

Discounting logic: on e-commerce policy

The process of putting together a regulatory framework for electronic commerce in the country is finally speeding up. A task force of the Union Commerce Ministry has submitted the draft National Policy on Electronic Commerce, which will now be studied by a 70-member think tank chaired by Suresh Prabhu, the Union Commerce, Industry and Civil Aviation Minister. India's e-tail business, estimated to be worth around \$25 billion, is still a fraction of the overall retail sector in the country, but it has been witness to some frenetic activity of late, including the merger between home-grown, but Singapore-based, Flipkart and global giant Walmart. Over the coming decade, the e-commerce pie is expected to swell to \$200 billion, fuelled by smartphones, cheaper data access and growing spends. The draft policy proposes the creation of a single national regulator to oversee the entire industry, although operationalising its different features would require action from multiple Ministries and regulators. This would also need amendments to existing legislation and rulebooks. Consumer protection norms to guard online shoppers from possible frauds too are overdue. As per data available for the first eight months of 2017-18, over 50,000 e-commerce grievances were made to the Consumer Affairs Ministry helpline. Traditional retailers too have voiced concerns about large e-tail players with deep pockets pricing them out of the market, and have been seeking a level playing field.

Much work, however, remains to be done to forge a cohesive framework from the draft. Among the ideas in the draft policy are a sunset clause on discounts that can be offered by e-commerce firms and restrictions on sellers backed by marketplace operators. The aim may be to prevent large players from pricing out the competition through unfair practices, but taken too far such licensing and price controls can depress the sector. To give the government a say on who can offer how much discount and for how long, instead of letting consumers exercise informed choices, would be a regressive step for the economy. Foreign direct investment restrictions on players who can hold their own inventory are sought to be lifted, but there must be a majority Indian partner and all products have to be made in India. This seems like a leaf out of India's retail FDI policy that has similar procurement diktats that are not easy to meet or monitor. E-tailer costs are also likely to rise on account of proposed norms on storing and processing data locally, while consumers and firms could both question the plan to stipulate payments via Rupay cards. The proposed e-commerce policy could drive away those planning online retail forays — and the opportunity to create jobs and benefit consumers would be lost.

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