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Impact of the 'Make in India' campaign on the e-commerce sector

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ABSTRACT
The COVID-19 pandemic has had a huge impact on the e-commerce industry in India and in most parts of the world. Due to countries all over the world putting different movement restrictions on their citizens, the dependency of purchasing daily requirement items online has increased drastically. Many reports predict immense growth for this industry in the upcoming years. However, the sector needs to be mindful of emerging challenges such as ensuring sustainability of supply chains, reducing their carbon footprint during transportation and packaging. This paper explores the possible impacts of the 'Make in India' push by the Indian government and suggests measures to deal with the challenge.

KEYWORDS*: e-commerce, COVID-19, retail, lockdown, India*

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I. INTRODUCTION

Electronic commerce or e-commerce is a business model in which firms and individuals buy and sell things over the internet. There are four main business segments in e-commerce businesses:

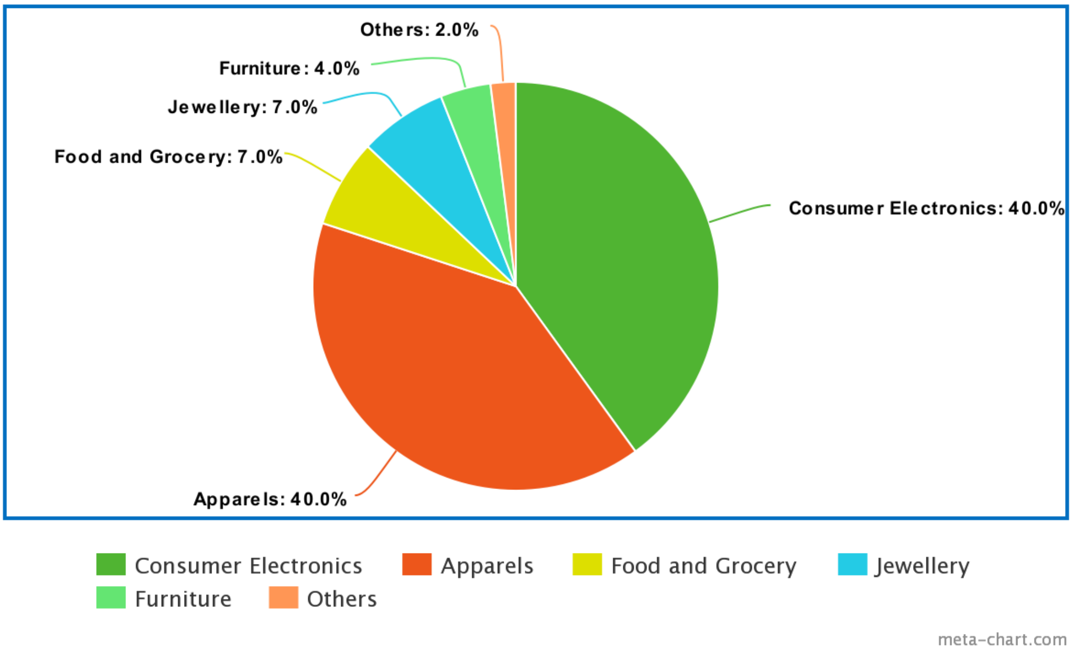
1. Business to Business (B2B): This refers to a business selling a good or service to another business, for example a manufacturer and wholesaler, or a wholesaler and a retailer. Business to business e-commerce isn't consumer-facing, and usually involves products like raw materials that are combined. Manufacturers also sell directly to retailers via B2B ecommerce.
2. Business to consumer (B2C): This is the most popular e-commerce model. As the name suggests, in this business segment sale is taking place between a business and a consumer. An example of this could be buying a desk from an online retailer.
3. Consumer to consumer (C2C): C2C e-commerce refers to the sale of a good or service to another consumer. Consumer to consumer sales take place on platforms like eBay etc. in which an older consumer who doesn't feel the need to own the item anymore, sells it to another consumer. For example: selling a used car
4. Consumer to business (C2B): Consumer to business is when an individual sells their services or products to a business organization. C2B encompasses influencers offering exposure, freelance writers, etc.

Some of the strengths of using e-commerce businesses include the availability of products, the speed of access, its international reach, lower cost and also personalizing and recommending products. However, some of its weaknesses include the fact that there is limited consumer support, you can't physically see what you purchase until it comes, there is a longer wait time compared to brick and mortar business.

Due to government imposed COVID-19 lockdowns, need for social distancing and work-from-home job arrangements, consumers have rapidly moved towards online shopping. However, the uncertainty in consumer demand and supply chains can affect the e-commerce industry. Although there are cross-country differences, COVID 19 has enhanced dynamism of the e-commerce businesses and also expanded the industry itself. New firms have entered, new consumer segments (such as the elderly) and new products offerings (such as groceries) have led to immense growth in this sector(OCED 2020) Forinstance, China nearly doubled its share in the global luxury market to 20% this year, compared with major declines elsewhere around the world.Chinese shoppers are increasingly turning to online platforms for purchases of luxury items. The report showed that luxury sales through digital channels in China increased 150% in 2020 from last year, helping lift online penetration of luxury goods to 23% from 13% during the period. (Nikkei Asia, 2020). Another example would be online pharmacies in India.According to industry trackers, this sectors revenue is said to grow by 35% in the last year. An almost 3X times expansion last year would mean huge growth this year as well. Economic times estimates the growth of the sector to reach 2.7 billion by 2023 from 360 million in 2019. (Shah APS, 2021). Some of these changes in the e-commerce landscape will likely be of a long-term nature in light of the possibility of new waves of the epidemic and the convenience of the new purchasing habits.

The Covid-19 pandemic fuelled the proliferation of digital modes of payments, the Reserve Bank of India noted in its Annual Report 2020-21. They further said, "The Covid-19 pandemic has fast-tracked digital transformation of the payments ecosystem in India. Besides augmenting the broad-based use of technology, the pandemic has fuelled the proliferation of digital modes of payment, propelling the country towards 'less-cash' alternatives," the report said.Overall, the total digital transaction volume in 2020-21 stood at 4,371 crores, as against 3,412 crores in 2019-20, attesting to the resilience of the digital payment system in the face of the pandemic(The Hindu, 2021).

Share of Various segments in Indian E – Commerce Retail by Value.
Data from India Brand Equity Foundation. Retrieved from https://www.ibef.org/download/E-Commerce-March-2020.pdf



Similar trends have been seen all across the world. For example, in the United States,while the shareof e-commerce in total retail had slowly increased between the first quarter of 2018 and the first quarter of 2020 (from 9.6% to 11.8%), it spiked to 16.1% between the first and second quarter of 2020.The development is similar for the United Kingdom, where the share of e-commerce in retail rose from 17.3% to 20.3% between the first quarter of 2018 and the first quarter of 2020, to then rise significantly to 31.3% between the first and second quarter of 2020 (OCED, 2020). Such increases in numbers were found in other parts of the world.

Similarly, in India, the market opportunities for online commerce in India are expected to touch $200 billion by 2026 from $30 billion in 2017 (IBEF, 2020). The report also states that the Indian e-commerce industry is expected to overtake its US counterpart to become the second-largest market for e-commerce in the world by 2034.

New Regulations for e-commerce

As the proliferation of e-commerce continues to grow in the country, the government has recently come put with 'Consumer Protection (E-Commerce) Rules2020'in order to protect consumer rights, and also incorporate important information about the e-commerce handlerskeeping in mind the consumer and product and service provider. The most important part is that these rules do not advise change but rather mandate it. These include:

1) Every e-commerce entity should provide the following information in a clear and accessible manner on its platform, displayed prominently to its users, namely: -

a) Legal name of the e-commerce entity
b) Geographic address of the company's headquarters and all branches
c) Name and details of its website
d) Contact details like email ID, phone number, landline number and the customer care number

2) No e-commerce entity shall adopt any unfair trade practice whether in course of business on its platform or otherwise
3) No e-commerce entity shall display or promote any misleading advertisement whether in the course of business on its platform or otherwise

For instance, under the ambit of 'unfair trade practices', these regulations seek to ban flash-salesto ensure that e-commerce businesses do not limit customer choice. Along with this, through introducing a 'fall back liability' system the e-commerce entity is held accountable for any loss to the customer due to negligence by a seller on their platform. Before this draft, the e-commerce entity would redirect the grievances to the respective sellers but this system will entitle the customer to the e-commerce entity and hold them accountable for the loss. Furthermore, e-commerce businesses cannot share customer information to a third party without 'affirmative consent'. This consent cannot be in automatic, rather it has to be in the form of a checkbox or signature.

Between 2021 and 2026, India's packaging sector is expected to grow at a nearly 27 percent annual rate. To prevent the spread of the COVID-19 pandemic, most developed countries are either burning or landfilling wastepaper (Mordor Intelligence). Corrugated cardboard box manufacturers are working to transport packaging to manufacturers of essential goods such as food and other consumer products, medical and pharmaceutical, tissue, and hygiene products, but raw materials are becoming increasingly difficult to secure for many Indian paper mills.

Demand for packaging is increasing as the population grows, income levels rise, lifestyles change, increased media penetration through the internet, television, and the growing economy.The packaging market is rapidly expanding due to large investments in growth in the pharmaceutical and food and beverage industries.

The rise of India's middle class, the rapid expansion of organised retail, an increase in exports, and the emergence of India's e-commerce sector are all contributing to growth. According to the Indian Institute of Packaging, packaging consumption in India has increased by 200 percent in the last decade, rising from 4.3 kilogrammes per person per annum (pppa) to 8.6 kg (pppa).

The government has been in touch with industry experts on a regular basis in order to maximise India's packaging sector's potential. The Packaging Industry Association of India (PIA) is one example that has been tasked with developing regulations and guidelines that will boost India's export potential in the global market.

Other social challenges remain. For instance, Grofers, a Gurgaon-based online grocery delivery service company that was founded in 2013 recently faced backlash online for being able to make deliveries within 10 minutes. Many customers were worried about the breaking of traffic rules, emission of harmful gasses, and the fact that they pack orders within 2.5 mins which leads to not proper delivery of items. This was soon clarified by the CEO, but preventive measures need to be taken in the future for safe and sustainable deliveries.

The Make-in-India push

In line with the government's Make-in-India policy, the e-commerce firms are required to mention the origin of the manufacturers along with providing domestic alternatives. The main objective of the Make in India initiative is to focus on skill enhancement and job creation for the required sectors in our country. It also aims to increase the quality standards and minimize and environmental damage. With this initiative, the government hopes to attract capital and technological investment in India.

Some of the advantages of this policy include the following:
1) Increase India's Economic Growth: The Make in India campaign will result in an increase in exports and manufacturing. Increased exports will benefit the economy, and India will be transformed into a global manufacturing hub through global investment in cutting-edge technology. Manufacturing will also contribute to India's economic growth and GDP.
2) More Job Opportunities: It will result in the creation of many new job opportunities. Approximately ten million people are expected to find work. An increase in investment will create job opportunities for the skilled labor force, resulting in the formation of a job market.
3) Increase Foreign Direct Investment (FDI): It will welcome more FDI. Since the government has promised to make it easier to run a business in India, it will attract a lot of FDI. At the moment, it has already received INR 20 K million from a proposal made in October 2014.
4) Investment in India: As a result of the Make in India Project, more companies are looking to set up factories in India, and a unit known as "Invest India" is in the process of being established.This unit will be under the Department of Commerce and will be available at all times to make it easy to obtain regulatory clearance in the shortest amount of time possible, ensuring that businesses can run smoothly in India.

II. CONCLUSION

The impact of COVID-19 on the e-commerce sector isn't one sided. While this sector is projected to grow at a high rate over the next few years there are other long-term problems that come into the picture such as sustainability. The transportation and packaging of goods purchased through the internet has a negative impact on the environment hence safer alternatives need to be researched. On the other hand, the growth of the e-commerce sector will eventually help develop the Indian economy by increasing the number of jobs, exports and also national income.

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