

## CUTS WEBINAR

# Fostering an Inclusive E-commerce Ecosystem in India

Wednesday, 15th December 2021, 15:00-17:00 PM IST

## REPORT

CUTS International had undertaken the [project](#) to explore the means and ways of fostering an equitable and inclusive e-commerce ecosystem in India. Accordingly, the existing e-commerce ecosystem and the policy and regulatory landscape were examined in an evidence-based, decentralised, bottom-up, and inclusive manner. A [white paper](#) was prepared, highlighting the existing e-commerce ecosystem, priority elements and components which must be made inclusive and providing for an actionable framework of recommendations to foster the same. This event included the release of our white paper followed by panel discussions on it.

### **Panellists:**

- Anil Bhardwaj, Secretary General, Federation of Indian Micro and Small & Medium Enterprises (FISME)
- Manjushree RM, Research Fellow, Vidhi Centre for Legal policy
- Ambika Tandon, Senior Policy Officer, Centre for Internet and Society
- Gowree Gokhale, Partner, Nishith Desai Associates
- Ujjwal Kumar, Policy Analyst, CUTS C-CIER (Moderator)

Following are the highlights of the panel discussion.

### **Inclusivity of MSMEs**

Micro, small and medium-sized enterprises (MSMEs) have been an integral part of India's economic growth story. The brick and mortar stores are entering the ecommerce ecosystem, more so with the advent of the pandemic. While partnering with large e-commerce entities for online sale, they generally do not receive equitable terms of contract. The development of e-commerce should be harnessed using the energy of MSMEs and artisans.

There are many challenges that MSMEs face vis-à-vis inclusive e-commerce. These include: digital divide, lack of capacity, and regulatory challenges, such as tax and export regulations. MSMEs hold the biggest basket of exports from India, but our custom infrastructure and regulation are yet to facilitate exports via e-commerce. The parity in the Goods & Services Tax between the online and offline sellers must be bridged.

Similarly, the Consumer Protection (E-Commerce) Rules, 2020 and the Information Technology (Intermediary Guidelines and Digital Media Ethics Code), Rules, 2021 increases compliance burden on small sellers or service providers, through appointing grievance officers, compliance officers, etc.

### **P2B Competition Issues**

Asymmetric bargaining power in platform-to-business relationship is the crux of most competition concerns, such as self-preferencing, manipulated search results and ranking etc. Deep discounting or predatory pricing imposed upon the smaller business seems unfair to them. The government must cater to both inventory and marketplace model of ecommerce.

Competition law does not seem to have an answer to an oligopolistic form of market, as two-three players may not individually become dominant; however, taken together, they could rule the entire ecosystem. They act as gatekeepers. MSMEs do not have an option but to partner with the large market players unless they have self-employed logistics and supply chains. Since, e-commerce regulation is yet to come and other relevant sectoral laws have not been implemented effectively, the burden on competition enforcement has increased.

Therefore, a soft ex ante regulation laying down dos and don'ts vis-à-vis P2B relations can be thought of. However, there is no need for an additional regulator, because the CCI can act as an ombudsman. E-commerce must not be viewed as a sector, it is a business model. Therefore an additional e-commerce authority is not needed.

### **Capacity Building**

There are several challenges to inclusivity in ecosystem due to lack of capacity of small businesses. Particularly, exports are also affected by the dirt of capacity in MSMEs. Therefore, there is an impending need for capacity building of MSME suppliers on the ecommerce platforms and other players in the e-commerce ecosystem.- Industry has to chip in here by creating a fund for capacity building, including by using Corporate Social Responsibility (CSR) funds. An example of this is the amazon campaigns for the tribal groups.

### **Facilitating Women Entrepreneurs**

The focus of policies and practices must also be on the gender specific hurdles. In a survey conducted, it was highlighted that women have less access to digital infrastructure. The study, conducted by the World Wide Web Foundation and the Alliance for Affordable Internet (A4AI), analysed 32 low and lower-middle-income countries, where the gender gap is often greatest. In India, women participation in the labour force is very low. Digital economy can be harnessed to improve women participation.

Some of the major challenges faced by women led enterprises are lesser digital access, lesser digital literacy and lesser access to capital. For every 25 women owning a smartphone, there are 41 men owning it. This creates a hurdle in accessing the financial resources as well. Merely owning smartphones is not enough. Women are less likely to use phones and the internet due to low digital literacy. The grievance redress mechanism is also a complex procedure. It could be made easier if available in regional languages.

Many women enter the pipeline, but they drop out even before reaching the positions of power. Platforms need to extend support to women led enterprises for on-boarding and provide certain subsidies in form of lower commission fees.

### **Way Forward**

- **Reducing the Gender Digital Divide-** Training sessions must be imparted to women leading their own enterprises and Self Help Groups (SHGs). A remarkable example of inclusivity is Amazon launching the Amazon-SAHELI initiative to onboard women led enterprises. However, what is yet to be addressed is the wide chasm in the composition of employees and the board members of these companies, in terms of gender.
- **Regulation:** In case of digital markets, there is a need for ex ante regulation which directs the big platforms to conduct themselves in a certain way.

- ***Impetus to Innovation:*** Our focus must shift from a regulating environment to an enabling environment. E-commerce should be looked at from a cohesive lens. The approach should be enabling the ecommerce ecosystem for maximum innovation. There must be a barrier less entry in India, the current set of compliances are burdensome. There must be a holistic development of soft and hard infrastructure. A well-thought-out logistical network is extremely important. A public-private partnership (PPP) model is necessary for inclusivity, including creating a local supply chain.
- ***Boosting Investment:*** Investments in any form, whether domestic, foreign or crowd-sourced must be encouraged. The FDI policy can also be reformed to remove various distinctions like single- and multi-brand retail trading as well as between marketplace and inventory models of e-commerce. This will encourage international investors to invest in India.
- ***Environmental Measures:*** Environmental, Social and Governance (ESG) components should be added to all the business. For instance, e-commerce packaging uses a lot of plastic, which must be discouraged.
- ***Stakeholder Consultations:*** Any new policy or regulation must be preceded by multi-stakeholder consultations. The regulations brought out by the Reserve Bank of India recently were guided by zero stakeholder consultations. Rather than presuming the perspectives and opinions of key stakeholders, empirical data should be produced.
- ***Reducing Compliance Burden:*** Overregulation must be looked into. Regulation must safely guard and treat the ecosystem with equality disregarding the regulations which are not guided by ‘necessity’. Mechanisms should be put in place to avoid overlap of multiple laws on the same topic.

In order to move forward in a coherent manner, a multi-stakeholder Task Force may be created which should come out with a blueprint.

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