

General Studies-3; Topic- Indian economy: issues

Draft National E-Commerce Policy

1) Introduction

- A task force of the Commerce Ministry has submitted its recommendations on a draft national e-commerce policy.

2) Why does India need an e-commerce policy?

- India's e-commerce sector, currently estimated to be worth around \$25 billion, is expected to grow to \$200 billion over the next 10 years.
- This necessitates better policy response and coordination among various wings of the government.
- Much of the growth in the sector is on account of cheaper smartphones and data tariffs, along with enhanced connectivity.
- The next phase of growth is expected to come from tier-II and tier-III towns.
- This can result in job creation, productivity improvement, and increased consumer presence on online platforms.
- For India to fully benefit from these opportunities, it is important for policymakers to have clearly laid-down rules for e-commerce in the country.
- Traditional retailers had voiced concerns about large e-tail players with deep pockets pricing them out of the market, and have been seeking a level playing field.
- Many of the rules currently exist in some or the other form, and are enforced by a multiplicity of government departments and regulators.
- A national e-commerce policy will be an attempt at creating a one-stop shop for the norms and regulations under which online retailers will be covered.
- An India e-commerce policy will also enable better negotiations on multilateral issues with the World Trade Organization.

3) Present Status

- The government does not currently allow FDI in e-commerce companies that hold their own inventories.
- Online retailers with foreign investments can only operate as marketplaces — letting sellers list their products on the platform.
- Marketplace operators cannot hold inventory and sell products on their platform – they can only facilitate the process for other vendors.
- E.g. Amazon and Flipkart provide platforms to other retailers and vendors by allowing them to list their products.
- An e-commerce entity cannot allow more than 25% of the sales transacted on its marketplace from one vendor or their group companies.
- Due to the restrictions on the inventory-based model, e-commerce companies have not been able to offer their in-house brands extensively.
- There have been several incidents across the country of customers expressing dissatisfaction with products they purchased online.
- In some cases, bricks and soaps have been delivered instead of mobile phones.
- This is an inherent flaw of the marketplace model, where platforms do not have full control over the supply chain.

- Customers have also complained of prices being artificially higher than the maximum retail price (MRP), and of problems with the delivery of purchased products.
- The Consumer Affairs Ministry’s National Consumer Helpline is currently the only redressal mechanism available for such grievances.

4) Recommendations of the Task Force

- The task force has recommended that FDI may be allowed in inventory-based e-commerce companies up to 49%, with the condition that the e-tailer sells 100% Made-in- India products.
- This will allow e-commerce firms to offer their own brands — as long as they are made in India.
- For online marketplaces, restrictions would be imposed on group companies of such platforms.
- This is to prevent them from directly or indirectly influencing the prices of goods and services.
- The marketplaces will not be able to offer deep discounts through their in-house companies listed as sellers.
- Bulk purchases of branded goods “by related party sellers which lead to price distortions in a marketplace” will be prohibited.
- To provide a forum for consumers, the task force has suggested the setting up of a Central Consumer Protection Authority (CCPA).
- This besides helping consumers, will also act as the nodal agency for intra-government coordination, and provide a platform for e-commerce operators regarding complaints of fraudulent activities.
- Foreign e-commerce websites should be brought on a level playing field with their Indian counterparts by making them follow the same rules for payment systems
- Create a fraud intelligence mechanism, using artificial intelligence-based authentication systems, for early detection of frauds.
- Greater regulatory scrutiny has been recommended for mergers and acquisitions that may “distort competition’.
- The Competition Commission of India has been asked to undertake such exercises. This assumes significance in the light of the recent acquisition of Flipkart by US retail major Walmart.
- It mandates e-commerce firms to store consumer data in India.

5) Impact

- The draft policy makes a strong case for championing ‘Indian’ online enterprise and creates a level playing field for homegrown companies.
- It may have major implications for foreign-owned ecommerce majors operating in India.
- Heavy discounts offered by shopping portals may soon become a thing of the past.
- Having a regulator, e-consumer courts may better address complaints about online financial frauds
- In the long run, it helps the country and Make in India.
- Millions of micro, medium and small enterprises (MSMEs) have a better chance to go online.
- It will also help large companies build a viable business rather than just depend on discounts.

Draft Ecommerce Policy Proposals	
Proposal Group companies of online marketplaces barred from influencing prices	Impact Check cartelisation
Proposal Ban bulk buys by related party sellers	Impact Check misuse of discounts/offers
Proposal Sunset clause defining maximum duration of deep discounts	Impact Create a level playing field for local cos
Proposal Restricted inventory based model for FDI funded/foreign cos	Impact Encourage local sourcing/Make in India
Proposal ED to look into alleged violations	Impact Tighter control on ecomm companies
Proposal CCI to examine competition distorting M&As	Impact Check creation of monopolies
Proposal Data to be hosted in India	Impact Help local software firms; ensure user details not misused by foreign entities