



Draft National E-commerce Policy

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A **task force** headed by commerce secretary has submitted its recommendations on a draft national e-commerce policy.

- India's e-commerce sector, currently estimated to be worth around \$25 billion, is expected to grow to \$200 billion over the next 10 years.
- On account of cheaper smartphones and data tariffs, the bigger e-commerce firms expect their next phase of growth to come from tier-II and tier-III towns, where the expansion of 3G and 4G networks have put consumers online.
- This will result in job creation, productivity improvement, and increased consumer presence on online platforms. To fully benefit from these opportunities, it is important for policymakers to be cognizant also of the underlying challenges — which makes it imperative to have clearly laid-down rules for electronic commerce in the country.

Major Recommendations

FDI may be allowed in inventory-based e-commerce companies up to 49%, with the condition that the e-tailer sells 100% **"made in India"** products.

- This will allow e-commerce firms to offer their own brands as long as they are made in India.
- Currently, 100% FDI in online retail of goods and services under marketplace model through the automatic route is permissible.

NOTE: Under the **inventory model**, the e-commerce firm buys, stocks and sells goods, while in the **marketplace model**, it simply acts as a platform connecting buyers and sellers.

- The Competition Commission of India should consider amending the thresholds so that **competition-distorting mergers and acquisitions** below the existing threshold get mandatorily examined by it.
- Impose restrictions on group companies operating in marketplace model to prevent them from directly or indirectly influencing the prices of goods and services.

- The marketplaces will not be able to offer deep discounts through their in-house companies listed as sellers.
- Setting up of a **Central Consumer Protection Authority (CCPA)**, which will act as the nodal agency for intra-government coordination, and provide a platform for e-commerce operators regarding complaints of fraudulent activities.

The Consumer Affairs Ministry's National Consumer Helpline is **currently the only redressal mechanism** available for e-commerce related grievances like problems with delivery of products, artificial prices over and above maximum retail price (MRP), etc.

- E-commerce platforms **must provide** the government's **RuPay payment** option.
 - The task force has also suggested that foreign e-commerce websites should be brought on a level playing field with their Indian counterparts by making them follow the same rules for **payment systems** such as **two-factor authentication**.
 - With the aim to make online payments safer, the task force has also suggested creating a fraud intelligence mechanism, using artificial intelligence-based authentication systems, for early detection of frauds. Currently, a **large chunk of payments** for online purchases is made through the **cash-on-delivery option**.
- The task force has recommended for **data localization**, and also a **two-year sunset period** for the industry to adjust before localization rules becomes mandatory. It has also suggested direct and indirect tax incentives as well as according **infrastructure status to data centres** to encourage domestic data storage.

Sunset clause require that certain provisions or laws will cease to be effective from a predetermined date unless they are reauthorized.

Data localization is the act of storing data on any device that is physically present within the borders of a specific country where the data was generated.

- To **encourage micro, small and medium enterprises**, the task force recommends allowing them to follow **inventory-based models** for selling locally produced goods through an online platform.
- The goods and services tax (**GST**) **procedures for e-commerce be simplified** by allowing centralized registration instead of local registration.
- It can be noted that **both the draft e-commerce policy and the Srikrishna panel** have suggested for **data localization** as well as the **government access to data stored in India** for national security and public policy objectives subject to rules related to privacy, and consent.