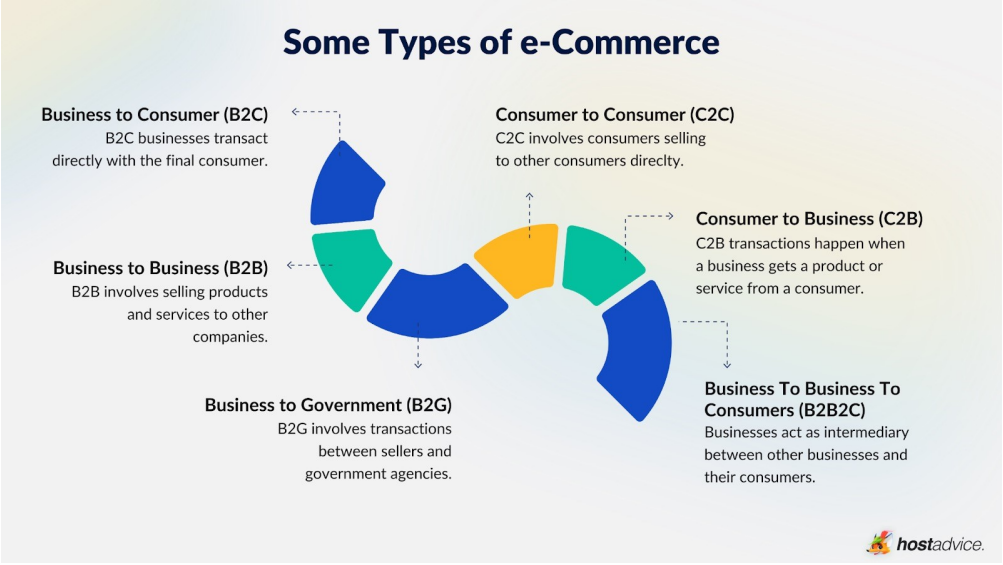
E-commerce Regulation in India

Why in News?

In a recent event, Union Minister of Commerce and Industry accuses e-commerce players of predatory pricing.

What is E-commerce platform?

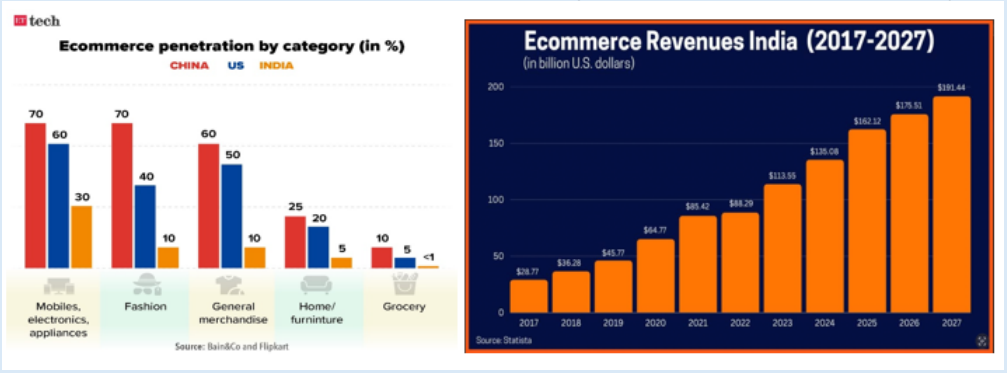
- **E-commerce** – It refers to the buying and selling of goods and services in online, facilitated by digital platforms.
    - For example, Amazon, Flipkart, and emerging startups.
- **Types** – B2C, B2B, B2G, C2C, C2B, B2B2C



- **Importance** – It contributes to job creation, digital payments growth, and increased market access for small businesses.
- **Market size**– As of 2023, it is valued at around $75 billion, projected to reach $188 billion by 2025.
- **Recent trends** – There is a rise of hyperlocal delivery, focus on Tier-II and III cities, integration of AI and ML for personalized shopping experiences.

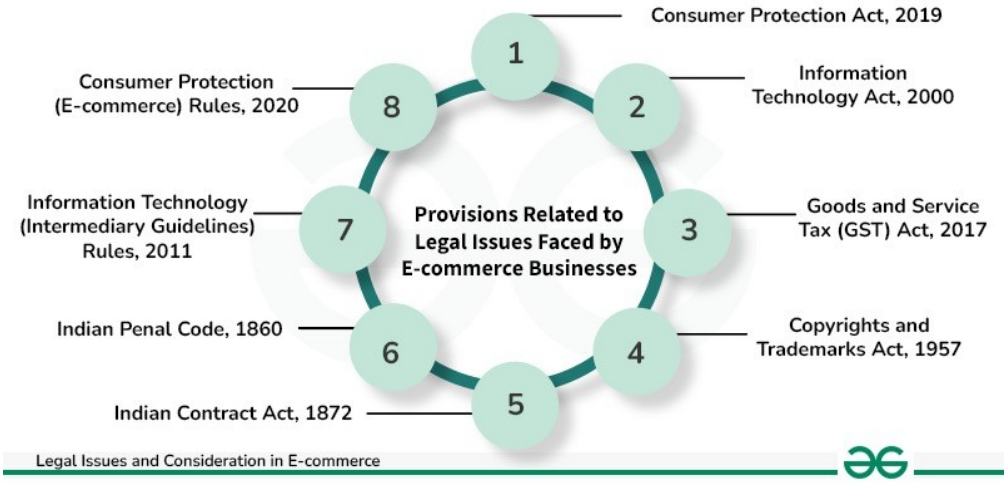
Status of E-Commerce

• **Global trend**- There are 2.71 Bn online shoppers globally as of 2024, 33% of the world's population.
• 20.1% of retail purchases will take place online in 2024, projected to reach 22.6% by 2027.
• There are over 26.6 Mn e-commerce sites globally as of 2024, with the US accounting for nearly 50%.
• Online consumers will spend the most on electronics ($922.5 Bn) and fashion ($760 Bn) in 2024.
• **India's trend**- India's e-commerce market is expected to reach $325 Bn by 2030, growing at an annual rate of 18% through 2025.
• In FY2023, e-commerce GMV reached $60 Bn, up 22% from the previous year.
• The number of online shoppers in India is projected to reach 350 Mn by 2025.



How e-commerce platforms are regulated in India?

- **Legislation** - ***Competition Act, 2002*** was passed to address anti-competitive practices in the e-commerce sector, such as predatory pricing, exclusive agreements, and market dominance abuse.
- **Institution** – The ***Competition Commission of India*** (CCI) monitors and investigates these activities.
- **Rules** - ***Consumer Protection (E-commerce) Rules, 2020*** include provisions like mandatory display of seller details, grievance redressal mechanisms, and restrictions on flash sales.
    - It is to protect consumer interests, ensure transparency, and regulate unfair trade practices on e-commerce platforms.
- Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 mandates due diligence by e-commerce intermediaries.
    - It includes the appointment of grievance officers, content removal within 36 hours of court orders, and user verifications.
    - It aims to curb misinformation and protect consumer rights.
- **Policies** – Foreign Direct Investment (FDI) Policy allows
    - **B2B** – 100% FDI
    - **B2C** – It is allowed *only in marketplace models* (up to 100%) and *not in inventory-based models*
- It restricts platforms from influencing the sale price directly or indirectly.



Draft National E-commerce Policy (2019) *proposes data localization, regulation of cross-border data flows, addressing anti-competitive practices, and promoting Make in India products. It emphasizes the protection of consumer data and fostering domestic innovation.*

How do E-commerce giants violate Indian norms?

- **Predatory pricing-** Selling goods below cost to eliminate competition, often criticized for harming small businesses and violating India's Competition Act, 2002.

Predatory pricing *involves selling goods or services at very low prices, often below cost, to eliminate competition and establish a monopoly.*

- **Operating under inventory model** – They act as Business-to-Consumer (B2C) by selling their products directly to consumers.
- **FDI violations-** E-commerce giants are accused of bypassing FDI rules by indirectly controlling inventory, thus operating as inventory-based models.
    - FDI is *not allowed in the inventory-based model* (where the platform owns the goods sold).
- **Discrimination –** There is accusations of favoritism towards certain sellers.
    - E-commerce platforms are focused on high-margin products, which hurt millions of small retailers.
- **Data privacy theft -** There is opaqueness about how this data is used, shared, or even exploited without consumers' explicit consent, leading to potential violations of privacy laws.
- **Tax avoidance-** They often involves in routing profits through low-tax jurisdictions or using transfer pricing mechanisms.
- **Consumer rights violations-** They often impose unfair contract terms on consumers, such as non-refundable policies or mandatory arbitration clauses, which limit consumer rights.

What are the impacts of E-commerce?

Positive Impacts
• **Job creation**- E-commerce platforms have created millions of jobs, especially in logistics, warehousing, and IT sectors. • **Convenience**- Easy access to a wide variety of products, often at lower prices and with doorstep delivery. • **Tech advancement**- E-commerce has driven innovations in digital payments, AI, and logistics. • **Expansion of market reach**- Sellers can reach a global audience, expanding their market base. • **FDI inflows**- Attracts significant foreign direct investment, boosting the economy. • **Supply chain enhancement**- Investments in logistics and warehousing improve overall infrastructure. • **Access to markets**- Enables rural businesses to access national and international markets.
Negative impacts
• **Market concentration**- small retailers struggle to compete, leading to market monopolization by a few giants. • **Consumer rights violations**- Unfair terms, misleading pricing, and privacy issues can disadvantage consumers. • **Data privacy concerns**- Extensive data collection raises issues of privacy and potential misuse of consumer data. • **Anti-competition**- Unfair pricing strategies can drive out competition and harm small businesses. • **FDI violations**- Circumvention of FDI rules can lead to regulatory challenges and impact domestic businesses. • **Urban congestion**- Increased demand for delivery services can contribute to urban traffic and pollution. • **Digital divide**- Limited digital literacy and internet access in rural areas can exclude certain populations. - Cloud kitchens and online food delivery apps impact restaurants - Online medicine sales impacts five lakh pharmacies - Emergence of large mobile phone stores by players like Apple and large retailers hitting smaller neighbourhood phone shops.

What lies ahead?

- Formulate stronger legislations focusing on strengthening consumer rights like clearer refund policies, transparent pricing, and better data privacy protections.
- Intensify monitoring of e-commerce giants' compliance with existing laws, particularly concerning FDI, pricing, and data protection.
- Adopting blockchain technology to enhance transparency in supply chains, ensuring product authenticity and ethical sourcing.
- Encouraging e-com platforms to collaborate with governments to boost infrastructure, digital payments, and rural connectivity.
- Encouraging e-com to adopt more sustainable practices, such as eco-friendly packaging, green delivery options and circular economy.
- Promote programs like 'Vocal for Local' in India to promote domestic products and reducing reliance on global e-commerce giants.

References

1. The Hindu Business Line | E-commerce Platforms using Predatory Pricing
2. The Hindu | Rapid e-commerce growth

