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Centre examines the need for e-commerce regulator

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NEW DELHI: The government plans to introduce a new policy on e-commerce within weeks to boost orderly growth and fair play in the $41 billion industry that caters to roughly 100 million online shoppers in Asia's third-largest economy.

The new policy will boost the sector, promote exports and ensure fair play, a senior government official said on condition of anonymity. The government is also examining the need for a regulator for the sector, he added.

The proposed e-commerce policy and the changes in foreign direct investment (FDI) rules related to the sector announced on Wednesday night is aimed at placating small traders, who contend that discounts offered by companies such as Amazon and Flipkart are driving them out of business. Addressing their concerns assume importance given that they are a core voter base for the ruling Bharatiya Janata Party.

India's e-commerce market is dominated by Amazon.com and Flipkart, which was acquired by Walmart Inc. for $16 billion earlier this year.

The new rules announced on Wednesday bar online retailers from selling products of companies in which they own stakes. They also disallow exclusive tie ups between e-commerce firms and vendors. Also, if any vendor sells more than 25% of its ware through any e-commerce marketplace, the latter will be deemed to have an inventory model in which FDI is not allowed.

The restrictions come amid intense lobbying by small traders. They have been complaining that e-commerce firms have been indirectly influencing the retail market with selective discounts and incentives dished out through vendors who are related parties.

Small traders have been complaining that e-commerce firms have been indirectly influencing the retail market MINT

THE NEW POLICY WILL BOOST THE SECTOR, PROMOTE EXPORTS AND ENSURE FAIR PLAY, A SENIOR GOVERNMENT OFFICIAL SAID

A spokesperson for Amazon said the company was evaluating the government's circular.

Flipkart said it was important for the government to uphold the market-driven growth framework for the e-commerce industry. "Government policy changes will have long-term implications for the evolution of the promising sector and whole ecosystem. It is important that a broad market-driven framework through right consultative process be put in place in order to drive the industry forward," said a company statement.

The Confederation of All India Traders (CAIT) hailed the FDI rule changes and demanded that the norms be implemented with retrospective effect from April 1, 2018 rather than from February 1 as announced.

Praveen Khandelwal, secretary general of CAIT, said that it was "a tough, year-long struggle for the traders" to convince the government to intervene in the matter. Khandelwal said the move will benefit more than 70 million small businesses. "Both online and offline traders in the country will now be able to sell their goods on e-commerce platforms in a transparent manner," he said.

In offline multi-brand retailing, FDI is effectively not allowed. Rules allow up to 51% FDI in offline multi-brand retail with government approval, but no proposal has been cleared.

The recent moves indicate the government's resolve to block the backdoor entry of FDI into online retail, where it is not allowed.

The government official cited above defended the changes saying these were clarifications meant to prevent online platforms with foreign equity distorting the retail market.