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A REVIEW OF THE CONTEMPORARY REGULATION AND STATE OF E-COMMERCE SECTOR IN INDIA

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ABSTRACT

The study focuses on the privy of the regulation and existing stage of the e-commerce sector in India. The booming of online-shopping coupled with the advent of technology with increased level of IT skills amongst the masses has made the e-commerce in India a buzzing fact. The study reviews the existing regulations and trends in the e-commerce sector in India.

Keywords: *E – Commerce Sector, India, Current Growth, Regulations.*

INTRODUCTION

The textual meaning of e-commerce is the buying and selling of products and services by businesses and consumers over the Internet. Recent years have seen a remarkable transformation in the way India shops and trades. E-commerce has taken the world of retail by storm and captivated the imagination of an entire generation of entrepreneurs, with e-commerce ventures with various business and commercial models. The sector has grown three times in four years to nearly 12.6 billion USD in 2013. Various industry estimates project that the sector will further growth five to seven times over the next four to five years. According to a joint study by consultancy firm PwC and industry body Assocham, the e-retail industry is poised to touct $10-20 billion by 2017-2020 and e-commerce firms are expected to spend up to $1.9 billion (roughly Rs 11,678 crores) by 2017-2020 on infrastructure, logistics and warehousing.

Objectives and methodology of the study

The paper has following objectives

1. To explain the concept of e-commerce
2. Existing regulation which effects e-commerce
3. Current status and future prospects of e-commerce

Methodology

The present study is conceptual survey with exploratory cum descriptive in nature. It is based on the analysis of secondary data. The secondary data is availed from various journals, internet, and books.

This can be e-tailing, B2B, intranets and extranets, online advertising, and simply online presences of any form that are used for some type of communication (e.g. customer service).Currently, more than 30.2% of the world has an access to the internet, and hence e-commerce. Reduced internet surfing charges, internet technology development covering expanded bandwidth, and increased speeds and reliability has made e-commerce available to a large pool of emerging market consumers

The bookings done electronically between **Business to Consumer** for purchase or sale of goods and services is known as **B2C e-commerce.** Although B2C e-commerce receives a lot of attention, B2B transactions far exceed B2C transactions

From the point of view of business, there are two models of e-commerce. First model is known as 'Market Place' model, which works like exchange for buyers and sellers. The 'Market Place' provides a platform for business transactions between buyers and sellers to take place and in return for the services provided, earns commission from sellers of goods/services.

Ownership of the inventory in this model vests with the number of enterprises which advertise their products on the website and are ultimate sellers of goods or services. The „Market Place", thus, works as a facilitator of e-commerce. Different from the „Market Place" model is the second category of business known as „Inventory Based" model. In this model, ownership of goods and services and market place vests with the same entity. This model does not work as a facilitator of e-commerce, being delineated therefrom, but is engaged in e-commerce directly.

Existing regulation in e-commerce

As per extant FDI policy, FDI, up to 100%, under the automatic route is permitted in B2B „e-commerce activities". The relevant paragraph 6.2.16.2.1 of „Circular 1 of 2013-Consolidated FDI Policy", effective from 05 April, 2013, is given below:
"E-commerce activities refer to the activity of buying and selling by a company through the e-commerce platform. Such companies would engage only in Business to Business (B2B) e-commerce and not in retail trading, *inter-alia* implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well."
Paragraphs 6.2.16.4 (2) (f) and 6.2.16.5(1) (ix) further provide that " Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of single brand retail trading or multi-brand retail trading." As such, extant FDI policy does not permit FDI in B2C e-commerce.

Information Technology Act, 2000 provides legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce", which involve the use of alternatives to paper-based methods of communication and storage of information, to facilitate electronic filing of documents with the Government agencies.

India has the **Consumer Protection Act 1986**. However, nothing in the Act refers explicitly to e-commerce consumers. It provides for regulation of trade practices, creation of national and state level Consumer Protection Councils, consumer disputes redressal forums at the National, State and District level to redress disputes, class actions and for recognized consumer associations to act on behalf of the consumers. The Act provides a detailed list of unfair trade practices, but it is not exhaustive.

The legal requirements for undertaking e-commerce in India also involve compliance with other laws like Contract Law, Indian Penal Code, etc. Further, online shopping in India also involves compliance with the banking and financial norms applicable in India. For instance, take the example of PayPal in this regard. If PayPal has to allow online payments receipt and disbursements for its existing or proposed e-commerce activities, it has to take a license from Reserve Bank of India (RBI) in this regard. Further, cyber due diligence for Paypal and other online payment transferors in India is also required to be observed.

In recent months there has been a lot of interest and debate around permitting **FDI** in B2C e-commerce. While its proponents perceive enormous benefit, there is no dearth of people who have serious apprehensions to this proposition. In response to news reports appearing in print and electronic media, a number of representations have been received in this Department from different stakeholders. Their broad points of view are described in the following paragraphs.

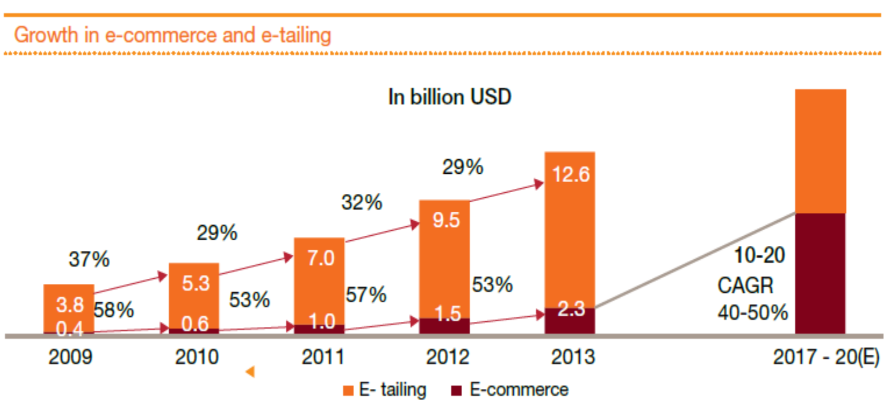
A national level **body of internet and mobile phone companies**, highlighting the challenges as regulatory restriction to raise funds from foreign PE/VC, has suggested a caveat based approach to allowing FDI in the sector. Another national body of software and IT companies has made persuasive case for allowing FDI in B2C e-commerce. It is stated that e-commerce can be aligned to the objectives of national development by providing impetus to manufacturing sector, order consolidation and distribution, facilitating and supporting SMEs, improving outreach and access to buyers/sellers, bringing traceability and transparency in transactions, empowering consumers with information and data and finally creating new job opportunities. **One body of industries** has stated that MSMEs / traders are currently benefitting from e- commerce in India and there is huge scope of further involvement and growth of MSMEs / traders with further boost to e-commerce. Even small traders have enhanced their coverage by using e-commerce platforms like JustDial, Quikr etc. **An international council** has stated that India could reap enormous and nearly immediate benefits by creating an exemption from its retail FDI rules to permit the unrestricted marketing of retail goods through e-commerce.

A national **body of traders** has strongly opposed allowing any FDI in e-commerce. They have stated that Indian market is not yet ready for opening up e-retail space to foreign investors. Small time trading or opening corner stores still remains a large source of employment. FDI in the sector will have disastrous impact on this domestic industry leading to monopolies in e-commerce, manufacturing, logistics, retail sector etc. and causing large scale unemployment. Because of scale of economic operations, e-commerce players will have more bargaining powers than standalone traders. Allowing FDI in e-commerce will provide e-commerce players with complete geographical reach, which will be against the spirit of FDI in multi brand retail trade i.e. being restricted to cities with a population of more than one million in consenting states or any other city of their choice. Moreover, Indian e-commerce industry which is at a nascent stage of development will be seriously threatened

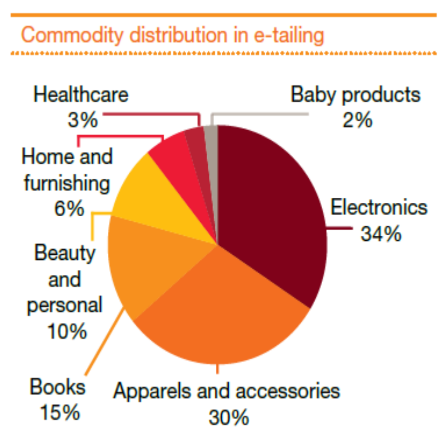
Representations have also been received from certain multinational companies. One such MNC engaged in the inventory based e-commerce has stated that open and deregulated e-commerce sector would create new markets for small businesses/entrepreneur and help them scale at almost no cost and generate employment through investment/innovation in supply chain management, warehousing, logistic services and other ancillary sector. It is suggested that in order to bring much-needed parity between e-commerce and recently liberalized brick and mortar retail trade policy, enabling greater inclusion of remote consumers and small businesses, a separate policy framework for FDI in e-commerce that relies on nuanced, functionality-based treatment of e-commerce platforms in their various existent forms could be considered. Another MNC which also operates front end stores is in favour of opening the sector to FDI. However, another MNC engaged in 'Market Place' model of e-commerce having presence in the country since last few years has not given any views on opening of FDI for inventory based B2C e-commerce. It may be mentioned that FDI in Market Place model is already present in the country

Current status and Future prospects of e-commerce

Industry studies by IAMA2 I indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become the fastest-growing segment, increasing its share from 10% in 2009 to an estimated 18% in 20133. Calculations based on industry benchmarks estimate that the number of parcel check-outs in e-commerce portals exceeded 100 million in 2013. However, this share represents a miniscule proportion (less than 1%) of India's total retail market, but is poised for continued growth in the coming years. If this robust growth continues over the next few years, the size of the e-retail industry is poised to be 10 to 20 billion USD by 2017-2020. This growth is expected to be led by increased consumer-led purchases in durables and electronics, apparels and accessories, besides traditional products such as books and audio-visuals.



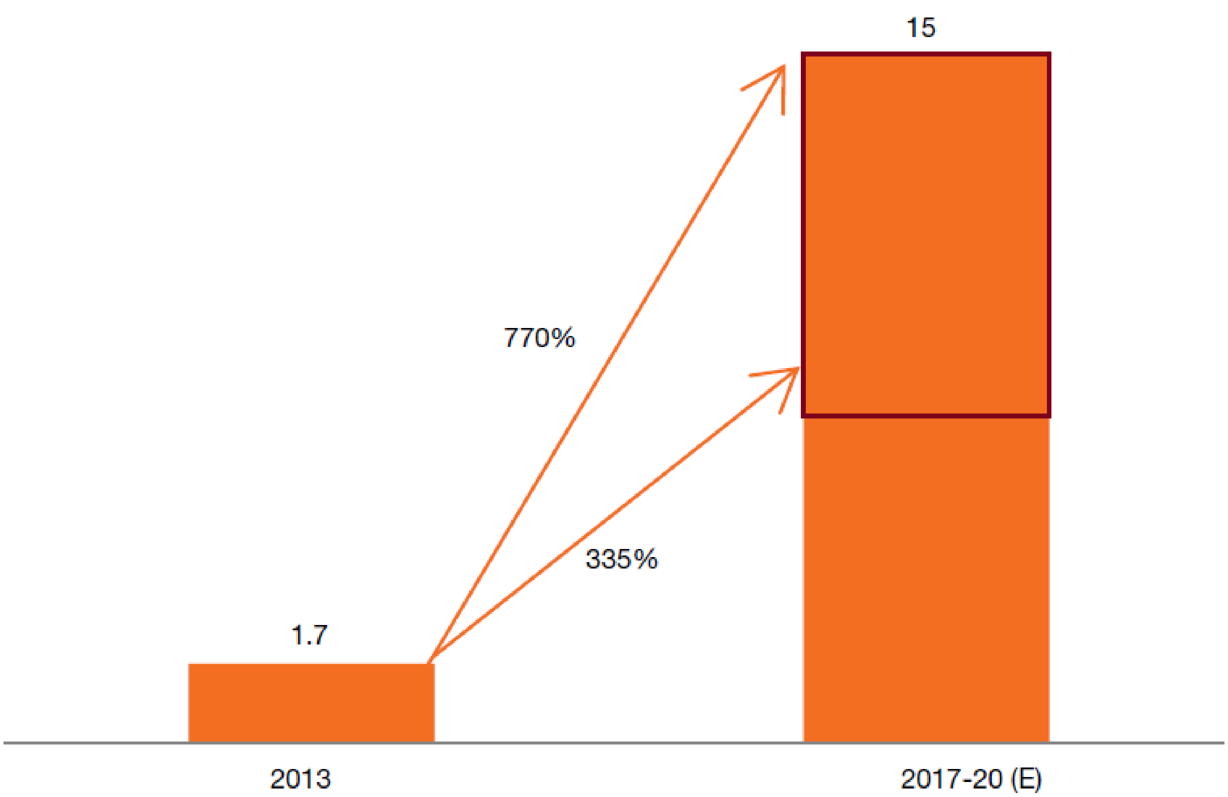
Source: Crsil, IAMAI, PwC analysis and Industry experts



Source: Internet and Mobile Association of India research

Based on current productivity trends and growth estimates, it can be estimated that over the next three to four years, there will be an addition of 7.5 to15 million sq ft4 in the form of additional central fulfillment centers alone with an average size of 80,000 to 1,50,000 sq ft each. This, by itself represents an additional 6 to 12% of all the space available in the form of organised warehousing in India and almost 25 to 50% of all incremental addition of consumption-driven warehousing space 5 in the same period. To enhance the reach further to match the growth in warehousing, additional sortation and delivery centers will also be critical. Such additional centers with each measuring around 10,000 to 20,000 sq ft will be added. Industry estimates6 reveal that the total spend on warehousing and sortation centers could be as high as 3 to 6% of top-line revenues, which represents an cumulative spend of over 450 to 900 million USD of spend in warehousing till 2017-2020. The industry is expected to spend an additional 500 to 1000 million USD in the same period on logistics functions, leading to a cumulative spend of 950 to 1900 million USD till 2017-2020.

Warehousing requirements



Source: Industry experts and PwC analysis *in million sq.ft*

Despite being a developing country, India has shown a commendable increase in the ecommerce industry in the last couple of years, thereby hitting the market with a boom. Though the Indian online market is far behind the US and the UK, it has been growing at a fast page.

Further, the addition of discounts, coupons, offers, referral systems, 30days return guarantee, 1-7 days delivery time, etc. to the online shopping and the E-Market have added new flavors to the industry.

The Key drivers of in Indian ecommerce have been:

- Increasing broadband Internet and 3G penetration.
- Growing Living standards
- Availability of much wider product range
- Busy lifestyles and lack of time for offline shopping
- Increased usage of online categorized sites
- Evolution of the online marketplace model with websites like eBay, Flipkart, Snapdeal, etc.

The following are the key point that would drive e-commerce

1. **Social Media as a Lead Generation tool**

Social media has now become the hub for the merchants which enables them to analyze the customer choice based on their purchase activities. Social network like LinkedIn, Twitter, Google+, Facebook and others have become a medium for easy log-in and purchase. Moreover, the clients can stay updated via the posts published on this media. Further, the advertising & promotions on these social sites has increased the chances of success of generating transactions to many folds.

2. **Mobile Commerce:**

The latest trend in e-commerce it to focus on mobile based shopping. Snapdeal now getting half of its traffic from mobile, up from 5% around a year back and flipkart gets 40% traffic from mobile up from 15%. As price of smart phone reduce, these figures will only increase. For this reason, the larger ecommerce firm has started focusing on mobile commerce. It is speculated that the next wave of digital commerce consumer will come thru the mobile.

3. **Price comparison engine:**

In the race to acquire customer, e-commerce sites offer deep discount and these discount vary from site to site depending upon its capacity to negotiate with the supplier. To get the best discounts, buyer need to search a plethora of sites. Here, Price comparison sites come in like m*ysmartprice.com*, *Pricedekho.com, freekamal.com* and *Junglee*, etc. . The website compare prices over the entire web and provide users with the best available price. E-Commerce sale through these website are increasing and will further increase as consumers get more and more discount savvy.

4. **Online Grocery Store:**

Online grocery stores are gaining popularity in India due to absolute convenience, ease of shopping and a fast-growing market. Punexpress.com, Milestore.com, Atadaal.com have already entered the market and are gaining popularity. They provide discounted product and free home delivery. All of these stores are targeting the Indian housewife, who are yet to move to e-commerce way of shopping.

5. **Innovation in logistics:**

The addition of the new concept in the ecommerce industry had been recently observed when Amazon patented its new delivery model called the ***Prime Air*** which is expected to be launched in the upcoming years. This model will use the highly technically embedded drones or helicopters for the instant delivery of the items. These will be programmed in such a way that using a GPS system they will identify the exact address for delivery and drop the item right in front of the doors of the customers. These aerial vehicles will prioritize the public safety and are designed as per the commercial aviation standards.

CONCLUSION

In simple words, E-commerce just means taking things that your company is already doing in person, through the mail, or over the telephone, and doing those things in a new place on the Internet. The bookings done through electronic communication could be Business to Business (B2B) or Business to Consumer (B2C). **Business to Business i.e. B2B** is e-commerce between businesses such as between a manufacturer and a wholesaler or between a wholesaler and a retailer. It also refers to all forms of business activities conducted across the Internet.

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