 Supply Analysis:

On the Supply side, Indian MSMEs are largely dependent on China for their raw materials. China plays a very pivotal role for India as well as in the global supply chain. Plummeting imports of raw materials from China have posed threats for MSMEs with contraction in exports, halt of production, non-availability of manpower, and liquidity squeeze in the market. With these, there is an uncertainty of consumer reaction and consumption across the country. With a share as large as 30% of India’s GDP, MSMEs can’t be left ailing for long. The recent relief measures announced by the government along with support from global retailers like Walmart can be helpful in recovering the losses to the sector due to lockdown. Flipkart, owned by Walmart, is actively engaging with MSMEs to ensure that there is a revival in business and is helping them to bounce back. Giants like Flipkart are also facilitating economic activity through E-commerce, generating enough opportunities for MSMEs to go digital. By the end of COVID – 19, it is expected that there will be a rise in the number of MSMEs engaged in E-commerce (Yoursstory, 2020).
Though the Government of India has already announced measures to unlock the economy, breakdown in the distribution network due to COVID – 19 related restrictions by several states has resulted in a higher fulfilment time for all the players in the E-commerce market. The players are not able to fulfill the customer demand within the expected time frame, like pre – COVID times. The business is not yet back to normal. This has impacted the consumer behavior and regular retail consumers are limiting their online purchases to essential goods and to some segments of the non – essential goods.

Distress in economy like loss of jobs and pay cuts due to the pandemic will have an impact on the spending power of the consumer, and this will further reduce the shopping spend of the customer. Also, due to pandemic, people are being conservative in their spends. We predict a short – term revenue loss in the E-commerce sector and the recovery would be largely linked to the recovery of the economy as a whole. When the consumption picks up in the economy, E-commerce is likely to pick up as well.

5. Future of E-commerce in India: Emerging Trends and Technologies

K Vaitheeswaran founded India’s first E-commerce site Fabmart.com in 1999 when there were very few internet users in India (Anand & Pillai, 2015). However, it is not the case anymore and internet is penetrating deep into Indian villages. The penetration is accelerating by a substantial rate every month and with this, the future of E-commerce sector in India looks promising - as the excluded part of the population is coming online.

Expected E-commerce as a share of total retail sales is estimated to become bigger in nine key emerging markets than in developed economies. These markets are Indonesia, India, Turkey, China, South Africa, Saudi Arabia, Mexico, Brazil, and Russia (Credit Suisse, 2015). Currently, E-commerce is a small part of India’s $0.7 Trillion retail industry (Jha, 2020). Most of the structural challenges faced by the sector, which acted as a roadblock for its growth in the country is being cleared gradually. While this is on the policy front, COVID – 19 made E-commerce a necessity for a segment of population which relied on traditional retail before COVID. The evolved consumer behavior is expected to stay in the post COVID – 19 world. The structural changes and the shift in consumer behavior point towards a clear conclusion of a rapid growth of E-commerce sector in India.

COVID – 19 and the lockdown associated with it has made E-commerce a necessity for multiple retail giants, who were in traditional retail and were reluctant to explore the change through E-Commerce. For example, Berger Visualizer is a new online shopping application launched by Berger Paints, a leading Indian paint company. E-commerce marketplaces like Amazon has also reported a significant increase in the number of sellers on its platforms. Amazon reported that around 50,000 new sellers onboarded on its platform between mid – Jan to mid – April 2020, a significant number when compared to the same time period last year (Peermohamed, 2020). We have listed two emerging trends/technologies in the Indian E-commerce sector below,

5.1 Mobile Stores and Virtual Shopping experience: A major drawback of online retail or E-commerce is the shopping experience a physical store provides. Mobile stores and online platforms are being customized to provide this experience to the maximum extent possible. Technologies like augmented reality and virtual reality have proved to be an efficient solution to eliminate this draw back in the E-commerce sector. Though these are not yet considered as matured technologies due to their adoption rate, they show a promise of a better customer experience in the future.

5.2 Local Kiranas and Neighborhood stores moving online: Demonetization in 2016 is considered to be an event which had a significant effect on millions of Indians. It was in this period, India’s fintech segment saw a tremendous growth – in terms of adoption of the technology. COVID – 19 is believed to have caused a similar disruption in the Indian retail industry. Before COVID, e-tail was not considered to be a major threat, considering that traditional retail was still strong in India with a significant trade amount. However, with COVID coming into picture, online presence and online delivery has been a customer expectation in all segments. Thus, the local kirana stores and neighborhood stores were forced to start their operations online to serve their customer base. This offline – to – online shift has been significant, and the trend is expected to have a major impact on e-tail adoption and growth in India. This has also shifted the focus on mobile based platforms and alternate mode of payments.


E-commerce has never been a priority sector for the Government in India till recently. E-commerce sector was associated with retail and was left to the sellers to sell and make profits by the policy makers. However, with increased interest from foreign investors, policy makers have realized the potential of this sector and have since been proactively working on policies to enhance the market potential and regulate the E-commerce landscape.
In this section, we analyse the need for various policy interventions to enhance the market potential of E-commerce sector in India.

1) Most of the players in the E-commerce sector in India are yet to see profitability due to high competition, sub optimal infrastructure, thin margins, and high operational costs. Investment in infrastructure would lead to efficiency in logistics operations of the E-commerce sector and thus would increase the profitability of the players in the long term. For example, taking cue from United States Postal Service (USPS), Government can act upon modernizing Indian Post to fulfil B2B and B2C shipments, which will boost delivery capabilities of SMB players who fulfil orders online (Roggio, 2020).

2) Global companies like Walmart, Alibaba, etc. are keen on Indian E-commerce market, and their investment would definitely strengthen the infrastructure and supply chain of the sector (Tandon & Nandy, 2020). As per the current policies, 100% FDI is allowed in the Marketplace model of E-Commerce, and no FDI is permitted in the inventory-based model (Department of Industrial Policy and Promotion, 2018). FDI in Inventory – led retail (B2C) will definitely be a boost to the sector in the country. While FDI in B2C E-commerce has been deliberated for long in the administrative arenas of the country, political viewpoint of protecting local brick and mortar stores from the competition seems to be gaining an upper hand. While it is true that there would be disruption in the traditional retail sector of India with FDI in the E-commerce sector, a balanced policy approach would ensure that all interests are met, along with the growth of the E-commerce sector.

3) With GST and evolution of taxation policies, players in the E-commerce sector would naturally move closer to the consumers, which would increase the efficiency in the E-commerce supply chain. Minimizing tax requirements was a major criterion previously for sourcing and warehousing decisions, which would be eliminated now due to a uniform tax regime. However, E-commerce companies are now expected to pay tax for inventories that lie in their warehouses. This would increase the operating cost of the firms. The GST rate is high and thus there is a need for the firms to have a balanced approach towards fulfilling consumer demands and maintaining the stocks (Prabhu et al., 2015). A taxation approach towards reducing the working capital requirements of the E-commerce companies will increase the cash flow for the firms, which might potentially be invested in developing the required operating infrastructure in the country.

4) Though Digital India initiatives and the execution of the United Payments Interface (UPI) framework of the Government have advanced the online transactions and online commerce, there is still requirement for more initiatives that focus on expanding the formal banking infrastructure and credit availability for a large segment of the population. Streamlining policy for payments infrastructure is also a necessity.

5) India’s previous Consumer Protection Act, 1986 did not have E-commerce in its scope, understandably because of the absence of online commerce then. The Act was recently modified by the Government of India and was replaced by The Consumer Protection Act, 2019 – which covered the broader variety of transactions and services, with E-commerce included (Department of Consumer Affairs, 2020). However, consumer interests have barely got priority in Indian policy and industries, in general. A stronger implementation of the GoI notified Consumer Protection (E-Commerce) Rules, 2020 would increase transparency in the E-commerce sector and enhance trust among the consumers.

6) India does not have any consumer information protection framework or data protection guidelines in line with the European Union’s General Data Protection Regulations (GDPR). This is a limitation in terms of data processing and security amongst the online players operating in the economy. It is proposed in the draft of India’s new E-commerce policy that companies that collect data from Indians and store it overseas will be subjected to periodic audit (Agrawal, 2020). A regulator for the sector has also been proposed. While these are a good beginning, more work has to be done towards this direction - A strong data protection framework would increase the transparency and effectiveness of the E-commerce sector.

7) Internet safety is still a concern in India as it is unregulated and there are only a handful of cyberlaws. This leaves E-commerce companies and consumers susceptible to online money frauds. Majority of the customers are not aware of the cyber security breaches due to lack of transparency. Large E-Retailers and E-commerce players are forced to invest millions of dollars to increase efforts towards cyber security, in the absence of policy support and suitable legal remedy. Financial institutions along with the Government must work on cyber laws and implement it effectively to ensure that an Indian customer is safe on the Internet while performing a transaction.

8) Government pro-activeness in strengthening E-commerce infrastructure would provide the necessary boost and direction both for the industry and for the private players. Warehouses, sortation centers and effective last mile distribution network is a necessity to build a strong E-commerce infrastructure. India needs more investment in strengthening its logistics infrastructure – to handle the growing E-commerce demand. India’s air cargo penetration is very low and only a handful of airports can handle large volumes of parcels and couriers (PwC, 2014). As E-commerce demands from tier – 2 and tier – 3
cities surge, efficient fulfilment would require a stronger air connectivity and airport infrastructure across the country. Also, railway network can be leveraged for parcel movements – as it would be a low – cost choice when compared to road or air mode. Strengthening the infrastructure of all modes of transportation – rail, road, and air is required to meet the growing demands from the Indian E – commerce sector.

9) MSMEs constitute a major chunk in the Indian industry and a push of MSMEs towards digital economy can generate significant wealth. The recent E – commerce policy draft by the government states that cross – border trade of MSMEs “could increase the CBT revenue in B2C category by 4 times (if 2.5 lakh MSMEs move into cross-border trade in the next four years)” (Agrawal, 2020). Thus, a directed policy action that creates a supporting ecosystem for MSMEs can boost the cross-border E – Commerce. Measures like setting up a dedicated E – commerce export promotion cells for MSMEs, creating E – commerce export zones for MSME clusters, providing capacity building tools to MSMEs, providing online lending through financial institutions have been proposed in the recent draft E – commerce policy (Agrawal, 2020). These points should be effectively executed on the field to ensure that more MSMEs go digital and engage in cross border E – Commerce, which would boost the country’s economy.

7. Conclusion

E – commerce sector in India has made deep roots in the urban economy in a record period of time. However, penetration to tier 2 and tier 3 cities is still a challenge. The demographics of India perfectly positions us to be an attractive industry for an E – commerce boom. With COVID – 19 induced change in consumer behavior, the Indian economy is well positioned for an exponential growth of the E – Commerce sector. Companies struggling to fulfil the online demand during the pandemic and after the unlock of the country’s economy is a clear indication that calls for support or interventions in the supply side of the E – Commerce sector. It is evident from our analysis that we have long been focusing on generating E – Commerce demand. While we as a country have been fairly successful in those measures, currently, it is a need for the policymakers to focus on the supply side. Dedicated and directed government actions – in monetary, infrastructure and policy fronts are a necessity for our country to see the perceived E – commerce boom. In this study, some of the required strategies in this direction have been listed. This would not only generate significant wealth for our economy, but also bring us closer towards our goal of becoming an economic superpower.

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