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DISCUSSION PAPER

Enabling Exports Through E-commerce

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Background

India's retail sector stood at USD 795 billion and is expected to reach USD1.75 trillion by 2026. Of this, the share of e-commerce in expected to be USD 200 billion. Between 2014 and 2017, e-commerce in India grew at a phenomenal compounded annualised growth rate (CAGR) of 41 per cent, and from 2017 onwards, it has been consistently growing at a CAGR of 17 per cent till 2026. As a percentage of total retail it is still only 3.5-4.5 per cent. The share is likely to more than triple within the decade. While the focus has predominantly been on creating a regulatory framework, in recent times the focus has also been on enabling exports through e-commerce.

Objective

E-commerce has been at the focus of policymakers for various reasons; it has grown at a stupendous pace and it has also benefitted consumers by offering access to goods and services in semi urban and rural India at affordable prices. Inter-linkages within the sector has enhanced the potential for job creation, economic growth, and growth in export. This study is focused on examining the impact of e-commerce on exports and the potential it presents.

Preliminary Impact Assessment of E-commerce

The tremendous growth witnessed in e-commerce is a global phenomenon and India is not an exception. The primary benefit of e-commerce for both online sellers and consumers is that it brings down cost, increases revenues, increases market access to products, and enhances the customer experience. The evolution of internet has already had a great impact on consumers and e-commerce is a step forward towards making accessibility of goods and services much easier and efficient. E-commerce also helps businesses redefine their operational ways and lay more focus on innovation, digitisation, and streamlining processes to stay competitive. By launching a company or product website, the businesses can reach out to larger prospective customers and hence increase their customer base. Taking cognisance of the positive impact of e-commerce on various stakeholders, the Government on India is already in discussion with e-commerce players to explore new strategies to promote both exports and rural economy. In August 2020, the Ministry of Commerce and Industry is believed to have held discussions with leading e-commerce players in India to discuss how Indian products with the geographical indicator (GI) tags can also be sold through e-commerce. Nitin Gadkari, Union Minister for Micro, Small, and Medium Enterprises, has urged large e-commerce platforms to list products from rural India separately in order to promote them globally. These new strategies are in line with the government's recent Local, Vocal, Global initiative.

The Role of MSMEs

The MSME sector is rightly touted as the backbone of India's economy or the 'Engine of Growth' as it accounts for 45 per cent of industrial output and 40 per cent of the total exports in India. There are as many as 63 million MSMEs in India. As countries across the world look to re-orient their global supply chains, to reduce dependence on China, Indian MSMEs are poised to make their presence felt in the global market. E-commerce could help provide new opportunities both in domestic and foreign markets to incentivise MSMEs. E-commerce in India can act as a channel through which Make in India and exports can be stimulated. India must act fast and e-commerce can act as an immediate enabler.

India's Exports

India has been working towards increasing her share of exports to the world. This has always been a challenge largely owing to poor price competitiveness and the lack of a robust domestic manufacturing sector and innovative manufacturing techniques. India has made excellent headway in the pharma sector (12.7 per cent increase over 2018) and the electronics sector (largely owning to mobile phone manufacturing). Traditionally strong sectors for India, such as leather (3.8 per cent decline over 2018), diamonds, and even meat have seen a decline in terms of gross and/or net exports (7.4 per cent decline over 2018) Some sectors are more suited than others for exports through e-commerce. These have traditionally been textiles, footwear, apparels, gems and jewellery, to name a few, products of which can be sold directly to overseas consumers.

Traditional Export Mechanism

Prior to advent of e-commerce, most Indian businesses were exporting goods through the traditional channels of export. The business first needs to gather information of foreign markets by carrying out extensive market research. The next stage involves identifying and partnering with importing agencies and distributors in those countries. This can be done at the time of the visit or by attending trade and commerce expos and conferences. If the product clears all required checks, the distributor may choose to buy a limited amount to test the market and then choose to enter into a longer term contract with the business. From this point on, the distributor assumes the risk on the inventory and it is the distributor who will have to find ways of making the final sale through their distribution channels.

Challenges to Traditional Method of Export

The entire mechanism of traditional export is fraught with challenges in its process. First, there is limited access to market information. The preliminary process of gathering information about a foreign market is not only challenging but is also a time consuming process and through trial and error. Second, there are many entry barriers for smaller businesses in terms of cost. Third, business or seller have little or no feedback from actual consumers and users of product. They are forced to rely on the overseas supplier/importer for feedback of the sold product. Fourth, accommodating the local preferences of the export market often comes at a significant cost. Without proper feedback or any means of knowing how successful even a customised product could do, businesses are unwilling to take the risk to make changes to their existing product that has thus far worked well in the domestic Indian market. The absence of recognisable brand creation has also hampered Indian manufacturers from securing a loyal market base.

Exports Through E-commerce

Exports through e-commerce can happen in four ways. First, businesses can create their own website and take orders from customers from both domestic and foreign markets and fulfil these orders. Second, domestic e-commerce companies that have a presence in foreign markets can help facilitate the sale of domestically manufactured goods in international markets. Third, businesses can on board themselves onto marketplaces or e-commerce companies that have a strong presence in specific markets or regions and sell through these platforms. Fourth, businesses that are already present on foreign marketplaces with a presence in India can utilise their services and global presence to sell to foreign customers.

While the cost of setting up one's own website in itself may not prove to be an expensive affair, marketing and customer acquisition can be a challenge. Existing businesses who have already built a brand identity will find it easier and ultimately maybe even more profitable, to set up their website and fulfil orders.

Selling through existing marketplaces has one big advantage, which is that of credibility. Marketplaces already have a large number of consumers that are loyal to it. Hence new sellers achieve a certain sense of acceptance. Other advantages of selling through existing marketplaces is that of managing logistics and the value addition offered by marketplaces like tools for market insights. E-commerce could also potentially open up global markets for Indian GI products, handicrafts, and products originating in rural India. The Uttar Pradesh government's One District One Product initiative explores the use of e-commerce to promote each district's featured product in global markets for increasing exports.

Advantages of Exporting Through E-commerce

Using e-commerce as an enabler for export offers businesses a certain sense of control and independence over decision making. By nature, e-commerce connects sellers directly to the end consumer. The dependence on intermediaries in foreign markets is reduced to a large extent. One of the biggest challenges that the traditional channels of exports presents is the inability of smaller businesses to participate in the process. E-commerce creates a level playing field for any kind of business to access foreign markets. The low cost of investment and small quantities of export that is possible through e-commerce also means that the cost of failure for any business is not crushing. E-commerce connects the seller to the end consumer directly. This means that the seller has direct access to feedback from consumers on multiple parameters. While label goods cannot be sold directly consumers, e-commerce requires for brands to be built. While there may be a certain cost involved to building a brand from scratch, the long term gains of this objective are manifold. For India, it is important to create brands so that loyal customer bases can also be secured.

Challenges to Exporting Through E-commerce

Logistical challenges to e-commerce entails high cost of logistics, high cost of reverse logistics and the lack of effective use of India Post's infrastructure. Similarly there are also policy challenges that exist. These include the lack of any means to deal with returns from e-commerce exports, remittances reconciliation issues, and limits set on value of package permissible for courier or express delivery services.

Recommendations

There are a total of nineteen recommendation made across the broad categories of logistics, customs, payment systems, brand creation, creation of enabling environment and on next steps for industry. Some of these are:

i. Every district must have one post office that is equipped to process exports independently.

ii. India must create a separate channel and framework that allows for returns of cross border e-commerce packages.
iii. The current courier limits of INR 5 lacs must be revised upwards to allow for high value exports through e-commerce.
iv. Customs clearances must happen faster and in a time bound manner.
v. India must focus on certain champion sectors to promote export through e-commerce.
vi. All existing initiatives aimed at stepping up India's presence in the global market must also mandatorily focus on brand creation and development.
vii. Existing market places must play a more proactive role in in handholding and guiding their sellers on compliance requirements.

List of Abbreviations

Bn	Billion
BPM	Business Process Management
CAD	Current Account Deficit
CAGR	Compounded Annualised Growth Rate
COVID	Corona Virus Disease
CBS	Core Banking Solutions
CSB	Courier Shipping Bill
DPIIT	Department for Promotion of Industry and Internal Trade
EDPMS	Export Data Processing and Monitoring System
e-FIRC	electronic Foreign Inward Remittances Certificate
FDI	Foreign Direct Investment
FEMA	Foreign Exchange Management Act
GEM	Government e-Marketplace
GI	Geographical Indicator
INR	Indian Rupee
IRM	Inward Remittance
IT	Information Technology
MEIS	Merchandise Export from India Scheme
MSME	Micro, Small and Medium Enterprises
RBI	Reserve Bank of India
UNCTAD	United National Conference on Trade and Development
USA	United States of America
USD	United States Dollar
WITS	World Integrated Trade Solution
ZED	Zero Defect and Zero Effect

1. The Evolution of E-commerce

1.1 Growth of E-commerce

India's retail sector stood at USD 795 billion and is expected to reach USD1.75 trillion by 2026. Of this, the share of e-commerce in expected to be USD 200 billion[1]. Between 2014 and 2017, e-commerce in India grew at a phenomenal compounded annualised growth rate (CAGR) of 41 per cent, and from 2017 onwards, it has been consistently growing at a CAGR of 17 per cent till 2026[2]. As a percentage of total retail it is still only 3.5-4.5 per cent. The share is likely to more than triple within the decade[3]. While the focus has predominantly been on creating a regulatory framework, in recent times the focus has also been on enabling exports through e-commerce[4].

E-commerce in India has flourished over the last decade and has drastically transformed the way business is undertaken in India. In the beginning, most businesses in the e-commerce sector were generated through online travel bookings. However, concerted efforts of policymakers and private players towards stepping up financial inclusion, financial literacy, and digital inclusion, have all contributed to the growth of e-commerce in India. From merely booking travel tickets and movie tickets online, consumers are now comfortable ordering even high-value products online, something that was not so common even a couple of years ago. Four significant factors have facilitated this shift in consumer confidence.

First, the e-commerce companies have streamlined their logistics, delivery systems, and reverse logistics systems to ensure that the consumer is least inconvenienced, even if they change their mind about their order at the time of delivery. Second, digital inclusion and access to internet has made online shopping more accessible to people across the country. The penetration of smartphones and 4G networks brought the convenience of shopping on the go to the fore. It also meant that consumers in remote corners in India suddenly had access to brands and products that were otherwise unavailable to them. Third, financial literacy has increased the general level of trust and comfort for undertaking financial transactions online. Fourth, the logistics sector in India has shown a promising growth trajectory, enabling end to end delivery of goods and services.

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1 Invest India
2 https://www.statista.com/statistics/792047/india-e-commerce-market-size/
3 Invest India
4 https://www.moneycontrol.com/news/economy/policy/commerce-ministry-plans-to-boost-exports-through-e-commerce-4082871.html

A larger part of the e-commerce transformation in India has been triggered by increasing internet and smartphone penetration. The ongoing digital transformation in the country is largely on account of internet penetration in India, that has gone up from a mere 8 per cent in 2010 to 25 per cent in 2016 and is expected to reach 55 per cent by 2025, taking the total number of users to over 850 million. With per capita consumption expected to increase in both rural (4.3 times) and urban (3.5 times) and on the back of a growing young population, digitally influenced purchases in India are expected to reach USD 550 billion by 2025, accounting for almost 30 per cent of all retail sales[5].

Despite the stellar growth to the e-commerce sector, India's retail sector comes with its own set of challenges. India's retail sector is comprised of different formats, such as traditional kirana stores, organised single brand retail, organised multi brand retail, food retail, online marketplace models, online inventory models, and direct selling. Foreign direct investment (FDI) rules for each format of retail is different. For example, 100 per cent FDI is allowed in food retail and in single brand retail, but 51 per cent is allowed in multi brand retail. Again, 100 per cent FDI is allowed in direct selling and in e-commerce marketplace models, but none in allowed in e-commerce inventory model. Different rules for different formats of retails have led to a whole host of fragmented regulations and policies in retail on the basis of format and origin of capital. This could be a reason for why India has been unsuccessful in unlocking the huge potential, growth, export, and employment wise, that the sector can generate.

1.2 Objective of the Study

E-commerce has been at the focus of policymakers for various reasons; it has grown at a stupendous pace and it has also benefitted consumers by offering access to goods and services in semi urban and rural India at affordable prices. Inter-linkages within the sector has enhanced the potential for job creation, economic growth, and growth in export. Anecdotal evidence also suggests that e-commerce has aided financial and digital inclusion, with more and more people becoming comfortable transacting online. There has also been much debate on the possible negative impact of e-commerce on traders. Thus far, there has been no data based study that has looked at the net impact of e-commerce on the Indian economy. This is an important study to undertake for informed policy making. Even so, in the absence of such a study, there are certain aspects of e-commerce and its impact that can be deduced based on anecdotal evidence. This study is focussed on examining the impact of e-commerce on exports and the potential it presents.

[5] Invest India

2. A Preliminary Impact Assessment of E-commerce

The tremendous growth witnessed in e-commerce is a global phenomenon and India is not an exception. The primary benefit of e-commerce for both online sellers and consumers is that it brings down cost, increases revenues, increases market access to products, and enhances the customer experience. Since e-commerce is convenient and efficient it has the potential to attract both businesses and consumers. Online orders generally cost lesser compared to the cost over phone or purchases through brick and mortar. Furthermore, on account of 24x7 availability of business there are greater chances of selling a product when compared to a fixed time store format. Also, there is an increased possibility of cross-selling which adds to the revenue growth.

2.1 Impact on Consumers

E-commerce has transformed the consumer sector. The evolution of internet has already had a great impact on consumers and e-commerce is a step forward towards making accessibility of goods and services much easier and efficient. It has changed the shopping behaviour from only purchasing through brick and mortar stores to purchasing online too. E-markets have empowered consumers by enabling speedy price comparison across various brands and with access to services such as cash on delivery and door step delivery. The shopping experience has become faster, easier and more convenient for consumers. The recent rules notified for e-commerce for consumer protection, was the next logical step to protecting consumers. During this recent Covid crisis, even as traditional retailers are doing their best to cope with the present circumstances and cater to consumers' essential needs, e-commerce too has played its part in ensuring the delivery of essential services.

2.2 Impact on Businesses

E-commerce also has a direct impact on businesses. It has the capacity to influence how companies will sell and market their products and open doors to quick learning and implementation for surviving the competition. It helps businesses redefine their operational ways and lay more focus on innovation, digitisation, and streamlining processes to stay competitive. By launching a company or product website, the businesses can reach out to larger prospective customers and hence increase their customer base. The e-commerce platform also enables the businesses to launch a comprehensive analytics campaign through which extensive use of data can be used for better sales effectiveness, product mix, and customer engagement.

The impact of e-commerce on micro, small and medium enterprises (MSMEs) is also important. A research report by Pahle India Foundation (2015)[6] that surveyed 500 MSMEs, found that, units selling to e-commerce use technology more proactively in their everyday business. The study also noted that not one unit that sells to e-commerce had a decline in turnover. Moreover, such units selling are better equipped to deal with competition with large retail players, less concerned about infrastructure issues and have greater access to market insights. The units currently not supplying to e-commerce are more inclined to do so today on account of advantages that are visible amongst their peers of those supplying to e-commerce.

Taking cognisance of the positive impact of e-commerce on various stakeholders, the Government on India is already in discussion with e-commerce players to explore new strategies to promote both exports and products manufactured in the rural economy. In August 2020, the Ministry of Commerce and Industry is believed to have held discussions with leading e-commerce players in India to discuss how Indian products with the geographical indicator (GI) tags can also be sold through e-commerce[7]. Nitin Gadkari, Union Minister for Micro, Small, and Medium Enterprises, has urged large e-commerce platforms to list products from rural India separately in order to promote them globally. These new strategies are in line with the government's recent Local, Vocal, Global initiative[8].

2.3 Impact on Traditional Retailers (kirana stores)

The traditional India retailer or kirana stores are the cornerstone of Indian retail. A little over a decade ago, at the advent of organised retail in India, traditional retailers feared that they would be put out of business. They raised concerns over the impact of competition that large organised retailers would have, their deep pockets and the possibility of collusion, predatory pricing and unfair trade practices. Many parallels were drawn to international markets in which the growth of organised retail had put out many mom and pop stores out of business. Fifteen years since the entry of organised retail in India, domestic, foreign single brand, and foreign multi-brand, traditional retailers continue to thrive. Infact, they have risen to the occasion and upscaled their operations in terms of product offerings, adoption of inventory, and digitisation of payments, without losing their identity or core competency of catering to local needs. If any lesson was to be learned from this example, it is that retail in

[6] http://pahleindia.org/pdf/Computing-the-Socio-Economic-Value-Addition-of-FDI-in-the-E-Commerce-Sector.pdf
[7] https://www.livemint.com/news/india/government-begins-talks-with-e-commerce-firms-to-promote-local-products-11597769954041.html
[8] https://www.businesstoday.in/current/economy-politics/nitin-gadkari-tells-amazon-to-list-products-from-rural-india-separately/story/410463.html

India is not a zero sum game. In India multiple formats of retail have and will continue to co-exist and cater to different section of the Indian population.

The Covid crisis has presented a unique opportunity for collaboration between the different formats. Consumers could be provided with the option of procuring goods from local shops through existing e-commerce marketplaces. This serves two purposes. First, it reduces the instances of people having to go out of their homes to shop for essentials. Second, it also spreads demand and supply and ensures that delivery of goods can happen the same day, thereby reducing the wait time for essentials. These are times during which delivery companies and their networks can partner with existing offline businesses to test new models for e-commerce that may well survive even post crisis period. This is an apt time to test new models, and it is a time for all types of businesses to collaborate by bringing their specialty to play. There is already evidence of this happening in the market today. Hopefully, models that work during this time will give rise to a new retail market of collaborative competition rather than detrimental competition.

2.4 Impact on Employment

E-commerce has a significant impact on job creation. The strong interlinkages of the sector ensure that job creation across the value chain for unskilled, semi-skilled, and skilled labour. In addition to this, to ensure success in the competition, the firms will invest more warehousing, inventory management, and logistics and hence has the potential of further job creation. While job creation is evident in the areas of data entry, website and mobile application creation, maintenance, inventory management, and payment processing, as sharp increase is also evident in the logistics sector, mainly for delivery staff, loading and offloading of goods, and drivers.

2.5 Impact on Trade

Even before the Covid crisis, there was a trade war between the United States of America (USA) and China. This resulted in many businesses of the USA exiting China. Unfortunately, India was a tad too late in reacting to the situation and hence was unable to attract many of these businesses that were exiting, and lost out to other South Asian and South East Asian economies.

Covid has presented a new opportunity for India. If anything, Covid has exposed the extent of dependence global supply chains and countries have on Chinese manufacturing. A quick glance of 2018 export figures for the world compared to both

China and India (Table 2.1) specifically highlight certain product categories for which China is the largest exporter in the world. Some of these are footwear, textiles, capital goods, and consumer goods. Western countries' trade (and by extension risk) exposure to Asia as an entire region and to specific countries has been a point of long debate. It has been argued that many countries are infact not aware of their levels of exposure, resulting often in distortions in inventory and supply[9].

The dependence on China as both an export and import market has caused havoc in global supply chains with many countries now coming to the realisation that an over dependence on any one country, even if it comes cheap, may not be the best way ahead. Even as early as November and December of 2019, global supply chain for the automotive sector was disrupted, with many companies having to halt their production in their home country or other countries due to the unavailability of components from China[10].

Furthermore, this time around, the conscience effort to reduce dependence on China is not just triggered by a resolve to diversify trade partners for economic reasons, but also because of geopolitical considerations. Notwithstanding the reasons, trade has been disrupted and for India there are many new markets that can be explored for exports. Under such circumstances, e-commerce acts as a timely means of exporting goods in a short turnaround. Traditional channels of export tend to take longer in terms of identifying new markets and channels of distribution. E-commerce allows for direct exports to consumers.

Table 2.1 A Comparison of Exports for 2018

Product Group	Global Export USD Billion	China Export USD Billion	India Export USD Billion	China % Share of Global Export	India % Share of Global Export
All Products	20,834.7	2,494.2	322.3	12.0%	1.5%
Capital goods	**6,860.9**	**1,145.4**	**48.4**	**16.7%**	**0.7%**
Consumer goods	**6,520.9**	**885.2**	**144.8**	**13.6%**	**2.2%**
Intermediate goods	4,329.2	416.5	104.9	9.6%	2.4%
Raw materials	2,062.8	41.8	24.0	2.0%	1.2%
Animal	389.2	17.0	10.6	4.4%	2.7%
Chemicals	2,083.6	136.6	44.6	6.6%	2.1%
Food Products	698.4	34.0	6.8	4.9%	1.0%
Footwear	**159.8**	**61.6**	**3.1**	**38.5%**	**1.9%**

[9] https://hbr.org/2020/02/how-coronavirus-could-impact-the-global-supply-chain-by-mid-march
[10] Ibid

Product Group	Global Export USD Billion	China Export USD Billion	India Export USD Billion	China % Share of Global Export	India % Share of Global Export
Fuels	2,291.9	46.6	48.6	2.0%	2.1%
Hides and Skins	**131.6**	**34.6**	**3.3**	**26.3%**	**2.5%**
Machinery and Electronics	**5,435.5**	**1,093.7**	**32.2**	**20.1%**	**0.6%**
Metals	1,410.5	186.3	26.6	13.2%	1.9%
Minerals	256.1	5.0	3.9	1.9%	1.5%
Miscellaneous	1,869.6	251.5	6.4	13.5%	0.3%
Plastic or Rubber	917.5	102.8	11.0	11.2%	1.2%
Stone and Glass	913.1	71.6	43.1	7.8%	4.7%
Textiles and Clothing	**787.8**	**266.5**	**37.0**	**33.8%**	**4.7%**
Transportation	2,393.5	118.0	24.3	4.9%	1.0%
Vegetable	612.7	26.6	18.0	4.3%	2.9%
Wood	483.8	41.8	2.7	8.6%	0.6%

Source: WITS Database

3. Make in India and Aatmanirbhar Bharat

3.1 Evolution of the Schemes

The recent Aatmanirbhar Bharat and the Make in India initiatives are two sides of the same coin. While the Make in India scheme has mostly focussed on building manufacturing prowess for the purpose of exports, the Aatmanirbhar Bharat initiative focuses on self-reliance, which is also built on the edifice of domestic manufacturing capability.

Reinforcing the vision to develop India into a global manufacturing giant, the current government unveiled "Make in India" programme on 25th September 2014 to project India as a preferred investment destination[11]. The primary objective of this campaign was to encourage domestic and multinational firms to produce goods in India with "Zero Defect and Zero Effect (ZED)[12]" so that India's manufacturing is competitive in global markets[13].

Under this initiative, there were 25 key sectors which were identified bearing in mind their potential to compete with the best in the world. These included automobiles, aviation, chemicals, information technology (IT) and business process management (BPM), pharmaceuticals, construction, defence manufacturing, electrical machinery, food processing, textiles and garments, ports, leather, media and entertainment, wellness, mining, tourism and hospitality, railways, automobile components, renewable energy, biotechnology, space, thermal power, roads and highways and electronics systems[14] as part of their priority sectors in the first version of Make in India. In 2018, the Economic Survey announced Version 2 in which ten "champion sectors" had been selected for renewed attention due to their potential for double digit growth. Unfortunately, the impact of Make in India was not evident[15]. Neither did India's manufacturing capabilities see any significant increase, nor did India manage to make a difference to global value chains. So much so that India was unable to attract

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[11] http://indiabudget.nic.in/es2016-17/echap08_vol2.pdf

[12] The ZED initiative is one in which manufacturing and service units, with a special focus on MSMEs, produce high quality products, with zero defects, by adopting environmentally sustainable and friendly practices that will lead to zero effect on the environment. This initiative was introduced to incentivise Indian businesses and MSMEs to improve their quality and manufacturing processes.

[13] http://www.business-standard.com/article/sponsored-content/zero-defect-zero-effect-a-myth-or-a-reality-115060400462_1.html

[14] https://www.ibef.org/economy/make-in-india

[15] For a detailed commentary on an evaluation of Make in India, please see, Pahle India Foundation's study titled "Make in India – Stoking the Manufacturing Sector," http://pahleindia.org/pdf/Make_in_India_Stoking_the_Manufacturing_Sector.pdf

the attention of businesses exiting China during the recent trade war between China and the United States of America (USA) and that was a missed opportunity[16]

With the introduction of Aatmanirbhar Bharat and Vocal for Local initiatives, new champion sectors have been announced in 2020. It is expected that in these sectors, India will reach self-sufficiency (so that India's dependence on imports will reduce) and also capture new global markets, especially with geopolitical changes afoot between many countries and China and its impact on their economies. The focus of Aatmanirbhar Bharat is also to help MSMEs build the requisite capacity to be able to adapt to new demands that would emerge from both domestic and international markets. MSMEs are key to meeting the objectives of self-reliance and export growth. MSMEs form the backbone of almost all manufacturing supply chains.

3.2 The Role of MSMEs

The MSME sector is rightly touted as the backbone of India's economy or the 'Engine of Growth' as it accounts for 45 per cent of industrial output and 40 per cent of the total exports in India. There are as many as 63 million MSMEs in India. Each MSME employs[17] an average of 1.75 people, employing as many of 110 million people. . The United Nations states that such enterprises act as the first responder of the needs to the society, providing a safety net for inclusiveness, and are the primary driver of poverty alleviation and development.

Indian MSMEs are highly diversified in types of businesses and they are spread all over the country across rural and urban areas. A large portion of these MSMEs is self-organised sectors that are gradually turning to become registered units with the easing of regulatory requirements.

Growth of the MSME sector in India is critical to meet the national imperatives of job creation and economic growth. Assuming that even half of the MSME population were able to hire an additional person, by enabling capacity expansion, it would immediately create 30 million new jobs. As countries across the world look to re-orient their global supply chains, to reduce dependence on China, Indian MSMEs are poised to make their presence felt in the global market. India's own strategy to move away from Chinese imports will immediately create a vacuum in the Indian market that can and will have to be filled by MSMEs.

[16] Export Preparedness Index 2020, NITI Aayog
[17] As per RBI's Expert Committee Report on MSME of June 2019, the MSME sector, consisting of 63.38 million businesses, accounts for 111 million jobs.

3.3 The Role E-commerce Can Play

In a post COVID-19 world, it is important to equip these MSMEs with both incentives and opportunities for growth. While government initiatives are important in providing access to credit, e-commerce could create the demand for products manufactured by MSMEs and also provide new market opportunities. In order for India to fulfil the objectives of Make in India and Aatmanirbhar Bharat, MSMEs would have to invest in building capacity. This is not something that they willing to do given their strained circumstances. E-commerce could help provide new opportunities both in domestic and foreign markets to incentivise MSMEs.

E-commerce in India can act as a channel through which Make in India and exports can be stimulated. Exports and Make in India are not mutually exclusive concepts. While, Make in India for India has its own advantages, the true potential in terms of economic realisation can be through exports. This time India must act fast and e-commerce can act as an immediate enabler.

4. India's Exports

4.1 Identifying Potential Export Sectors

India has been working towards increasing her share of exports to the world. This has always been a challenge largely owing to poor price competitiveness and the lack of a innovative manufacturing techniques[18]. A lack of a robust domestic manufacturing sector only further accentuated the problem. The sharp increase in India's current account deficit (CAD) has been evident in the last decade. It has therefore been with renewed focus that the incumbent government has been attempting to identify sectors that could contribute to Indian exports.

Table 4.1 India's Top 10 Exporting Sectors as of 2019

S.No	Product	Value (USD Bn)	% Share of Total Indian Exports
1	Mineral fuels including oil	44.1	13.7
2	Gems, precious metals	36.7	11.4
3	Machinery including computers	21.2	6.6
4	Organic chemicals	18.3	5.7
5	Vehicles	17.2	5.3
6	Pharmaceuticals	16.1	5
7	Electrical machinery, equipment	14.7	4.5
8	Iron, steel	9.7	3
9	Clothing, accessories (not knit or crochet)	8.6	2.7
10	Knit or crochet clothing, accessories	7.9	2.5

Source: http://www.worldstopexports.com/indias-top-10-exports/

Table 4.2 India's Top 10 Net Exporting Sectors as of 2019

S.No	Product	Value (USD Bn)	% Change Over 2018
1	Pharmaceuticals	13.8	12.7
2	Vehicles	11.8	-2.1
3	Clothing, accessories (not knit or crochet)	7.9	6.4
4	Knit or crochet clothing, accessories	7.4	4
5	Cereals	7.2	-5.6
6	Fish	6	-4.3
7	Cotton	5	-31.5
8	Miscellaneous textiles, worn clothing	4.6	-2.9
9	Meat	3.5	-7.4
10	Coffee, tea, spices	2.5	7.2

Source: http://www.worldstopexports.com/indias-top-10-exports/

In terms of net exports, India has made excellent headway in the pharma sector and the electronics sector (largely owning to mobile phone manufacturing). Traditionally strong sectors for India, such as leather, diamonds, and even meat have seen a decline

[18] Export Competitive Index 2020, NITI Aayog

in terms of gross and/or net exports. As part of India's efforts to step up exports in a post Covid world, the government has already identified many sectors, such as, food processing, organic farming, iron, aluminium, copper, electronics, masks, sanitisers, industrial machinery, chemicals, pharmaceuticals, to name a few, as sectors that carry immense export potential. However, not all of these sectors can be exported using e-commerce channels.

Sectors or products that can be sold directly to consumers across borders are sectors that are most suited for exports through e-commerce. These have traditionally been textiles, footwear, apparels, gems and jewellery, to name a few. Sectors that can benefit through e-commerce, specifically for exports, should also ideally be sectors in which brand creation is possible. Some of these sectors have already shown promise in terms of year on year change over 2018.

Table 4.3 Potential Sectors for Exports Through E-commerce

S.No	Product	2019 Exports USD Billion	% Change Over 2018
1	Essential oils	1.21	40.1%
2	Synthetic yarn woven fabrics	1.10	23.1%
3	Men's shirts (knit or crochet)	0.75	17.5%
4	Women's clothing (not knit or crochet)	2.72	16.8%
5	Men's suits, trousers (not knit or crochet)	1.19	15.0%
6	Pepper (dried/crushed/ground)	0.88	14.3%
7	Motorcycle parts/accessories	0.66	12.3%
8	Infant clothing (knit or crochet)	0.93	9.3%
9	Miscellaneous plastic items	0.64	8.4%
10	T-shirts, vests (knit or crochet)	2.66	8.2%
11	Jewellery	13.37	7.5%
12	Women's underwear, pyjamas (knit or crochet)	0.61	7.1%
13	Women's clothing (knit or crochet)	0.61	6.3%
14	Plastic packing goods, lids, caps	0.87	5.6%
15	Tea (including flavoured)	0.80	4.6%
16	Tracksuits, swimwear (not knit or crochet)	1.21	3.0%
17	Woven cotton fabrics	1.12	2.1%
18	Men's shirts (not knit or crochet)	1.10	1.2%
19	Linens	1.59	0.3%
20	Footwear (leather)	1.89	-3.2%
21	Leather clothing, accessories	0.79	-3.8%
22	Packing sacks, bags	0.89	-4.6%
23	Women's shirts (not knit or crochet)	1.17	-6.1%

Source: http://www.worldstopexports.com/indias-top-10-exports/

4.2 Traditional Export Mechanism

Prior to advent of e-commerce, most Indian businesses were exporting goods through the traditional channels of export. Even with changing trends, a large part of businesses continue to do the same. However, this does not means that the traditional export mechanism is by any means easy or flawless. On the contrary, the traditional export mechanism is full of challenges from start. The complications of the traditional export mechanism can be best understood by understanding the process.

Let us assume that a domestic business in India, wants to go international and hence start exporting. To do this, the business first needs to gather information of foreign markets, where a demand for his/her good exists, and the scope for sale of said product. For this, the business needs to gather enough market information by carrying out extensive market research which may involve either going in person to visit these markets or by hiring a third party agency to gather information on their behalf.

For those businesses that have either managed to collected the necessary foreign market information, the next stage involves identifying and partnering with importing agencies and distributors in those countries. This can be done in two ways. The business can visit countries of his choice and explore local markets on foot to find out distributors and importers. Alternatively, the business would have to attend trade and commerce expos, conferences, and showcasing programmes at domestic as well as foreign locations, where, they may have to put up stalls, showcase product/s, and network with interested importers and distributors. With good luck and little networking skills if the business is able to meet the right kind of people, they will need to then supply them with free samples of the product that they intend to sell in the foreign country.

At this stage it is up to the distributor to decide if they would want to import the product and sell it. The distributor would look to see if the product is able to sell at a competitive price, if it is of suitable quality, and if there is indeed demand for such a product in the market and if this demand can and will be sustained. If the product clears all these checks, then the distributor may choose to buy a limited amount to test the market and then choose to enter into a longer term contract with the business depending on the product's success. Once the business and the overseas distributor have reached an agreement, that would cover everything from margins, retail price point, to inventory, the business will sell the product to the distributor and transfer the risk on inventory from themselves to the overseas distributor. From this point on, the distributor assumes the risk on the inventory and it is the distributor who will have to find ways of making the final sale through their distribution channels.

This apart, the business may have to pay for product certification (for quality control) from authorities in the foreign country, obtain licensing for the sale of the product if the need be, apart from undertaking extensive paper work for obtaining export license from the local authorities. In absence of a distributor or an importer in a foreign country, a domestic business willing to export will have to obtain a merchant account with the exporting country and renew it from time to time, pay for a storage facility for exported goods in the foreign country and should be mentally and economically prepared for an uncertain period of time before business picks up.

4.3 Challenges to Traditional Methods of Export

The entire mechanism of traditional export presents a host of challenges in its process. Few of the challenges in this process are listed below.

4.3.1 Limited Access to Market Information

The preliminary process of gathering information about a foreign market is not only challenging but is also a time consuming process. Readymade information about a foreign market is hard to come by. Information on whether a product doing well in the domestic market would be suitable for a market abroad due to consumer choice abroad, specification and demand is difficult to gauge in prior. The only way to be able to gather information on consumer preferences and suitable price points is through trial and error.

4.3.2 Entry Point Barriers

The traditional export mechanism needs a business to connect with an overseas distributor or an importer in the country where the goods are to be exported. As described before, to achieve this, the business either needs to explore overseas markets in person or visit trade expos and conferences to network with foreign traders. Needless to say, both these methods are expensive and time consuming in nature and are significant barriers to businesses, especially the smaller businesses that may not have the economic wherewithal to even consider exports. Moreover, a business needs to be able to supply a minimum volume of goods to an overseas distributor to start business. This proves to be a big challenge for small businesses and micro sellers rendering it as a non-inclusive process for MSMEs.

4.3.3 Inadequate Feedback

In the traditional channel of export, the business or seller have little or no feedback from actual consumers and users of product. They are forced to rely on the overseas supplier/importer for feedback of the sold product. On many occasion, feedback from overseas distributor may be biased, inaccurate, or simply lost in translation due to language barriers. On certain instances, distributors may not be even be able to convey and feedback, either due to their limited understanding of the product or because of a lack of interest. Very rarely are businesses able to diagnose the reasons for failure. The inability to do so deters businesses being able to make suitable amends and trying again in the same market or different market.

4.3.4 Customising Products for New Markets

The quality to price trade-off is unique to each country. Price elasticity varies depending on the product, the price of the competition, availability and access, and on importing country's local preferences and perceptions of quality. In most cases, Indian businesses first cater to the Indian market. Product design, price, and quality are suited for the Indian audience. Hence the manufacturing, design, and packaging are more geared towards the Indian consumer.

Local preferences of the importing country may not be in tune with the product offering of the business. However, customising products for foreign markets often involves a cost. Without proper feedback or any means of knowing how successful even a customised product could do, businesses are unwilling to take the risk to make changes to their existing product that has thus far worked well in the domestic Indian market. However, businesses more often than not would be required to make changes to cater to the local needs of the importing country. The fact that this mostly comes at a cost acts as deterrent.

Furthermore, obtaining mandatory quality certifications from the importing country can also prove to be difficult. Not only do they add to the cost of the product, thereby making to more expensive and less price competitive, it could also mean having to make some serious investments into the manufacturing process itself.

4.3.5 Limited Opportunity for Brand Creation

In the traditional export process, most goods, especially from small businesses, are sold as white label goods. This could be because Indian businesses are not interested in brand creation or it could be because it is part of the terms of agreement between the business and the overseas distributor or importer. Sometimes, this is also a way to minimise compliance costs and packaging costs. So far, this is a process that has worked reasonably well for Indian businesses. However, the downside of this has been that India has not created any globally recognisable brands. The lack of focus on creating brands has resulted in big businesses supplying top quality goods to foreign markets without due recognition. This also means that the dependence on the overseas importer or distributor continues to remain very high. This is also true in the case of sale products that are not white labelled and carry branding. The fact that in most cases, businesses are by contract not allowed to tie up with multiple distributors also stymies that growth of brand (should even one exist) in foreign markets.

5. Exports Through E-commerce

The United National Conference on Trade and Development (UNCTAD) estimates that there were around 1.1 billion people who made online purchases in 2016. Of this, around 17 per cent or 200 million people made cross border purchases. In a short span of two years, in 2018, the total number of online buyers had risen to 1.4 billion people and 23 per cent of this (330 million) made cross border purchases[19]. Even so, UNCTAD notes that data on cross border e-commerce is sparse and not easy to come by[20]. However, the potential is evident.

Exports through e-commerce can happen in four ways. First, businesses can create their own website and take orders from customers from both domestic and foreign markets and fulfil these orders. Second, domestic e-commerce companies that have a presence in foreign markets can help facilitate the sale of domestically manufactured goods in international markets. Third, businesses can on board themselves onto marketplaces or e-commerce companies that have a strong presence in specific markets or regions and sell through these platforms. Fourth, businesses that are already present on foreign marketplaces with a presence in India can utilise their services and global presence to sell to foreign customers. Of these, businesses and online sellers may choose one or more ways to access global markets. So far, most Indian e-commerce marketplaces are focused on the domestic market alone and have not made a foray into global markets.

The reason for this is because the domestic market in India is huge, and continuously growing. For now, Indian e-commerce marketplaces are focused on capturing market share of the domestic market. Making an entry into foreign markets will require huge investments, especially on account of publicity, marketing, and infrastructure. Most Indian marketplaces think it more prudent to concentrate on the domestic market and focus on meeting the demand here.

This leaves the businesses three other options to sell globally, that is, to export using traditional channel, to export using their own website, or through existing e-commerce platforms[21]. The choice to choose one (or combination) of the channels is

[19] https://new.unctad.org/news/global-e-commerce-hits-256-trillion-latest-unctad-estimates
[20] https://new.unctad.org/system/files/official-document/tdb_ede_WorkingGroup2019_BN01_en.pdf
[21] Data on Indian exports through e-commerce has also not been captured thus far by any government source. The only data that is available on the public domain indicate that in September 2020, there were a little over twelve thousand cross border e-commerce orders placed on the websites of a small group of sellers, part of the All India Online Vendors Association. Similarly, Amazon's Export Digest

based on a variety of parameters. Cost obviously has an extensive role to play. However, apart from cost, the choice of channel of export through e-commerce also depends on the capacity of the business, the potential markets available for their products, the extent of hand holding required, the extent of hand holding provided, and the ease with which global market information is available to them.

5.1 Exporting Through Their Own Website

In the offline market, any business who is able to reach the consumer directly without the help of any intermediary, typically makes the most return on investment. This is because the value addition (access to market, marketing of goods) made by the intermediary very often does not justify the costs involved. In e-commerce however, this may not be the case. While the cost of setting up one's own website in itself may not prove to be an expensive affair, marketing and customer acquisition can be a challenge. This is also because Indian businesses have not focused on brand creation or brand building. As discussed in the previous section, this is mostly because Indian businesses have preferred to sell white label goods to distributers in foreign markets.

For selling through e-commerce, brand creation and building becomes an important aspect. Existing businesses who have already built a brand identity either in the domestic market or in the global market, even if it is through traditional export channels, will find it easier and ultimately maybe even more profitable, to set up their website and fulfil orders. This is not to say other aspects such as processing returns from international customers, managing logistics, or working through regulatory requirements would automatically fall into place. These challenges continue to exist.

5.2 Exporting Through Marketplaces

Selling through existing marketplaces, irrespective of whether they have a presence in India or not, has one big advantage, which is that of credibility. Marketplaces already have a large number of consumers that are loyal to it. When selling through these marketplaces, consumers who may be new to the product or to the seller themselves, assumes that a certain level of due diligence has been carried out by the marketplaces. Hence new sellers achieve a certain sense of acceptance. This need not translate into sales necessary, but it is one less factor that businesses have to worry about.

of July 2020 states that they have enabled as must as USD 2 billion of cumulative exports out of India and that there are as many as 60,000 sellers who export overseas through their platform.

Another important advantage to selling through existing marketplaces is that of managing logistics. Most e-commerce marketplaces already have a strong logistic infrastructure that can be utilised by new businesses for a fee. Furthermore, businesses who have been selling through the marketplaces in the domestic market may be more proficient with the processes and hence would find it easier to navigate through the requirements of selling abroad than for someone who has set up their website.

A third advantage is the value addition that marketplaces create for the business, not just in terms of additional services that they may provide such as logistics and warehousing, but in terms of tools that could help manufactures understand their consumers, their sales, and their competition in new markets. This value addition that marketplaces provide in terms of additional services and tools for insights in to markets, brings about inclusivity for exports. Any business, small or large, can seek the help of marketplaces in order to export.

6. Advantages to Exporting Through E-commerce

Using e-commerce as an enabler for export offers businesses a certain sense of control and independence over decision making. By nature, e-commerce connects sellers directly to the end consumer. The dependence on intermediaries in foreign markets is reduced to a large extent. By no means do businesses opt only for one channel of export alone; most businesses opt to all export through traditional channels irrespective of whether they choose to export through e-commerce or not. There are significant advantages to exporting through e-commerce. As already discussed, businesses may choose any of the existing models of e-commerce to export; they may choose to set up their own website, they may choose to export through Indian marketplaces that also sell to foreign markets, or they may choose to list on foreign marketplaces. For businesses any one of these models may be more effective in terms of both cost and operations depending on their market of choice for export. Notwithstanding the choice of e-commerce model, there are clear advantages to choosing to export through e-commerce.

6.1 Inclusivity

One of the biggest challenges that the traditional channels of exports presents is the inability of smaller businesses to participate in the process. E-commerce creates a level playing field for any kind of business to access foreign markets. Even micro enterprises may try their hand at exports through e-commerce. Small businesses are not constrained by either minimum order values or investments. Businesses have the option to try their hand at exports in new markets in small quantities and test the outcomes before making any sizeable investment to expand capacity for the purpose of exports alone. While traditional channels of export are most suited for larger businesses with adequate financial wherewithal, exports through e-commerce offers a more inclusive channel for smaller businesses to participate through.

6.2 Low Cost of Failure

The low cost of investment and small quantities of export that is possible through e-commerce also means that the cost of failure for any business is not crushing. Businesses can opt for many rounds of exports to various markets and product types before identifying the best option for them. The low cost of failure allows for businesses to re-attempt their export strategy without being discouraged on account of high costs. Unlike in traditional channels of export in which failure can be discouraging, exports through e-commerce offers the businesses the option of starting small, thereby limiting the downside.

6.3 Access to Consumer Feedback

E-commerce connects the seller to the end consumer directly, irrespective of the geographical location of the seller and consumer. This means that the seller has direct access to feedback from consumers on multiple parameters, including price, quality, and satisfaction level, to name a few. Real time feedback from consumers help the sellers in augmenting their prices and even their designs to suit the local needs of the importing country. Businesses also have the opportunity to study market trends and consumer preferences in real time and make timely adjustments to their export strategy. The reliance on the distributers and importers for feedback on the product was one of the biggest handicaps for businesses. E-commerce, by virtue of the business model, provides for real time feedback thereby helping businesses to be better equipped to export and take informed decisions.

6.4 Brand Building

While label goods cannot be sold directly consumers, e-commerce requires for brands to be built, which is an absolute necessity for capturing and retaining marketshare. While there may be a certain cost involved to building a brand from scratch, the long term gains of this objective are manifold. When brands and built and marketed through e-commerce, then accessing the offline market through the traditional channels of export become easier, since consumers are already aware of the product. Furthermore, in today's day and age, when everybody undertakes their due diligence of any product online, the presence of a brand on an e-commerce platform can act as a source of comfort and lend a certain degree of authenticity to the product and the brand.

For India, it is important to create brands. Even though India is one of the largest exporters of essential oils, and gems and jewellery, Indian brands are barely known outside of the non-resident Indian community in other countries. While there are certainly advantages to selling white label goods, in the interest of government's recent initiative of "Local, Vocal, Global" it is imperative that India pays as much attention to creating globally recognised brands.

7. Challenges to Exporting Through E-commerce

7.1 Logistical Challenges

7.1.1 High Cost of Logistics

Export from India has traditionally been a complicated and expensive process, especially when compared to China. This is mainly because shipping rates for exports are far higher compared to other countries. For example, for an Indian business exporting to USA, the logistic is around 38-42 per cent of the actual cost as opposed to 6-8 per cent in domestic sales. Moreover, compliance charges increases them manifold. Post 2017, the Indian Customs Department has started charging between INR 2000 and INR 3000 for a single shipping bill for export of goods under Courier Shipping Bill (CSB) – V, even though this cost does not cover the clearance charges. At times, businesses would have to pick a slower delivery vendor to compensate for the cost.

7.1.2 High Cost of Reverse Logistics

In case a product is being returned by an overseas customer, the reverse logistics to return it back to the seller could be higher than the actual cost of the item. This happens as there is a cost involved in picking up the package from the customer. This include cost of local pick up, storage, and reverse shipment. To top all these, the compliance cost levied by the Indian Customs Department on a returned or cancelled goods (dealt in detail in the later section) is unexpectedly high. Assuming the local pick up, storage and reverse shipment cost is passed on to the customer, the fact that the compliance charges on a returned or cancelled good will cost the seller almost double the amount is in itself is uneconomical. On most such instances, a seller prefers to simply destroy the product overseas and send a new product, free of cost to the buyer, if the need be. In fact, a cancellation of order works in favour of the sellers if the good has been cancelled before it has reached its destination country. Under such situation the Indian Customs does not create much hassle.

7.1.3 India Post Not Being Used Effectively

The logistic for exports from India has been largely dependent on the use of courier services. Most of these services while efficient, are expensive. India Post, which has the potential to deliver anywhere around the globe remained underutilised, largely because it is price inefficient compared to the courier services. Moreover, India Post is yet to adopt the export support centre concept in localised post offices. Goods for overseas delivery at India Post are still collected in a centralised facility before being sent overseas, making the process time consuming. On the other hand, the e-packet service of China Post has made it possible for exporters from China and Hong Kong to deliver goods to a customer's door step at the minimal time, at the lowest possible cost to the seller with the additional facility of real time tracking facility being provided to customers.

7.2 Policy Challenges

7.2.1 No Means to Deal with Returns

As discussed before, return of goods is an expensive process for India sellers, a bulk of which is due to the incremental compliance cost imposed by the Indian Customs Department. On certain instances, the cost of return may become as high as the double the original price of the product due to this. The Indian Customs Department treats a returned package as an import and hence, duty is levied on the same. The fact that unless every single document of export including shipment bills, sales invoice, purchase order, cancellation order among many other documents is held by the seller, claiming import duty back could be a harrowing experience, notwithstanding the fact that the process in itself is a time consuming and challenging task[22]. No wonder, most businesses find it cheaper to destroy the returned/cancelled goods in the country of export instead of a return.

7.2.2 Remittances Issues With Regard to RBI

Remittances from sale of overseas sale is one of the largest challenge for exporters in India. First, in order to receive payment from sale of goods overseas, a seller has to justify his earning through remittances to the Reserve Bank of India (RBI) as per the regularisation under the Foreign Exchange Management Act by procuring an electronic Foreign Inward Remittances Certificate (e-FIRC). However, businesses selling on e-commerce platforms face difficulty when they receive payment after netting off from the e-commerce platform. For example, a seller on an e-commerce platform may send goods worth INR X overseas. The e-commerce platform would usually transfer the amount to the seller's account after deduction of charges (C) pertaining to commission, storage costs and logistics. Hence, the net payment being transferred to the seller's account is (X-C). Although, this helps in mitigating the

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[22] The crux of the issue is that Customs expects exporter to prove that the product that has been returned is the exact product that was initially sold. For exports of products without any unique tracking number, as is the case with sectors such as leather, textiles, and toys, to name a few, this demand of the Customs department cannot be met.

exchange rate risk, but since there is a difference in the value of export and net amount arriving in the seller's account, RBI often pull up sellers to explain this difference, till which time the money in the seller's account is held off. Second, details of bills in the Inward Remittance (IRM) in Export Data Processing and Monitoring System (EDPMS) are needed to be filed manually in absence of an electronic infrastructure making the process tedious and lengthy

7.2.3 Limits on Parcel Value for Courier

E-commerce is highly dependent on quick deliveries. For this, the sector is inextricably linked to the courier sector. While traditional forms of logistics allow for larger volume of exports, it is the express industry or couriers that help with delivery of smaller size packages in a timely manner.

There is a cap on the maximum value of goods that can be exported from India in a single package and delivered through Air Express. As per the Merchandise Export from India Scheme (MEIS) 2018, a seller can send good/s worth a maximum of INR 5 lacs in a single package through air express for overseas delivery. This is a serious challenge for high value industries such as the gems and jewellery sector, designer apparels, and high end clothing among others.

8. Recommendations

The government has been keen to capitalise on the growth story of e-commerce in India, by leveraging it for exports. It had been reported in May 2019 that the Department for Promotion of Industry and Internal Trade (DPIIT) ways to have set up dedicated sub committees that would draft a clear strategy for exports through e-commerce[23]. In the meanwhile, there are a few policy changes that can be implemented to ease the process of exports through e-commerce.

8.1 For Logistics

- India Post must be utilised in a better manner. Only a few post offices across India undertake shipping for exports. This must be made more ubiquitous. Ideally, ***every district must have one post office that is equipped to process exports independently*** without having to process it through the head office. This way, turnaround times on shipment and cost of shipment can be made more competitive. This will also ensure that micro enterprises have access to reasonable means of shipping their products for exports.

- One of the ways in which China become extremely competitive in e-commerce exports to the globe was by reducing their cost of logistics. ***India must study China's e-Packet logistics service and create a similar framework*** that will help bring down the cost of shipments for Indian businesses.

- Large volumes for e-commerce also relies heavily on a favourable policy framework for air express. Cross border e-commerce depends on timely delivery on goods. The more efficient delivery of goods is, the more likely of increasing export volumes. ***Air express regulations must therefore be reviewed and suitable amendments made to allow for greater flexibility to cater to the needs of cross border e-commerce. For instance, the presence of express terminals must be increased across India.***

8.2 For Customs Regulations

- ***India must create a separate channel and framework that allows for returns of cross border e-commerce packages.*** These cannot and should not be treated as

[23] https://economictimes.indiatimes.com/industry/services/retail/export-promotion-via-ecommerce-on-the-cards/articleshow/69570099.cms?from=mdr

imports. A possible framework can be considered whereby packets that are returned can be verified against CBS V.

- *The current courier limits of INR 5 lacs must be revised upwards to allow for high value exports through e-commerce.* India may have lost competitiveness in mass manufacturing, but we still hold the competitive edge on sectors such as bespoke apparel, designer clothing, and handcrafted jewellery, all which can be valued much more than INR 5 lacs. It is even more necessary for high value goods to be delivered in the least amount of time. A limit of INR 5 lacs on courier packages is a deterrent to high value exports.
- Just as there are high value exports through e-commerce, there are also low value exports that take place. Compliance processes and costs cannot be the same for both sets of products. Ideally, up to a certain value, arguably there is no need for customs to even get involved in the process. At the very least, *compliance charges and processes must be linked to the value of the packet and not to number of packets. This way, the cost of compliance will be more bearable for micro entrepreneurs and traditional artisans.*
- Cross border e-commerce depends on efficient turnaround times. *Customs clearances must happen faster and in a time bound manner.* For this, it is necessary for many of the customs processes to be brought online.

8.3 For Payment Systems and Processes

- Charges on inward remittances by banks can be unaffordable for small businesses. It *would help small businesses if bank charges on remittances were reduced.*
- The Inward Remittances (IRM) filed under the Export Data Processing and Monitoring System (EDPMS) continue to be filed manually. This *process of filing IRM must be digitised.*

8.4 For Creating an Enabling Environment

- India's foreign missions abroad play an important role in helping connect potential buyers and sellers. While they have played an important role in the traditional channels of export, it is important for them to also play a role in facilitating exports from India through e-commerce. For this purpose, *Indian missions abroad should play a more important role in enabling Indian businesses wanting to export to secure suitable permissions, product certifications, and quality approvals.*
- Information transmission with regard to opportunities for export through e-commerce must reach the smallest business across India. For this, *export*

promotion councils and industry associations and bodies must play a crucial role in helping with this information dissemination. There has to be a concerted effort by all stakeholders to ensure that information is easily available to all kinds of businesses big and small.

- India must *focus on certain champion sectors, especially those that have GI tags, to promote export through e-commerce. Table 4.3 contains many of these sectors.* These largely cover essential oils, apparel, linen, leather goods, and gems and jewellery. These sectors demonstrate the opportunity for Indian companies to export through e-commerce. DPIIT must focus on these sectors as a start and create an enabling framework to encourage exports through e-commerce.
- In order to facilitate exports, DPIIT could also consider *linking foreign direct investment (FDI) limits to exports.* For e-commerce this could be in the form of commitments by foreign market places for facilitation of exports. This would be a much more effective strategy than linking FDI limits to local sourcing.
- DPPIT may also consider amending the existing FDI rules to allow for foreign e-commerce companies to hold inventory atleast for the purposes of export.

8.5 For Brand Creation

- Current initiatives such as Make in India, Aatmanirbhar Bharat, and Local, Vocal, Global, all deal with creating a global market for Indian products. However, what is missing in these initiatives is the focus on brand creation. For Indian products to gain international prominence, it is necessary for Indian brands to be recognised globally. *All existing initiatives aimed at stepping up India's presence in the global market must also mandatorily focus on brand creation and development.* This is crucial to the success of these initiatives.
- Khadi has been successful in selling its products in foreign markets through e-commerce. *The success story of Khadi must be replicated with other Indian products, especially for traditional handicrafts*[24]*.*

8.6 For Existing E-commerce Businesses

- *Existing market places must play a more proactive role in in handholding and guiding their sellers on compliance requirements and best business practices.* Furthermore, their internal policies on returns must also be flexible enough to allow for more sellers to use their platforms for export.

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[24] https://retail.economictimes.indiatimes.com/news/apparel-fashion/apparel/kvic-to-tap-e-commerce-to-reach-rs-5000-cr-sales-by-2018/55921882

- The Government e-Marketplace (GEM) has seen stupendous growth and success since its inception. It has also created a brand name for itself. ***As a next step, GEM should also consider opening its portal to overseas customers for purchase of state handicrafts.*** This way, traditional Indian crafts will have a new medium of sale and exports.

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