

# Chapter 1

## Challenges of E-Retailing Laws and Regulations in India: An Overview

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### **ABSTRACT**

*The revolution in the retailing industry has brought many changes and also opened doors for many Indian as well as foreign players. In a market like India, there is a constant clash between challenges and opportunities, but chances favor those companies that are trying to establish themselves. In order to sustain in a market like India, companies have to bring innovative solutions. E-retail laws in India are urgently needed. India should also regulate the tax laws, unlawful competitive practices, and predatory pricing of Indian and foreign e-retail transactions. This chapter highlights the challenges and prerequisites of e-retail law.*

### **INTRODUCTION**

Indian market has potential to accommodate many retail players, because still a small proportion of the pie is organized. Retailing is still in its infancy in India. In the name of retailing, the unorganized retailing has dominated the Indian landscape so far. According to an estimate the unorganized retail sector has 97% presence whereas the organized accounts for merely 3% . Industry has already predicted a trillion

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dollar market in retail sector in India by 2010. However, the retail industry in India is undergoing a major shake-up as the country is witnessing a retail revolution. The old traditional formats are slowly changing into more complex and bigger formats. Malls and mega malls are coming up in almost all the places be it – metros or the smaller cities, across the length and breadth of the country. The geometric progressive growth of electronic commerce create lot of challenges to tax authorities with respect to direct and indirect taxation

## **E Retail Progress**

E-retail is defined as, “the usage of electronic medium or platform for connectivity between buyers and sellers in different location”. Number of factor are influencing the accelerated growth of e commerce and e retail, they are speed, convenience, wider choice, cheaper due to huge discounts etc.

*A McKinsey report on India (2004), says organized retailing would increase the efficiency and productivity of entire gamut of economic activities, and would help in achieving higher GDP growth. At 6%, the share of employment of retail in India is low, even when compared to Brazil (14%), and Poland (12%). Government of India's plan of changing the FDI guidelines in this sector. Recently moves by big corporate houses like Reliance Industries has further fuelled the major investments in retail sector. A strategic alliance, land acquisitions in prime areas give the essence of the mood in this sector. Both MNCs and Indian firms want to get their share of this burgeoning pie. (Sinha, 2017).*

Notable in Indian firms are Pantaloons Retail & Big Bazaar, Trent's Westside, Shopper's stop, Reliance and Subhishka, Wills Lifestyle stores, Cafe Coffee Day, which are present in India in different retail formats.

Wal-Mart stores have just started operations in India. Some leading retail coffee chains of the world like Starbucks, Barnies are planning to expand in a major way in India. India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailer's function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs35,000 crore in the year 2005-06. The Indian retail sector is estimated at around Rs 900,000 crore, of which the organized sector accounts for a mere 2 per cent indicating a huge potential market opportunity that is lying in the waiting for the consumer- savvy organized retailer.

Purchasing power of Indian urban consumer is growing and branded merchandise in categories like Apparels, Cosmetics, Shoes, Watches, Beverages, Food and even

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