

# E-Commerce Study Notes



**E-Commerce Study Notes-** The buying and selling of goods along with the services over the electronic and digital marketers are known as E-commerce. Opportunities are to be provided to all the overseas firms as they are allowed to access the markets of India. All this is to be provided by E-commerce. It is to be ensured that all sorts of information regarding the product will all be available.

The new FDI guidelines for e-commerce has been announced by the central government. This came into effect in February 2019.

## About E-Commerce in India

- The fact cannot be denied that the business in India has been given a new turn by E-Commerce.
- The Indian Market in 2017 was 38.5 billion US dollars and is expected to achieve a target of 200 billion US dollars.
- E-Commerce has led to increased transparency of prices and the consequent ease for customers to price comparison. It also allows sellers to monitor competitors' prices and use the same as an input in setting their own prices.
- As per some studies, third-party online marketplaces play a crucial role in e-commerce in India. An estimated 64% of digital retail trade in India is through online platforms.
- Growth enablers: Besides the growth in smartphone penetration and access to the internet, the growth of e-commerce has been enabled through the introduction of cash on delivery, discounts and deals offered by the marketplaces, faster deliveries including one-day delivery and access to a large product range, especially in tier II and tier III cities where choices were limited.
- India is the fastest-growing market in the world: India's e-commerce sector revenue is expected to rise 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.
- Funding: Since 2009, the e-commerce sector has received investments of around USD 13,338 million from across the world.
- The scholars are also of the opinion that due to the increase in the usage of the Internet along with smartphones, the growth of the industry has been escalated.
- It is also to be considered that the Internet economy of India will be doubled in 2020 as that of 2017.
- The revenue of India's E-Commerce will also become the highest in the world by 2020.

## Challenges in E-Commerce in India

- India's total internet user base is set to grow from 665 million in 2019 to 829 million by 2021, yet e-commerce remains highly underpenetrated with only 50 million online shoppers.
- Unlike an offline world, e-commerce consumers may not be able to check the products or services they purchase. So they may be more susceptible to fraud and face greater challenges in obtaining redress.
- Low share in retail sales: As per the reports of World Bank, online sales as a percentage of total retail sales were only 1.6% in India, versus over 15% for China and around 14% globally.
- Logistic challenge: In addition to the infrastructural inefficiencies, the cost of deliveries is driven up by factors high share of Cash on Delivery (COD) orders, like high return rate.
- Draft e-commerce policy puts an additional obligation on online retail giants such as Walmart-Flipkart and Amazon to set up a local data centre for the collection and storage of such data.
- The issue of security is the biggest drawback of the E-Commerce Industry.
- Lack of privacy will also develop a sense of ambiguity among the people to use online transactions, in terms of, money.
- Also, the differences in the culture would create some hurdles in terms of, both the business and the consumers which will hamper catering to the demands of the new consumer base.



## Government measures to improve

- The various initiatives including Make in India along with the Skill India and many more have been announced by the government.
- A Memorandum of understanding has been signed by the Govt. e-Marketplace with the Union Bank of India so as to facilitate a transparent payment system.
- The Draft National e-Commerce policy has been released by the government in February 2019 with the purpose of boosting the FDI in the marketplace model of e-commerce.

## Foreign Direct Investment, FDI

- It can be defined as an investment from a firm belonging to one country into another country in the form of business.
- This can be made if one expands its business into a foreign country or if one becomes the owner of another country.

## The Revised FDI Policy

- The new FDI policy that has been brought up by the government describes various principles regarding the issue of operating the online market places.
- It includes 100% Foreign Direct Investment along with complete Foreign ownership.
- While considering the marketplace model, it can be said that none of the e-commerce firms is permitted to affect the goods and services in terms of their sales prices.
- The revised FDI norms will provide many benefits including increased investment along with employment and growth.
- As per the revised norms, the permission of 100% FDI is granted in terms of the sale of coal along with the mining activities.
- As the government has granted 100% FDI through the automatic route for Contract manufacturing, it will also boost the initiative of Make in India as the companies at the global level will also establish the companies in India.

## Contract Manufacturing

- A Contract manufacturer is appointed by the firm so as to produce the final products.

## Benefits of Contract Manufacturing

- As the companies don't have to pay for any kind of instrument that is required during the production, hence, the companies will be able to save both the Capital cost along the labour cost.
- There also lies many companies who willingly, wants the Contract Manufacturer belonging to the countries where the labour cost is low.
- Companies will also get the benefits of the skills which is acquired by their Contract Manufacturer.
- Companies will be able to focus more on the other issues if they can hand over the production to another company.



## Conditions under which the FDI is ensured

- Permission is to be granted to the manufacturer so that he can sell its products through E-Commerce retail in India.
- Permission is also granted to the Indian manufacturer to sell its products through E-Commerce retail.

## E-Commerce Entity

- This can be defined as any company that is assimilated under the following:
- The Companies Act, 1956
- The Companies Act, 2013
- It also includes any foreign company which is incorporated under the Companies Act, 2013 or as per the FEMA 1999, or else any branch in India owned by the non-resident of India.

## Impact on e-commerce firms

- A bar has been placed on the e-commerce companies including Amazon, Flipkart, etc in the sense that they have to ensure that the vendors would sell on their platforms exclusively.
- As the customers prefer online shopping due to the heavy discounts, but due to the new norms, it won't be available on other sites along with the offline stores.
- All these issues will impact the revenue along with the e-commerce companies growth in India.
- It will also impact the e-companies which sells their private labels.

## Way Forward

- It is to be considered that the micro along with the medium and the small enterprises in India are witnessing the direct impact of the e-commerce industry.
- As the e-commerce industry in India is growing rapidly, and scholars are of the opinion that by 2034, India will become the largest e-commerce market in the world.
- It will also boost employment.



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