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India's e-commerce market to be worth $99 billion by 2024: Report

The e-commerce sector in India is predicted to grow at a 27% CAGR over 2019-24 and is expected to reach $99 billion by 2024, according to a report released by EY-IVCA Trend Book 2021. Grocery and fashion/apparel are said to be the key drivers of this growth.

The report revealed that India will have 220 million online shoppers in India by 2025. The penetration of retail is expected to be 10.7% by 2024, compared to 4.7% in 2019. It stated that the government is aiming to build a trillion-dollar online economy by 2025, through its Digital India programme.

"The online retail market in India is estimated to be 25% of the total organized retail market and is expected to reach 37% by 2030-27," it said.

The increase in online users has been witnessed across various segments coming from Tier 2 and 3 cities. This could serve as a great market for native startups to tap in. The report said that the rise of technology adoption among small and medium businesses is also expected to drive the growth for digitally native startups. With small merchants, increasingly implementing online payments and mobile channels they are also exploring collaborations with technology-driven startups.

At the same time, there have been various initiatives from the government with the aim to digitize the traditional offline market and boost the e-commerce sector such as Start-up India, Digital India, Skill India, Innovation Fund and BharatNet.

"Various regulatory reforms such as new draft e-commerce policy, the national retail policy and consumer protection rules 2020 showcase the government's inclination towards building this sector further," the report stated.

It further added that the rapid increase in internet users has attracted new budding entrepreneurs to set up establishments coming up with innovative pricing and stocking practices (marketplace vs inventory) while traditional players (brick and mortar stores) are slowly catching up. This has helped in the development of B2C e-commerce as there are now numerous choices in terms of brands, faster delivery, discount offers, personalization, digital payment options, cash on delivery, and easy returns.

"Companies are creating an omni-channel presence, blending online shopping and offline retail to overcome trust issues of customers. Leading e-tailers in India are planning to open brick-and-mortar stores. Digital B2C companies have also invested in creation of brands which attract young millennial crowd consisting of a majority of the online shoppers who tend to be more brands conscious. These companies are forming innovative product bundles aligned with the needs of customers and thus ensuring greater customer engagement," the report stated.

The rise of B2C e-commerce

There has also been a significant influx of capital in B2Cs primarily to support the supply chain, global expansion, acquisitions and to bring innovative product offers to the market. The report revealed that the growing B2C e-commerce scenario is attracting a lot of attention and key investments from international companies.

Some key investments in the B2C market in 2020: $90 million investments in interior designer marketplace LiveSpace and $52 million investment in online grocery platform BigBasket. Key investors include Venturi Partners, Bessemer Venture Partners LP, Goldman Sachs, TPG Capital Inc., CDC Group Plc and Alibaba.com India.

Karthik Reddy, Managing Partner, Blume Ventures and Vice-Chairperson, IVC Association (IVCA) said in a statement, "In the next phase of ecomm, we expect a surge of demand from Tier 2 and Tier 3 cities and towns in India, bringing in the next 100s of millions of consumers. A new wave of investments in this sector in both B2B and B2C commerce are creating a huge gig economy, several sub sectors have emerged, and innovation is going to storefronts, local commerce, e-commerce infra and payments."

In 2020, e-commerce and consumer internet companies raised more $8 billion in PE/VC capital spread over 400 deals (excluding Jio platform investment) giving rise to nine new unicorns. Edtech and hyperlocal segments led the investment activity, together accounting for over 40% of 2020 investments and witnessing 5x and 2x growth in funding value respectively over 2019.

(Economic Times, 19/3/2021)

FDI inflows up 22% in April-Dec 2020

Synopsis

Total FDI inflows including equity inflows, re-invested earnings and other capital were $55.14 billion in the first nine months of FY20 while FDI equity inflows were $36.77 billion.

The government on Thursday said that India attracted total foreign direct investment (FDI) of $67.54 billion during April-December 2020, the highest ever for the first nine months of a financial year and 22% higher year-on-year.

FDI equity inflows rose 40% in the April-December of FY21 at $51.47 billion, the commerce and industry ministry said in a release.

Total FDI inflows including equity inflows, re-invested earnings and other capital were $55.14 billion in the first nine months of FY20 while FDI equity inflows were $36.77 billion.

“Measures taken by the government on the fronts of FDI policy reforms, investment facilitation and ease of doing business have resulted in increased FDI inflows into the country,” the ministry said, adding that the trends in FDI inflows are an endorsement of India’s status as a preferred investment destination amongst global investors.

As per the data, FDI inflows rose 37% on/year in the quarter ended December 31, 2021, at $26.16 billion with $9.22 billion coming in December.

Emphasising that the endeavour of the government is to put in place an enabling and investor-friendly FDI policy, the ministry said the intent all this while has been to make the FDI policy more investor-friendly and remove the policy bottlenecks that have been hindering the investment inflows into the country.

“Continuing on the path of FDI liberalization and simplification, the government has carried out FDI reforms across various sectors,” it said.

The Budget 2021-22 has liberalised the country’s insurance sector by increasing the FDI sectoral cap to 74% from 49%.

India’s high foreign inflows come at a time when the global FDI collapsed in 2020, falling 42% to an estimated $859 billion from $1.5 trillion in 2019, according to UNCTAD. Such a low level was last seen in the 1990s and is more than 30% below the investment trough that followed the 2008-2009 global financial crisis, the intergovernmental body said earlier this year.

(Economic Times, 5/3/2021)

‘Make in India’ campaign epitomises challenges facing US-India trade relationship: USTR Report

The Biden administration has told the US Congress that India's recent emphasis on import substitution through the 'Make in India' campaign has "epitomised" the challenges facing the bilateral trade relationship.

The Biden administration has told the US Congress that India’s recent emphasis on import substitution through the ‘Make in India’ campaign has “epitomised” the challenges facing the bilateral trade relationship.

In its 2021 Trade Policy Agenda and 2020 Annual Report, the US Trade Representative (USTR) said that during 2020, the US continued its engagement with India to try to resolve longstanding market access impediments affecting US exporters.

“While India’s large market, economic growth, and progress towards development make it an essential market for many US exporters, a general and consistent trend of trade-restrictive policies has inhibited the potential of the bilateral trade relationship. Recent Indian emphasis on import substitution through a ‘Make in India’ campaign has epitomised the challenges facing the bilateral trade relationship,” USTR said in its report to Congress on Monday.

Effective June 5, 2019, the United States terminated India’s eligibility under the Generalized System of Preferences (GSP) programme, following a review of concerns related to India’s compliance with the GSP market access criterion.

Subsequent to the suspension of India’s GSP benefits, the US and India resumed intensive work in the fall of 2019 aimed at producing a package of meaningful market access outcomes, and this engagement continued throughout 2020.

The objectives of the US in this negotiation included resolution of various non-tariff barriers, targeted reduction of certain Indian tariffs, and other market access improvements, it said.

”The United States also engaged with India on an ongoing basis throughout 2020 in response to specific concerns affecting the full range of pressing bilateral trade issues, including intellectual property (IP) protection and enforcement, policy development affecting electronic commerce and digital trade, and market access for agricultural and non-agricultural goods and services,” it said.

According to the report, while the United Kingdom remained the largest supplier of services, accounting for USD 62.3 billion of total US services imports in 2019, India was the sixth largest with USD 29.7 billion after Canada (USD 38.6 billion), Japan (USD 35.8 billion), Germany (USD 34.9 billion) and Mexico (USD 29.8 billion).

The USTR said that in July 2020, in response to outreach by it, India released US shipments of lactose and whey protein concentrate (WPC) that had been blocked since April 2020 when India began enforcing a requirement that those products be accompanied by a dairy certificate.

Prior to this shift in practice, US exports of lactose and WPC to India had grown steadily for years, reaching a high of approximately USD 54 million in 2019 before falling to approximately USD 32 million in 2020

(Financial Express, 2/3/2021)

100 assets identified for privatisation drive, valued at nearly Rs 5 lakh crore

Synopsis

The assets include toll road bundles, ports, cruise terminals, telecom infrastructure, oil and gas pipelines, transmission towers, railway stations, sports stadia, mountain railways, operational metro sections, warehouses and commercial complexes.

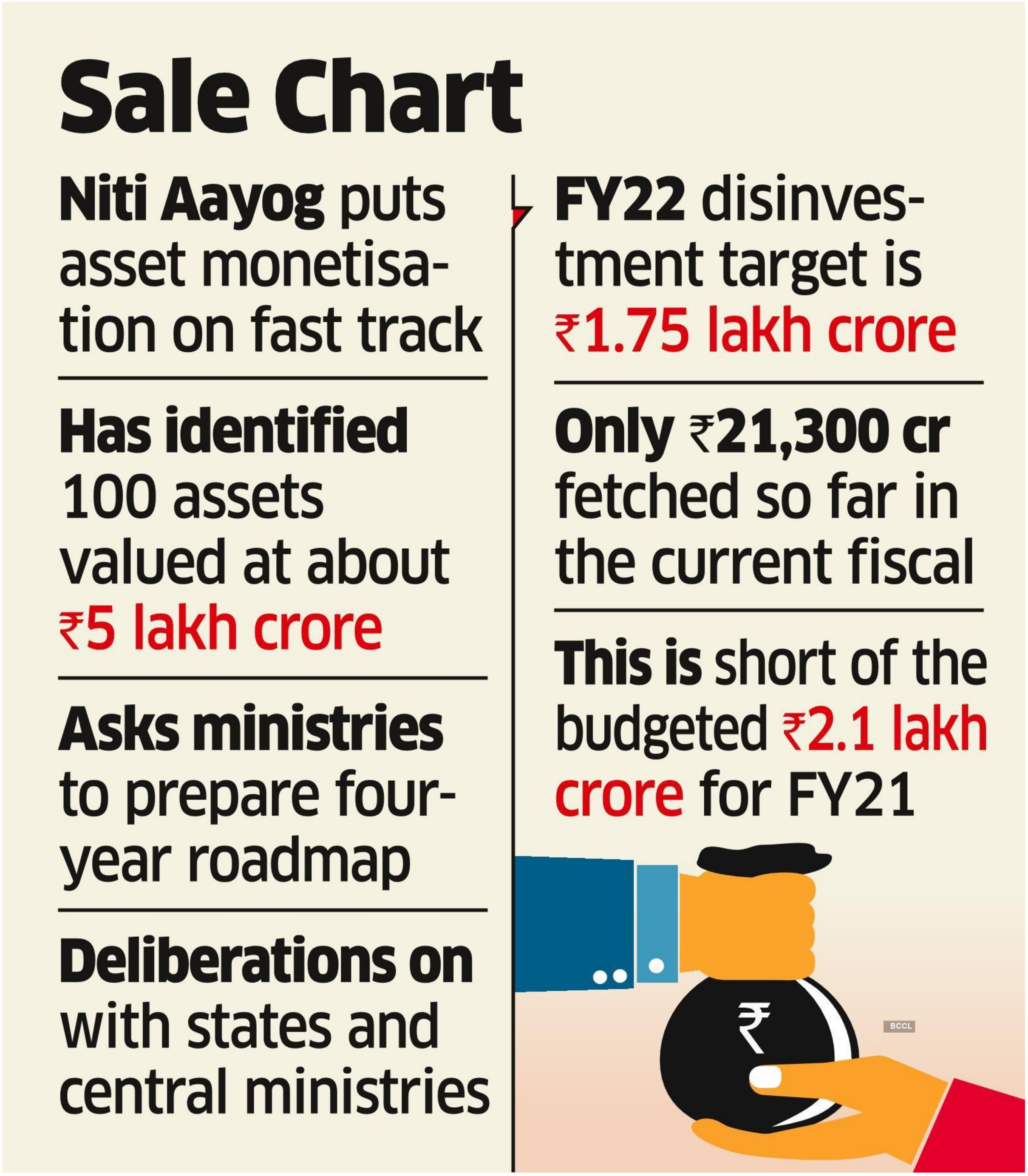
Niti Aayog has asked administrative ministries to create a pipeline of assets that can be monetised in the next four years, said people with knowledge of the matter. It’s preparing a schedule for the sustained sale of assets and companies to be privatised.

On its own, Niti Aayog has already identified about 100 assets, valued at about ₹5 lakh crore, that will be put on the fast track, said a senior government official. “Around 31 broad asset classes, mapped to 10 ministries or central public sector enterprises, have been developed,” said the official.

This list has been shared with ministries and consultations on possible investment structures have started.

These assets include toll road bundles, ports, cruise terminals, telecom infrastructure, oil and gas pipelines, transmission towers, railway stations, sports stadia, mountain railways, operational metro sections, warehouses and commercial complexes. If entities being privatised hold real estate, this will be transferred to a land management agency for disposal to expedite the process.

“Freehold land will be transferred to this proposed firm, which will monetise it through direct sale or through the real estate investment trust or REIT model,” said another government official.



‘A Paradigm Shift in Infra Augmentation’

At a workshop on asset monetisation held on Tuesday, the Department of Investment and Public Asset Management (DIPAM) urged administrative ministries and state governments to speed up processes at their end, including land classification.

Finance minister Nirmala Sitharaman noted at the workshop that asset monetisation by the government should not be viewed as just a funding mechanism but as an overall strategy for bringing about a "paradigm shift in infrastructure augmentation and maintenance."

The transfer of land will also help shut loss-making entities. The government plans to reduce the time taken for closure of such companies by half. As per the latest data, there were more than 70 loss-making, state-run entities that reported a combined loss of Rs 31,635 crore in FY19.

The government intends to close all loss-making units. Last month, Prime Minister Narendra Modi had said that loss-making, state-run firms are a burden on taxpayers.

The government has a disinvestment target of Rs 1.75 lakh crore for FY22. It had budgeted Rs 2.1 lakh crore from disinvestment proceeds in FY21 but has raised only about Rs 21,300 crore so far through stake sales. In the budget for FY22, the government has also proposed incentives for states that privatise public sector entities.

(Economic Times, 11/3/2021)

Foreign Investors Forum for rationalisation of tax norms for foreign nationals living in India
Synopsis
Under the current Income Tax provisions, the global income of foreigners is taxed if they stay in India for more than 182 days in a year, thus increasing their personal tax liability in the country. This provision acts as disincentive for foreign nationals, having global income, to stay in India for longer periods.

The Foreign Investors India Forum has urged the government to relax tax provisions for foreign nationals working in India and align them with similar provisions in countries like Singapore and China, in a bid to attract investment and encourage high-flying corporate executives and fund managers having overseas incomes to stay in the country.

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A letter in this regard was written by Foreign Investors India Forum's Global Chairman B K Modi to Prime Minister Narendra Modi who has referred the matter to the Commerce Ministry for further consideration. The Ministry is reported to have taken up the issue with the Finance Ministry.

India, according to the Forum, needs ingenious global partnerships and heavy investments from new partners of growth which can only happen when the government creates a more enabling tax regime and a progressive personal taxation structure.

Although foreign domiciled individuals residing in India can avail treaty relief in double taxation on non-Indian incomes, challenges like paying higher taxes, availing tax credit benefits, subjectivity in tax assessments and risk arising due to reporting requirements may arise.

The pace of economic growth can be accelerated by increasing the rate of FDI in India and for this, foreigners need to be incentivised to live and invest in India, it said.

Foreign citizens must be allowed to tend to their investments and stay in India for long periods. It is recommended that the personal taxation policy for such people must be reviewed and they should be taxed only on any income that is generated domestically in India, the Forum said.

This can increase the tax liability and compliance burden of an individual depending on the effective tax that has to be paid on income not sourced from India. Therefore, foreign individuals do not have enough incentives to invest in India as they cannot come and stay in India to manage their investments, said industry experts.

In line with liberalized corporate Income Tax, the Forum suggests that the government could consider liberalizing the direct tax provisions for expatriates proposing to live and work in the country to manage large FDI in India. Singapore, which is de facto the corporate and financial hub for Asia, taxes expatriates only on their local income.

The government can provide an exception for foreign domiciled individuals working or living in India under section 6 of the Indian Income Tax Act on lines of similar provisions in other economies for attracting FDI to India, said experts.

(Economic Times, 3/3/2021)

India-Sweden summit: 'Made in India' COVID-19 vaccines provided to 50 countries, says PM Modi
Speaking at virtual India-Sweden summit alongside Sweden PM Stefan Lofven, PM Modi extended condolences for the lives lost due to COVID-19 in Sweden.

Prime Minister Narendra Modi on Friday said that 'Made in India' COVID-19 vaccines have been provided to more than 50 countries.

Speaking at a virtual India-Sweden summit alongside Sweden Prime Minister Stefan Lofven, PM Modi extended condolences for the lives lost due to COVID-19 in Sweden.

"I want to express my heartfelt condolences on behalf of me and the whole of India for the loss of life in Sweden since COVID-19," he said.

"During the COVID-19 pandemic, on a regional and on a global level, we have understood the importance of collaboration. India has provided medicines and other essential items to over 150 countries. Along with this, with the help of online training programs, we shared our experiences with frontline workers and lawmakers of Asia, Southeast Asia and Africa," Prime Minister Modi said.

He added, "We have provided 'Made in India' vaccines to around 50 countries so far. We are committed to supplying vaccines to even more countries in the days to come."

This is the fifth interaction between the two leaders since 2015. Prime Minister Modi had visited Stockholm in April 2018 for the First India Nordic Summit. Lofven had visited India in February 2016 for the special 'Make in India' week.

Earlier, the two leaders had met on the sidelines of the UN General Assembly in September 2015. In April 2020, the two Prime Ministers had a telephonic conversation to discuss the situation arising out of the Covid-19 pandemic.

India and Sweden have warm and friendly relations based on shared values of democracy, freedom, pluralism and rules-based international order.

Both countries have very close cooperation in the areas of trade and investment, innovation, science and technology as well as research and development.

Around 250 Swedish companies are actively operating in India in various sectors such as health and life sciences, auto industry, clean technology, defence, heavy machinery & equipment.

Around 75 Indian companies are also active in Sweden.

(DNA INDIA, 6/3/2021)

Pandemic will force 18 million Indians to find a new occupation by 2030: Report
The impact will be 'disproportionately' felt on low-wage workers in retail, food services, hospitality, and office administration.

COVID-19 will have a lasting impact on labour markets, and as much as 18 million Indian workers will be forced to switch to a newer occupation by 2030 because of the pandemic, a report said on Friday.

The impact will be "disproportionately" felt on low-wage workers in retail, food services, hospitality, and office administration, the report by McKinsey Global Institute, a think-tank, said.

The pandemic has disrupted labour markets because companies have been forced to respond to a new dimension of work - physical proximity, an official statement explained.

The report identifies the lasting impact of COVID-19 on labour demand, the mix of occupations, and workforce skills required in eight countries including India.

Three broad changes in consumer behavior and business models will persist to varying degrees because of the pandemic which include the rise of remote work, the increased embrace of e-commerce and virtual interactions, and the more rapid deployment of automation and AI (artificial intelligence), it said.

This will lead to a reshuffling of jobs in the economy over a decade, and over 100 million workers will have to find a new job, it said, adding 18 million of those will be in India itself.

The impact on India has been minimized because between 35-55 per cent of the country's workforce depends on what was classified as the outdoor production and maintenance arena, which includes construction sites, farms, residential and commercial grounds, and other outdoor spaces.

In India, the share of total work hours expended using physical and manual skills will decline by 2.2 percentage points, while time devoted to technological skills will rise 3.3 percentage points, it said.

“The long-term effects of the virus may reduce the number of low-wage jobs available, which previously served as a safety net for displaced workers,” Susan Lund, a partner at McKinsey Global Institute (MGI), said.

These workers will need to prepare themselves to find work in occupations with higher wages that require more complex skills, such as jobs in health care, technology, teaching and training, social work, and human resources, Lund added.

In the future, remote work is here to stay, there will be a decline in business travel, gig work is set to expand, and automation will see an uptick, the report said.

“The pandemic will make the reskilling challenge more daunting. Its effects will fall heaviest on the most vulnerable workers. This creates a new urgency for companies and policymakers to help these workers gain the skills most needed in the future,” Anu Madgavkar, also a partner at MGI, said.

(Press Trust of India

FDI rules in e-commerce: Govt starts consultation with various stakeholders

The development comes at a time when the government is mulling issuing a clarification on the FDI rules for e-commerce. Various media reports earlier indicated that the government could tighten the policy directing companies to restructure their existing marketing tie-ups.

In December 2018, the government had revised the FDI norms, barring online marketplaces from selling products of companies in which they hold stakes or control the inventory.In December 2018, the government had revised the FDI norms, barring online marketplaces from selling products of companies in which they hold stakes or control the inventory.

The government has initiated consultation on the foreign direct investment (FDI) rules in e-commerce with various stakeholders. The deliberations that commenced on Wednesday may well go on for a week. The department for promotion of industry and internal trade (DPIIT) is scheduled to consider representation from trade bodies this week; sources said a meeting with e-commerce companies is due on March 25.

The confederation of All India Traders (CAIT) met commerce minister Piyush Goyal during the day and urged him to ensure that e-commerce firms abide by the government-mandated FDI norms. The trade body that has been vocal about the alleged discriminatory business practices of major online players Amazon and Flipkart pointed out that several foreign funded e-commerce companies are continuously violating not only the FDI policy but also the FEMA Act. “They consider India as a banana republic where laws are weak and they can twist the laws to their convenience,” CAIT said in its submission.

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In December 2018, the government had revised the FDI norms, barring online marketplaces from selling products of companies in which they hold stakes or control the inventory. Firms were also banned from inking exclusive marketing arrangements that could influence product prices. The rules had stated that the inventory of a vendor will be “deemed to be controlled by e-commerce marketplace if more than 25% of purchases of such vendor are from the marketplace entity or its group companies”.

Industry bodies have, however, often expressed concerns over the various tactical business structures established by the e-commerce companies to escape the stricter FDI rules.

The commerce ministry had recently also asked the Reserve Bank of India (RBI) and the Enforcement Directorate (ED) to take necessary action on allegations made by CAIT against Amazon, Flipkart and Walmart relating to the violations of FDI and other relevant rules.

“Goyal while giving a patient hearing reiterated that everyone in India has to follow the rules and regulations and the government is committed to protect the interests of small traders of India,” CAIT said in a statement following the meeting.

(Financial Express, 18/3/2021)
