

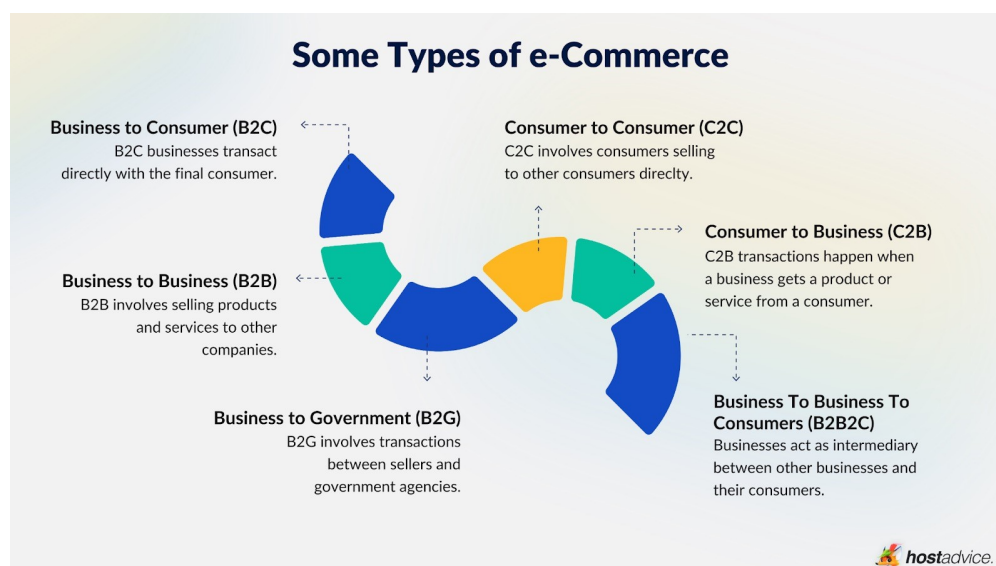
E-commerce Regulation in India

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?

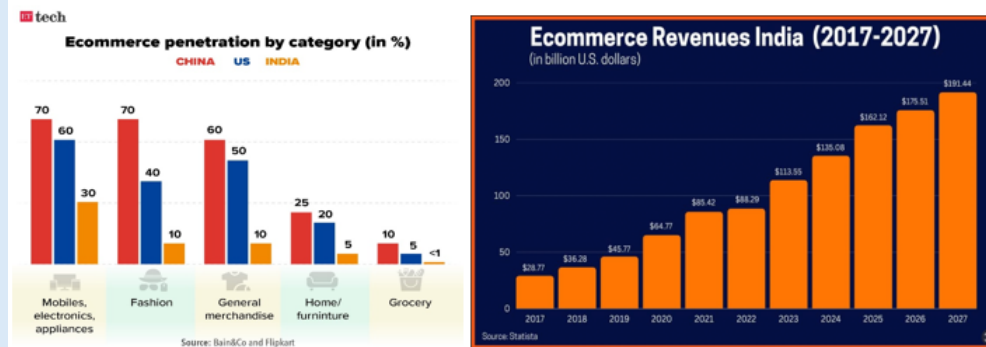
- **E-commerce** - It refers to the buying and selling of goods and services in online, facilitated by digital platforms.
 - For example, Amazon, Flipkart, and emerging startups.
- **Types** - B2C, B2B, B2G, C2C, C2B, B2B2C



- **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.

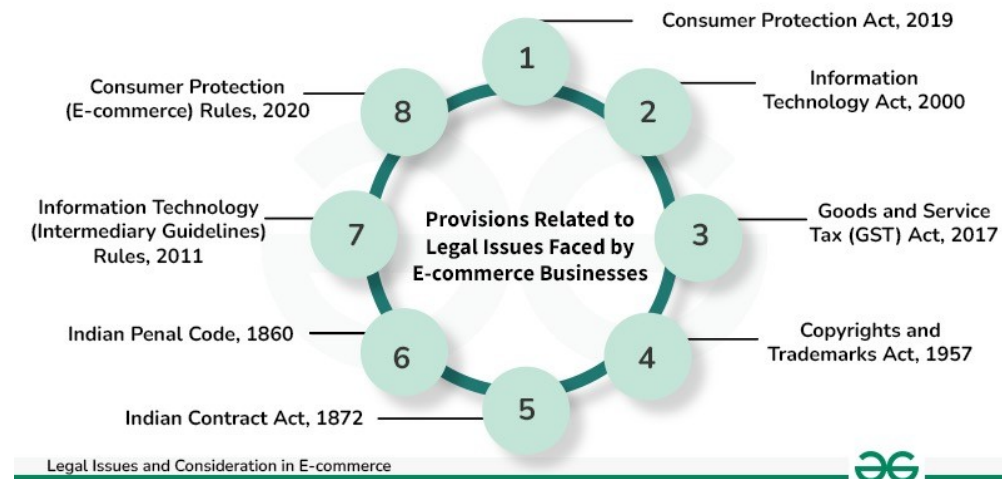
Status of E-Commerce

- **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](#)

