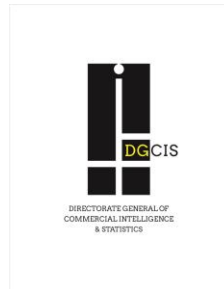# Measuring Digital trade (E-commerce) in India

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E-commerce in India

- E-commerce in India is one of the fastest growing segments which has witnessed exponential growth over the past few years.

- A young demographic profile, large consumer base, rising internet penetration, growth of telecommunications sector and cash-on-delivery system are key drivers of this sector.

- Smartphone penetration by 2022 expected to reach 859 million; Number of internet users expected to increase from 636 million as of March 2019 to 829 million by 2021.

- India's e-commerce market which was US$ 38.5 billion in 2017 has the potential to grow more than four fold to US$ 150 billion by 2022 and US$ 200 billion by 2027 supported by rising incomes and surge in internet users.

- Internet penetration in rural India is expected to grow as high as 45% by 2021 compared to the current rate of 25%.

- Online shoppers in India are expected to reach 220 million by 2025.

- Indian e-commerce companies are increasingly targeting global markets, particularly those with large India diaspora and NRI population to boost India's exports specially in Indian music, book, handicrafts, ethnic apparel etc.

- In spite of the above, India does not have an official system for data collection for the e-commerce sector.

Challenges in capturing statistics on Digital Trade (e-commerce)

Definition

- The term "digital trade" has been used interchangeably with the term "e-commerce"; More clarity is required on the scope and ambit of "digital trade" and in particular whether it is the same as e-commerce, a subset of e-commerce or vice versa.

Classification

- A very pertinent issue is classification of e-commerce transactions: whether this constitutes trade in goods or trade in services or both.

- In the case of 3D printing it is the design service which crosses the border implying GATS rules should apply; on the other hand, this service ultimately produces a good. So should the transaction be considered as a digitally delivered good and therefore subject to GATT rules?

- How to deal with Digital Trade which leaves no monetary footprint? For instance, how should services rendered by social networking sites like Facebook be classified – whether as social networking services or as advertising services since such social networking platforms derive all their revenue from advertising services.

Ascertaining the size of population

- The export side of services related to e-commerce could relatively easily be captured by surveying a population of specialised companies believed to be engaged in e-commerce trade. However, imports under e-commerce are difficult to capture because companies are based out of the country.

Capturing data of E-commerce goods export in India

- Primary source – Foreign Post Office and Couriers
- FPO data available with Department of Posts and Courier data with Central Board of Indirect Taxes and Customs

E-commerce exports through FPOs

- CBIC notification for export of goods through FPO prescribes submission of two forms - Postal bill of Exports (PBE) – I and PBE –II
- PBE - I is earmarked for export of goods through e-commerce route and PBE – II for all other postal exports
- PBE-I provides necessary details required to compile data on e-commerce merchandise exports
- Country of destination, HS Code, product description, unit of quantity, value of export (in INR) etc.
- PBE-II provides similar fields of information for other exports through FPOs
- All the 28 FPOs in the country have been authorized by Customs for undertaking e-commerce exports.
- To enable compilation of data on e-commerce exports through FPOs, DoC in consultation with the Department of Posts is working to put an appropriate mechanism for monthly data transmission of e-commerce data from FPOs to DGCIS in place.

Capturing data of E-commerce goods export

E-commerce goods export through Courier

- Export and import of goods through couriers is guided by Courier Imports and Exports (Electronic Declaration and Processing) Regulations 2010.

- Exports/Imports through courier mode allowed only through Authorized Couriers registered with Customs.

- Facility of courier clearance available in manual mode in 11 Customs Airports – Mumbai, Delhi, Chennai, Kolkata, Bengaluru, Hyderabad, Ahmadabad, Jaipur, Trivandrum, Cochin and Coimbatore and 2 LCS – Petrapole and Gojadanga.

- Electronic data capture of courier exports has been implemented in three airports - Delhi, Mumbai and Bengaluru.

(A) E-commerce exports under Foreign Trade Policy through Courier

- For purpose of Merchandise Export from India Scheme (MEIS) E-commerce means export of goods hosted on a website accessible through the internet to a purchaser. While the dispatch of goods shall be made through courier or postal mode, as specified under the MEIS, payment for goods purchased on e-commerce platform shall be done through international credit/debit cards and as per guidelines of RBI.

Items Incentivized under MEIS

- Handicraft items/products, handloom products, books/periodicals, leather footwear, toys and customized fashion garments

Capturing data of E-commerce goods export

- CBIC introduced a new Form HA (Courier Shipping Bill – V) for export of goods notified under FTP.

- Part B of form HA has several columns to confirm if export through courier is e-commerce export or not and whether export is under MEIS or not.

- Form HA would capture e-commerce exports for all commodities included under FTP irrespective of whether the exporter avails benefits under MEIS or not.

- Information on destination, HS Code, description of the item, quantity, value of export etc. would be available from Table B of Form HA.

(B) Export of commodities other than included under FTP through Courier

- In June 2017 CBIC notified a new form CSB – IV for courier shipments.

- Form H does not have provisions for any qualifying question as in Form HA to identify if the particular export through courier is e-commerce export or not.

- Since not all international courier shipments are the results of e-commerce and not all goods exported through courier are e-commerce exports, immediate challenge is identification of e-commerce courier export from all courier exports.

- Once the identification issue is resolved, regular Shipping Bill mandatorily filed with Form H would provide all the necessary information required for compilation of goods exported through e-commerce.

- Capturing data from these two sources would ensure coverage of B2B and B2C e-commerce exports without any bifurcation between B2B and B2C sales.

Capturing data of E-commerce goods export

Export under Express Cargo Clearance Scheme

- CBIC has been working on developing a system that would enable electronic data capture of e-commerce courier exports

- This facility has already been implemented in three airports (Delhi, Mumbai and Bengaluru) on a pilot basis

- Planned to be extended to all 13 airports in the near future

- Courier Shipping Bills filed for clearance of export goods under ECCS are subject to Risk Management System after registration of goods by the Custodian. Export goods covered under CSBs, fully facilitated by RMS and cleared by Customs x-ray scanning are automatically given LEO by ECCS considerably reducing the dwell time of export shipments through courier.

- It will be incorrect to presume that all exports through the Express Cargo Clearance System (ECCS) are e-commerce export. The challenge therefore is to identify if exports under ECCS are e-commerce exports or not

Capturing data of E-commerce goods import

- Import through FPOs is currently not permitted. Goods under e-commerce have to be imported either through Courier or designated Customs Airports/LCS

- Goods imported by courier are categorized into documents, samples, gifts, low value dutiable shipments (declared value of up to Rs. 1,00, 000/-) and dutiable goods (declared value of more than Rs. 1,00,000/-).

- Separate forms notified by CBIC for clearance of documents, samples, gifts, low value dutiable shipments and dutiable goods in manual and electronic mode.

- Forms capture necessary details like item code and description, country of origin and consignment, freight and insurance charges, quantity, unit of quantity, value, gross weight etc. required for compilation of imports though the courier route.

- Since all courier imports cannot be presumed to be e-commerce imports, the problem boils down to putting an appropriate qualifier in place to distinguish e-commerce courier imports from other courier goods import.

Imports under ECCS

- For imports, the Authorized Courier would file, in an electronic form, a manifest that is the Express Cargo Manifest Import (ECM-I) for the import process of goods prior to its arrival, following which the courier packages containing the imported goods would be dealt with in a manner as directed by the Commissioner of Customs.

- As in case of exports, identification of e-commerce imports is a challenge.

Capturing data on Digital trade in services

- India selected by UNCTAD to conduct pilot study to develop a model enterprise survey to capture data on actual and potential export of ICT enabled services.

- Instead of restricting the exercise to a methodological study, India conducted a pan-India survey to collect data on export of ICT enabled services by partner country and mode of delivery of services based on a sample of 2500 enterprises.

- The survey covered 9 services categories – (i) Telecommunications, (ii) Computer Services, (iii) Sales and marketing services, not including trade and leasing services, (iv) Information services, (v) Financial services, (vi) Management and back office services, (vii) Licensing services, (vii) Engineering and R&D services and (ix) Education and training services

- Insurance Services although included in the UNCTAD list of potential ICT-enabled services, had been kept out of the survey as the usual concept of mode of supply does not apply to the sector and the survey instrument designed was not appropriate for collecting data on Insurance services.

- Going by the convention that only services can be delivered digitally and that the concept of digitally delivered trade is similar to concept of ICT-enabled services i.e. services products delivered remotely over ICT networks, the estimated cross border delivery of services under Mode 1 is taken as a close proxy to cross border digitally delivered services.

Capturing data on Digital trade in services

- Adopting the UNCTAD definition of ICT-enabled services, DGCIS conducted the second survey to collect information on India's exports of ICT-enabled services by partner country and mode of delivery of services for FY 2017-18.

- The survey covered 2851 enterprises distributed across 9 categories of services.

- Potential ICT-enabled services exports covering 9 different categories in FY 2017-18 was valued at almost USD 120 billion. The corresponding value in 2016-17 was USD 103 billion. Export of potential ICT-enabled services in dollar terms registered a growth of 16% in 2017-18.

- Higher export in potential ICT-enabled services in 2017-18 was mainly accounted for by 20% growth in export of computer services, 25% growth in Engineering services, 7% growth in export of Management and back office services and 12% growth in export of Telecommunication services.

- Mode 1 or ICT-enabled services contributed to 81% of potential ICT-enabled services export while Mode 4 contributed to 19%. Supply of potential ICT-enabled services through Mode 2 was negligible (0.1%).

- As compared to 2016-17, share of Mode 1 in export of Computer services increased from 73% in 2016-17 to 78% in 2017-18 and share of Engineering and R&D services declined from 82% to 78% in 2017-18.

Capturing data on Digital trade in services

- ICT–enabled services contributed to more than 60% of India's services export in 2017-18

- The survey on export of ICT- enabled services is now a regular feature in the Annual work plan of DGCIS

Import

- India does not have a Business register as is available in developed as well as several developing countries.

- Efforts are on to use information of units registered with Goods & Services Tax Network to develop a Business Register of exporting and importing services units.

- The Registration data once available would enable DGCIS to launch pan-India survey to collect information on country and mode wise import of ICT-enabled services.

Capturing digital services imports using GST data

- Online Information Data Base Access and Retrieval (OIDAR) Services recently introduced under Goods & Services Tax allows Government to collect GST on services digitally delivered into the country by foreign actors. OIDAR has been identified as a probable source of data for digitally delivered services trade.

- OIDAR includes electronic services such as (i) advertising on the internet, (ii) providing cloud services, (iii) provision of e-books, movie, music, software and other intangibles through telecommunication networks or internet, (iv) online supplies of digital content (movies, television shows, music and the like), (vi) digital data storage etc.

Capturing Data on Digital Services Import

- Form GST REG-10 have been specified by GSTN for registration of the non-residential taxable person or his authorized representative making it possible to identify the country from where the service has been imported.

- In case of B2B OIDAR services import, where supplier of service is located outside India and recipient in India, recipient who is a registered entity under GST is liable to pay IGST and undertake necessary compliances. In case of B2B OIDAR services import, the service recipient has to file GST return with GST Council. Challenge is to identify such services through the prescribed GST return.

- In case of B2C OIDAR services import, individual consumer is not registered under GST; supplier of service located outside India is liable to pay IGST and undertake necessary compliances either through an intermediary or through a representative in India who shall get registered and undertake necessary compliances. In case overseas supplier does not have physical presence or a representative in India, he has to appoint a person for ensuring compliances. Form GSTR-5A is specified for this purpose.

- Form GSTR-5A captures value only but not the Service Classification Code

- The solution to the problem lies in making provisions for capturing information on SCC in the prescribed monthly return or collect this information directly from intermediaries of service providers.

Planning for a National e-commerce Survey

- The country has plans for a national e-commerce survey for which a proposal has been made by DoC to the National Statistics Office.

- Data is proposed to be captured for both domestic and cross-border e-commerce trade.

- India does not have BR; for preparing frame of e-commerce operators GST registration data and monthly mandatory GST return GSTR-8 proposed to be used.

- Questionnaire has been developed based on the European ICT usage survey.

- Questions proposed to be included relate to characteristics of the enterprise, information on web sales, value of web sales, percentage of value of web sales through enterprise website/app and e-commerce marketplace, breakdown of value of web sales by type of customer, geographies, difficulties experienced by the enterprise in web sales and EDI type sale of goods and services etc.

- Eurostat which had earlier included purchases in the survey on ICT usage survey has discontinued capturing of information on purchases by e-commerce firms from 2020 due to quality concerns as enterprises mostly do not keep record about e-purchases. Web purchases by e-commerce firms has been kept out of the purview of the survey.

How can international agencies help us

- Understanding of the economic relevance of Digital Trade and how it shapes and changes traditional trade in goods and services still remains somewhat limited.

- The most important reason for this is lack of systematic capturing of Digital Trade in trade statistics, both on a national and international level.

- India is interested in understanding in greater detail the work being undertaken by international agencies for improving its own measurement of digital trade and for generating comparable statistics.

- Developing a template for capturing data on E-commerce goods and services similar to what has been developed by UNCTAD for export of potential ICT enabled services.

Thank You