



India's E-commerce policy – Impact on E-commerce industry

Description

India's E-commerce policy :-

On Feb 28, 2019, Modi Government released a Draft E-commerce Policy. The draft is intended to bring about changes in the booming Rs. 2.8 Lakh crore E-commerce industry.

Why the sudden changes?

The changes have come into existence to keep a stricter check on the E-Commerce industry, which was till now running wild without proper regulations. Traditional retailer (brick-and-mortar retailers) have been opposing online shopping portals for violating competition norms, predatory pricing, etc.

Key changes :-

The changes that have been proposed are particularly hard-hitting on American and Chinese firms, but their Indian counterparts don't have it that easy either.

1. **Data** :- The draft bars retailers in the country from allowing data access to foreign businesses even with the consent of the user. Currently, data gathered by e-commerce companies in the country is stored on the private cloud storage capacities outside India for financial reasons. Due to this, companies like Amazon and Flipkart will have to undergo major restructuring processes. Also, the draft has proposed that the Data gathered by these companies must be shared with smaller players in the E-Commerce field, particularly the MSMEs and start-ups. This is intended to provide a level playing field to all players, big or small. The reasoning behind these changes is that Data is a national asset and everybody should have access to it.
2. **Anti-Piracy and Anti-Counterfeiting** :- The E-Commerce industry is plagued with this problem. To tackle this, the draft policy has proposed certain changes to be complied with. It suggests that e-tailers must publicly share all relevant details of the sellers listed on their



portals. Online retailers must display phone numbers and email addresses for consumer grievances and offer a primary solution to each problem within a week. Online retailers also have to seek authorization from trademark owners before enlisting the products.

3. **Unauthorized E-Commerce Websites** :- The new draft policy comes down heavily on unauthorized e-commerce websites, especially Chinese firms such as Shein, Romwe and Club Factory. These firms have been found to be misusing the “Gifting” route to avoid customs duty and GST. To curb this, the draft policy mandates that all E-Commerce websites channel their shipments from other countries through the customs route. It has also made it mandatory for the E-Commerce website to have a registered business entity in the country as the firms through which all sales are transacted.

Impact on the industry :-

1. With the stringent regulations, some of the companies will have to go through a major restructuring to comply with the norms fully.
2. Shifting data storage from foreign locations to India will be expensive and time-consuming for the firms. More Investments will have to flow in for this transition.
3. To comply with the anti-piracy and anti-counterfeiting norms, more paperwork and legal hassle will take place.
4. Chinese companies will be the worst hit group by these norms due to mal-practices and misuse of the current norms.
5. Practices like cheap and predatory pricing, flash sales, high-inventory buying, etc. will be watered down, providing a fair chance to offline traders.
6. Some say that the norms might even force some companies to exit the Indian market.

Keeping the magnitude of these changes in mind the government has given a window of 3 years to comply with the draft and also, invited feedback to the policies. The true impact of these changes will take time to surface and for now, we can only wait and watch.

Your Turn!

What are your thoughts on the draft of E-commerce policy in India? Share your opinion with us through the comment section. And subscribe to our blog to read answers to trending GD topics.

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