

Leaving No One Behind: Fostering an Inclusive E-commerce Ecosystem in India

Draft Approach Note

1. Context: Ensuring Digital Inclusion is the ‘New Normal’

1.1. The global crisis brought on by the pandemic has pushed us further into a digital world, and structural and behavioural changes are likely to last longer. The need to stay at home and minimise human interaction presented new socioeconomic challenges in our communities and highlighted the potential of the digital ecosystem – telecommuting, e-learning, e-commerce, and e-health – to bridge the gaps. The digitally-enabled world is indeed working – but only for some, and not all equally.

1.2. While the unprecedented pandemic accelerated the uptake of digital services, including e-commerce, it also exposed the wide chasm between the connected and the unconnected, revealing just how far behind many are in the digital uptake.¹ In other words, the pandemic accentuated the importance of *building back broader*, to ensure that we do not leave behind those that are less digitally equipped even further behind in a post-covid-19 world.

1.3. It is thus imperative to mitigate the growing digital divide, by ensuring universal access to the internet, digital literacy, and inclusivity by design. Thus, the issues of opportunity, access, knowledge, and skill in the context of digital must be articulated and addressed, without which countries cannot fully leverage the benefits of the solutions offered by the digital ecosystem.

1.4. Countries that overcome these barriers and establish enabling and inclusive frameworks for digital services will be better placed to leverage its potential benefits and address challenges. By making the digital ecosystem inclusive, countries can ensure that the value offered by digital services improves the livelihoods of the most vulnerable.

1.5. The e-commerce market has been one of the biggest beneficiaries of the pandemic, introducing millions to the convenience and safety of online shopping, and prompting seasoned online shoppers to buy more. However, even with the growing demand for e-commerce, most businesses have struggled to adapt and scale-up their operations online, with micro, small, and medium enterprises (MSMEs) witnessing the biggest blow – even more so for women-led and home grown MSMEs.²

1.6. At the same time, millions of people worldwide – more so in developing countries like India – do not have access to basic digital infrastructure including a broadband internet connection and are cut off from what has become essential to everyday life during the pandemic. The pandemic has thus highlighted the policy agenda that must be prioritised by countries in the wake of the ‘new

¹ ‘Coronavirus reveals need to bridge the digital divide’, UNCTAD, 6 April 2020, <https://unctad.org/news/coronavirus-reveals-need-bridge-digital-divide>.

² ‘New survey shows Covid-19’s impact on e-commerce in poorer nations’, UNCTAD, 23 November 2020, <https://unctad.org/news/new-survey-shows-covid-19s-impact-e-commerce-poorer-nations>.

normal’ – without digital inclusivity measures there is a greater risk that digital innovations, including e-commerce, will continue to increase inequality rather than advancing equity.³

2. Introduction: E-commerce as a Tool to Foster Inclusivity in India

2.1. In that context, the Indian government has supported various programmes and policies aimed at increasing access to basic digital infrastructure, thus encouraging digitisation. These include the government-promoted Bharat Interface for Money (BHIM) system, Unified Payment Interface (UPI), Bharat QR code, RuPay cards, among others. Schemes such as the Pradhan Mantri Gramin Digital Saksharta Abhiyaan (PMGDISHA) and Vittiya Saksharta Abhiyan (VISAKA) are also introduced to increase digital literacy.

2.2. Moreover, the economic narratives such as ‘Aatma Nirbhar Bharat’ and ‘Vocal for Local’ which call for a self-reliant India, also enable greater opportunities and a level playing field for MSMEs. With the “Digital India” programme running parallelly, these enterprises and the rural economy have the potential to onboard e-commerce and become part of global value chains.

2.3. The Draft E-commerce Policy, 2021 (Policy) of India, that has been making rounds in several media reports and articles, also recognises the government’s role in enabling a ‘welfare state’, while regulating the economy for a holistic growth of all stakeholders. It has also been reported that the Policy speaks of ‘inclusive growth’ on various occasions, ensuring that gains from growth are accessible to all participants and that interests of consumers are well protected.

2.4. Taking that agenda forward, the Indian government must look at e-commerce driven growth to foster a resilient and inclusive economy and society. E-commerce can empower MSMEs to compete with large enterprises; enable remote rural residents and individuals to purchase the same goods at the same price on the same platform as urban residents; and allow flexible and inclusive employment.⁴ Moreover, broadening access to finance, logistics, and technological advancements to all actors in the supply value chain of e-commerce can provide synergies on a national level.

2.5. Such national level synergies become more crucial for developing countries like India, where e-commerce is gaining substantial significance – the e-commerce market registered a growth of 36% year-over-year in the last quarter of 2020, despite the ongoing pandemic.⁵ The number of active internet users (AIU) in India is also expected to grow to 900 million by 2025 compared to 622 million in 2020.⁶

³ eTrade for All, ‘Covid-19 and E-commerce: A Global Review’, United Nations, 2021, https://unctad.org/system/files/official-document/dtlstict2020d13_en.pdf.

⁴ ‘Inclusive Growth and E-commerce: China’s Experience’, AliResearch, April 2017, https://unctad.org/system/files/non-official-document/dtl_eWeek2017c11-aliresearch_en.pdf.

⁵ Anshuman Rathore, ‘The Rise of E-commerce in India’, Gartner, 19 April 2021, <https://www.gartner.com/en/marketing/insights/daily-insights/the-rise-of-e-commerce-in-india>.

⁶ Press Trust of India, ‘Active internet users in India likely to reach 900 mn by 2025: IAMAI’, Business Standard, 03 June 2021, https://www.business-standard.com/article/technology/active-internet-users-in-india-likely-to-reach-900-mn-by-2025-iamai-121060300710_1.html.

2.6. E-commerce has the potential to overcome market barriers and connect consumers and businesses. It can create jobs directly as well as through logistics services and other parts of the e-commerce ecosystem, improve household consumption and reduce inequality by bringing to people in rural areas the convenience, variety, and low prices enjoyed by urban dwellers, and contribute to economic growth by lowering the asymmetry of information and increasing economic efficiency.⁷

3. Problematique: Need for a Bottom-up Inclusive Ecosystem Approach

3.1. Even though the benefits and advantages of e-commerce are no longer unknown, there is still huge headroom to increase the access, uptake, and usage of e-commerce services – in both supply (sellers) and demand (consumers) value chains.

3.2. This divide exists despite the rise in the number of AIUs in India over the past few years. However, this growth only indicates the rise in basic telecommunication facility. For consumers to fully accrue benefits of e-commerce services, the related services must also be made available and accessible. That would require moving beyond only access to the internet, to fostering the ability in consumers to operate internet-enabled devices like phones, tablets, and computers, along with learning how to use and trusting digital platforms and transactions.

3.3. At the same time, there have been allegations of anti-competitive practices by e-commerce giants, along with stifling local businesses by their long tail business strategies. Further, the e-commerce industry has not yet been able to become inclusive for small businesses and vulnerable communities since the business models are primarily adopted from North American consumer behaviour and markets.⁸ The industry needs to further evolve and adapt to the nuances of the Indian market, culture, and society.

3.4. Since 2020, due to Indian government orders, online sales for ‘non-essential’ goods have been halted several times, while providers of ‘essential’ items like groceries, medicines, and medical equipment have seen their revenues soar. The bigger players who are involved in all-encompassing e-commerce supply-value chains are thriving, while smaller and sector-specific e-commerce companies in furniture, events, and fashion are haemorrhaging money.⁹

3.5. It thus becomes important to look at the wider e-commerce ‘ecosystem’, moving beyond the core seller-platform-buyer relationship. There has been a continued rise of ‘business ecosystems’,

⁷ ‘E-commerce can boost job creation and inclusive growth in developing countries’, Ali Research, 19 March 2020, <http://www.aliresearch.com/en/Research/Researchdetails?articleCode=21910&type=SustainableDevelopment>.

⁸ Vijay Govindarajan and Anita Warren, ‘How Amazon Adapted its Business Model to India’, Harvard Business Review, 20 July 2016, <https://hbr.org/2016/07/how-amazon-adapted-its-business-model-to-india>.

⁹ Digbijay Mishra and Alnoor Peermohamed, ‘E-commerce fails to escape ongoing covid-19 wave, unlike last year’, The Economic Times, 21 May 2021, <https://economictimes.indiatimes.com/tech/technology/second-covid-19-wave-rocks-e-commerce-boat-hits-consumer-spends/articleshow/82807434.cms?from=mdr>.

driven primarily by digitalisation, connectivity, and new models of collaboration.¹⁰ These ecosystems dramatically reshape the core structures of the industrial economy, as many boundaries blur and dissolve.

3.6. Ecosystems thinking thus provides a new frame and mindset that captures a profound shift in the economy, society, and the business landscape. Going one step forward, it is equally important to think about how to make such ecosystems inclusive and equitable. To do the latter, it is imperative to take a bottom-up approach – to understand why sellers or consumers are not part of the e-commerce ecosystem, and what can be done to overcome the challenges and barriers they face.

3.7. Additionally, the impact of an exclusive e-commerce ecosystem has the potential to impact the society, environment, and the economy. It can exacerbate the digital divide, gender divide, increase unemployment, hamper economic and technological growth which might impede larger political relations. Moreover, it makes good environment sense to foster an inclusive e-commerce ecosystem to ensure that such ecosystem is sustainable.

3.8. *Therefore, in view of this context, CUTS is undertaking a project titled “Leaving No One Behind: Fostering an Inclusive E-commerce Ecosystem in India”, with the aim to explore and institutionalise an inclusive e-commerce ecosystem in India to ensure equitable distribution of benefits of such transformation to all relevant stakeholders in an evidence-based, decentralised, bottom-up, and inclusive manner.*

4. Approach

4.1. The project proposes to analyse the existing e-commerce ecosystem and the policy and regulatory landscape. The research aims to recommend actionable solutions to make the e-commerce ecosystem equitable and inclusive. To pursue this, the study will rely on a mixed method approach, employing anthropological, policy, and legal research methods.¹¹ Figure 1 below outlines the approach to this.

¹⁰ ‘Business Ecosystems Come of Age’, Deloitte University Press, 2015, https://www2.deloitte.com/content/dam/insights/us/articles/platform-strategy-new-level-business-trends/DUP_1048-Business-ecosystems-come-of-age_MASTER_FINAL.pdf.

¹¹ Julia Brannen and Gemma Moss, ‘Critical Issues in Designing Mixed Methods Policy Research’, SAGE Journals, June 2012, https://journals.sagepub.com/doi/full/10.1177/0002764211433796?casa_token=KGLniG4QkyUAAAAA%3AdBDSv1L9e5P7hxXGPfNwg2Pb_dn3TcTYu7bd5HH7kqOIJDXW4hyAFRAIwUkzoXq7CRGJQrqmOqW6HA.

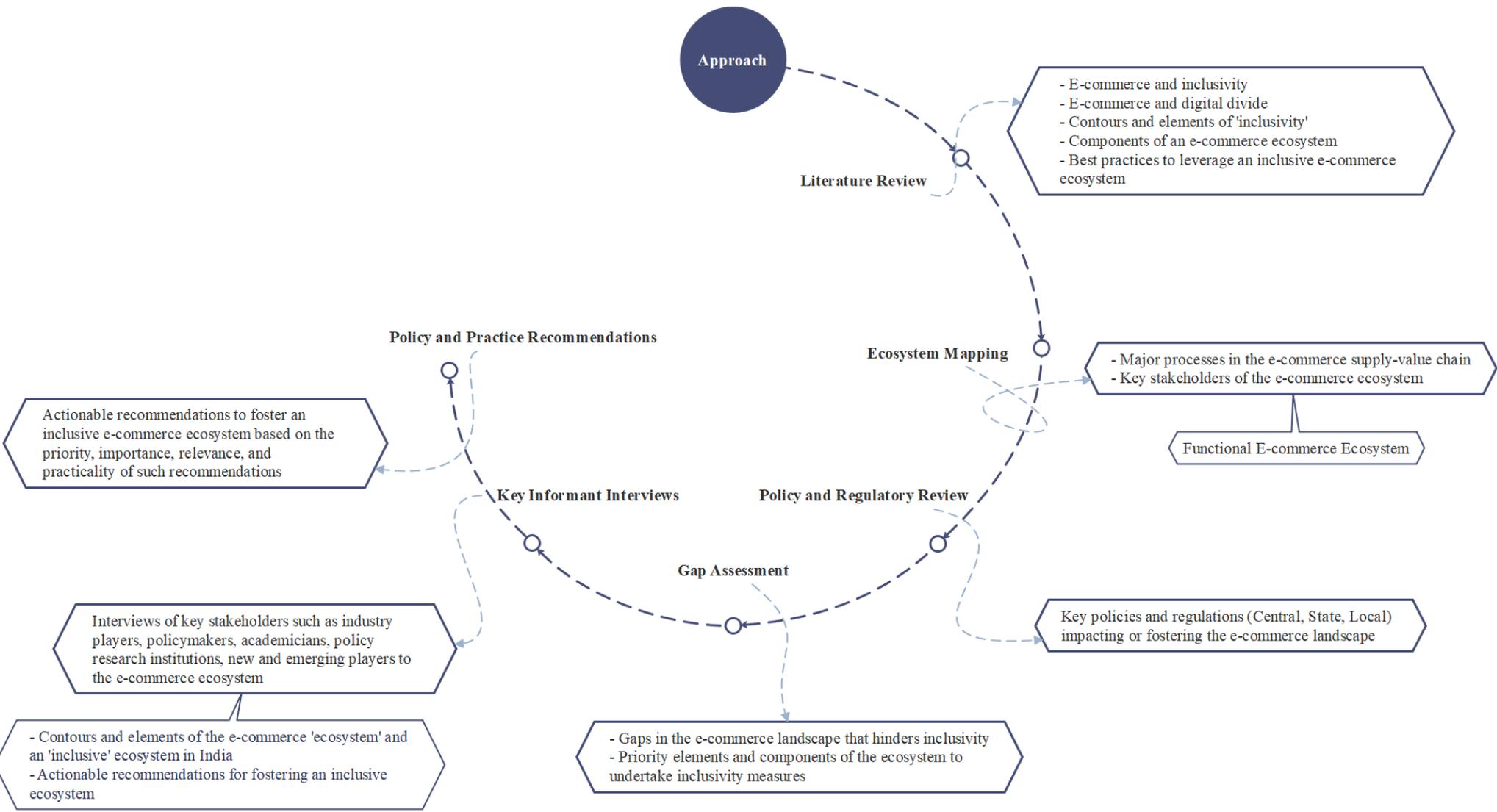


Figure 1: Approach Flow