

# E-COMMERCE



## SECTOR OVERVIEW

E- Commerce or electronic commerce involves trade and commerce of goods and services using electronic media and information technology such as Electronic Data Interchange (**EDI**) where information is exchanged in an electronic format.

E- Commerce has transformed the way business is done globally. The Indian E- Commerce market is projected to grow to USD 200 Billion by 2026 from USD 38.5 Billion in 2017. Much of the growth for the industry has been triggered by an increase in internet and smartphone penetration. E- Commerce is India's fastest growing and most exciting channel for commercial transactions. According to an online survey, the number of internet connections in India has significantly increased to 760 Million, driven by the 'Digital India' Programme. This in turn has led to jump in E-Commerce activity.

## TYPES OF E-COMMERCE

The major types of E- Commerce are as follows:

- ❖ **Business to Business (B2B):** For instance, Walmart, Alibaba are into B2B E-Commerce
- ❖ **Business to Consumer (B2C):** For instance, Amazon, Flipkart, Snapdeal are into B2C Marketplace based E-Commerce.
- ❖ **Consumer to Consumer (C2C)**
- ❖ **Consumer to Business (C2B)**
- ❖ **Business to Business to Consumer (B2B2C)**



E-Commerce in India can be broadly categorized as follows-

- ✓ Domestic and Cross-Border
- ✓ B2B and B2C
- ✓ Marketplace and Inventory based
- ✓ Single Brand and Multi Brand

## CURRENT E-COMMERCE MARKET TRENDS IN INDIA






- E-Commerce has made it easier for international brands to reach Indian customers, and has emerged as one of the fastest-growing new trade channels available for the cross-border trade of goods and services. There is a growing appetite for international brands that are doing well in several categories including lifestyle products, consumer electronics, clothing, footwear and accessories, health and beauty, household goods, art and collectibles, event tickets and online music.
- Further, the advent of technology enabled innovations such as digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements have enabled the E- Commerce industry to grow at a much faster rate.
- Other Government initiatives such as Digital India, Skill India, Start up India and Make in India are contributing to the growth of the E- Commerce industry.

### FOREIGN DIRECT INVESTMENT (FDI)

SN	E-COMMERCE SECTOR	FDI
1	B2B	100%
2	Marketplace Model	100% under automatic route
3	B2C	100%
4	Food retail	100% for trading (including E- Commerce) food products manufactured or procured in India
5	Inventory-Based	FDI is restricted here, to provide level playing field for large offline retailers
6	Multi Brand	FDI is restricted here

## MARKET SIZE



-  With the rise in use of smart phones, electronic devices, etc, launch of 4G network and increasing consumer wealth, Indian E- Commerce market is anticipated to grow to USD 200 Billion by 2026.
-  India has witnessed a rise in shipments of smartphone to India by 8% in the first quarter of 2020. Samsung led the Indian smartphone market with 24% shipping share, followed by Xiaomi at 23%.
-  Whereas, online retail sales in India are expected to grow 31% to touch USD 32.70 Billion in 2018, led by Flipkart, Amazon India and Paytm Mall.

## INVESTMENTS IN INDIA



Some of the major developments in the Indian E- Commerce sector are as follows:

- In November 2020, Amazon India announced collaboration with Hindustan Petroleum Corporation Limited, whereby, customers are enabled to book and pay for LPG cylinders.
- In November 2020, Reliance Retail Ventures Ltd. (RRVL), a subsidiary of Reliance Industries (RIL), acquired a minority stake of Urban Ladder Home Decor Solutions Pvt. Ltd. for Rs. 182.12 Crore (USD 24.67 Million).
- In November 2020, Flipkart acquired Scaptic, an Augmented Reality (AR) firm, to boost user experience.
- In November 2020, Amazon India has opened 'Made in India' Toy Store, in line with the Government's 'Atma Nirbhar Bharat' vision. In this Store, various manufacturers and vendors would be able to sell toys driven by the Indian culture, folk tales, etc that promote creative thinking and that are locally crafted and manufactured.

- In October 2020, Amazon India joined hands with the Indian Railway Catering and Tourism Corporation (**IRCTC**) to enable users to book and reserve train tickets on Amazon.
- In October 2020, Flipkart acquired a 140-acre Land at Rs. 432 Crore (USD 58.87 Million) to establish their largest fulfilling Centre in Asia, in Manesar, Gurgaon, in order to scale up their fulfilment infrastructure and to cater to increased demand, post COVID-19.
- In October 2020, Amazon India invested over Rs. 700 Crore (US\$ 95.40 Million) into its payment unit, Amazon Pay.

### GOVERNMENT INITIATIVES



Since 2014, the Government of India has been implementing various initiatives, namely Digital India, Make in India, Start-up India, Skill India and Innovation Fund, that would support growth of E-Commerce Industry in the country. Some of the major initiatives taken by the Government to promote E- Commerce in India are as follows:

- ✓ The Government e-Marketplace (GeM) has signed a Memorandum of Understanding (MoU) with Union Bank of India in order to facilitate a cashless, paperless and transparent payment system for various services in October 2019.
- ✓ The Government has also launched significant initiatives like Umang, Start-up India Portal, Bharat Interface for Money (BHIM) etc under the Digital India movement, to boost digitization.
- ✓ In October 2020, Minister of Commerce and Industry, Mr. Piyush Goyal invited start-ups to register at public procurement portal, GeM, and offer goods and services to Government organizations and public sector undertakings.
- ✓ In October 2020, amending the equalisation levy rules of 2016, the Government mandated foreign companies operating E- Commerce platforms in India to have permanent account numbers (**PAN**). It imposed a 2% tax in the FY21 Budget on the sale of goods or delivery of services through a non-resident E- Commerce operator.
- ✓ In order to increase the participation of foreign players in E- Commerce, Indian Government hiked the limit of FDI in E- Commerce marketplace model to up to 100% (in B2B models).
- ✓ The Government would be introducing 5G network fibre to boost E- Commerce in India.

- ✓ NITI Aayog has set up a high level committee to look into the issues related to E- Commerce including the FDI.
- ✓ Food safety and Standards Authority of India (**FSSAI**) has also issued draft norms for licensing online food operators.
- ✓ The Ministry of Consumer Affairs is also planning to regulate E- Commerce through the proposed new consumer protection law.

### **ROAD AHEAD**

The E- Commerce industry has been directly impacting start-ups and micro, small and medium enterprises (**MSMEs**) in India by providing effective means of financing, advanced technology and training. These technology-enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements are likely to support the growth in the sector. As a result, the growth in E- Commerce Sector will also boost employment, increase revenues from export, increase tax collection, and provide better products and services to customers in the long-term.

These Government initiatives and increased investment opportunities would help in growth and development of the E-Commerce Sector to an extent that it is expected to surpass the United States of America to become the second largest E- Commerce market in the world by 2034.

### **CONTACT PERSONS**

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