

Draft National E-Commerce Policy

Why in news?

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

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What was the task force for?

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- The task force was set up by a 70-member think tank headed by the Minister for Commerce and Industry.

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- The task force was to suggest a framework for the national policy on e-commerce.

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- With the task force's recommendations in place, the think tank will now work on creating a draft policy.

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- It is the final draft of the think tank which will be taken up by the government.

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What are the recent developments?

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- India's e-commerce sector is currently estimated to be worth around \$25 billion.

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- It is expected to grow to \$200 billion over the next 10 years.

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- Cheaper smartphones and data tariffs, and enhanced connectivity contribute to the growth prospects.

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- The bigger e-commerce firms have largely covered the metros and large cities.
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- As a next phase, they could move to tier-II and tier-III towns.
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- Expansion of 3G and 4G networks to these towns have put more consumers online.
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What is the need for a policy?

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- The e-commerce growth has led to job creation, productivity improvement, and increased online presence of consumers.
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- To benefit from these opportunities, it is essential to be responsive to the underlying challenges.
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- There is thus the need for clearly laid-down rules for electronic commerce in the country.
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- Many of these rules currently exist in some or the other form.
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- But they are enforced by a multiplicity of government departments and regulators.
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- Hence, a national e-commerce policy would consolidate the various norms and regulations to cover all online retailers.
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What are the current limitations?

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- **Restrictions** - India does not allow FDI in e-commerce companies that hold their own inventories/stocks [inventory-based model]
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- On the other hand, the government allows 100% FDI in the marketplace model.
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- Here, marketplace operators cannot hold inventory (stocks) and sell products

on their platform.

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- They can only facilitate the online sale process for other vendors.
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- E.g. Amazon and foreign-funded companies in India including Flipkart, Shopclues and Snapdeal
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- These only provide platforms to other retailers and vendors by allowing them to list their products.
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- However, huge share of investments in e-commerce firms are coming from abroad.
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- So the e-tailers are setting up seller entities that sold foreign firms' products on the platforms.
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- Eventually, in 2016, the government mandated that no platform should have more than 25% of its sales coming from a single seller.
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- Also, they are not allowed to directly or indirectly influence prices of products sold on their platforms.
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- With these restrictions, e-commerce companies have not been able to offer their in-house brands extensively.
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- **Consumer Protection** - There have been incidents of customers expressing dissatisfaction with products purchased online.
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- In some cases, bricks and soaps have been delivered instead of mobile phones.
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- This is an inherent flaw of the marketplace model.
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- Because, market platforms do not have full control over the supply chain and only functions as a facilitator.
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- There are also complaints of prices being higher than the maximum retail price (MRP).
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- National Consumer Helpline of Consumer Affairs Ministry is currently the only redressal mechanism.
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What are the key recommendations?

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- **Inventory model** - FDI may be allowed in inventory-based e-commerce companies up to 49%.

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- This comes with a condition that the e-tailer sells 100% Made-in-India products.

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- This will allow e-commerce firms to offer their own brands as long as they are made in India.

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- It is also suggested that foreign e-commerce websites be brought on a level playing field with their Indian counterparts.

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- **Marketplace model** - For online marketplaces, restrictions would be imposed on group companies of such platforms.

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- The marketplaces will not be able to offer deep discounts through their in-house companies listed as sellers.

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- This is to prevent them from directly or indirectly influencing the prices of goods and services.

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- Bulk purchases of branded goods “by related party sellers which lead to price distortions in a marketplace” will be prohibited.

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- **Consumer Protection** - To provide a forum for consumers, the task force suggested a Central Consumer Protection Authority (CCPA).

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- This, besides helping consumers, will act as the nodal agency for intra-government coordination.

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- It will thus provide a platform for e-commerce operators regarding complaints of fraudulent activities.

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- **Redressal** - The draft suggests a separate wing to be set up in the Enforcement Directorate.

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- This will handle grievances related to guidelines for foreign investment in ecommerce.

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- **Payment** - Currently, a large number of payments for online purchases is

made through the cash-on-delivery option.

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- To make online payments safer, the task force has suggested creating a fraud intelligence mechanism.

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- This would use artificial intelligence-based authentication systems, for early detection of frauds.

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- **Regulation** - Greater regulatory scrutiny has been recommended for mergers and acquisitions that may distort competition.

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- A relook has been suggested on what constitutes entry barriers and anti-competitive practices.

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- The Competition Commission of India has been asked to undertake such exercises.

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- This assumes significance in the light of the recent acquisition of Flipkart by US retail major Walmart.

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- The policy also suggests a sunset clause for deep discounting wherein a “maximum duration” would be set for “differential pricing strategies”.

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What are the implications?

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- If implemented, it could impact consumers’ online shopping experience in multiple ways.

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- They include how discounts are given, the availability of newer products, and the redressal of complaints.

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- E-commerce platforms would have to mandatorily provide the government’s RuPay payment option.

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- Suggestion for creation of a single national regulator to oversee the entire industry requires action from multiple ministries and regulators.

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- Also, there is need for amendments to existing legislation and rulebooks.

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Source: Economic Times, Indian Express

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