

FDI Curbs on e-commerce: From Best Deal to Raw Deal

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It is most unfortunate that consumer organizations are always ignored while framing key policy decisions. The case in hand is on e-commerce, as consumers, the key stakeholders in retail, are never part of any consultations to ensure a robust, inclusive policy framework that protects the consumer's interests.

The sheer array of choices, coupled with better prices and an effortless buying experience offered by e-commerce players, have made the Indian consumer feel truly like a king over the past few years.

Now, if there was a new policy that would not allow the supermarket to offer choice, accessibility and affordability, then these would naturally deny the rights of the consumer to choice, quality, standards, accessibility, safety and redressal. This is exactly what is happening in India's e-commerce space, with the central government implementing a new Foreign Direct Investment (FDI) policy that, among other challenges, artificially limits the growth of Indian manufacturers and dealers working on e-commerce platforms to provide the consumers quality products in a competitive manner - potentially bringing an end to an era of great competition, choice and accessibility to quality products through best deals for consumers. As I always said, "Competition with a robust regulatory oversight is the best friend of the consumer".

CORE CONCERN

Even as the Indian e-commerce industry is on course for a fivefold increase from USD 40-bn today to USD 200-bn by 2025, at the core of the big retail success story is the Indian consumer. Equipped with increasing affluence and armed with improving technologies, the Indian consumer's conscious shifts and changing preferences are the key drivers of the country's organized retail sector. To have a government policy that now strikes

at the very core of the consumer's choices, one would have expected the government to hold consultations with the consumer as a key stakeholder in the retail chain before framing a major policy that significantly impacts consumer rights.

POLICY MATTERS

On December 26, the Department of Industrial Policy and Promotion (DIPP) announced broad new restrictions on India's fast-growing e-commerce sector, a sector that is estimated to contribute a good four percent to the country's economy. The government adopted certain new found restrictions, albeit to protect domestic interests in an overenthusiastic manner, which has discouraged healthy competition. The major global players, who popularized the very concept of e-commerce in India and empowered the consumers in true sense for the first time in India, were taken by surprise and so were the consumers. The restrictions imposed by the new policy will not only downgrade quality and choice for the consumers but will also hurt hundreds of thousands of Indian companies that sell on the e-commerce marketplaces.

Over the years, for better inventory management and faster delivery, several of these e-commerce platforms have made huge investments in the interest of customer delight to provide convenience with quality service. If we fail to take appropriate decisions, the consumers will again become victims of cartels and unfair trade practices. Is it fair to suddenly change the script on INVEST INDIA, MAKE IN INDIA after the foreign players have invested billions of dollars to improve India's infrastructure, connect our small businesses to the global marketplace, made our companies more competitive and enabled consumers to access quality products at the most affordable prices? The investments on online marketplaces, in use of technology for good manufacturing and distribution practices, and supply chain infrastructure supporting them, that provide Indian consumers convenient, reliable and fast access to hundreds of millions of products at competitive prices, have gone for a spin at the cost of our resources.

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With the new policy, competition will be compromised, which eventually will deny the consumer the choices and access to quality products. This protectionist policy, while destroying the B2B (business-to-business) ecosystem, will also pull down the very structure that ensured the best options to the consumer and protected the consumer's interests from all the dimensions of quality.

THE WAY FORWARD

DIPP seems to have issued the new policy without understanding the consequences as it had a myopic view based on interventions made by certain business interest, undermining the interest of the consumers and use of technology to assure quality, safety and accessibility. The Government has unfortunately failed to notice the harms it may cause to the country in terms of growth and development triggered by restrictions on India's online shoppers. Though the government is well-meaning in its intention, hasty implementation of such a policy can have huge negative fallout for all stakeholders, including the consumer.

The government should always be a neutral and unbiased policy maker and develop policies based on

transparent consultations with all the stakeholders including the Indian consumer to encourage free and fair trade rather than restrict investment in the e-commerce sector, which will generate employment for our youth and potential human resource, which we have in abundance and consumers who now have higher disposable income to have quality lifestyle in the most affordable manner based on choice, standards and credible information with prompt redressal mechanism.

An immediate measure would be to push forward the date of implementation and take measures to accommodate the constraints and concerns of all stakeholders. Consulting consumer bodies and organizations working to protect consumer's interests would ensure proper representation of the Indian consumer's apprehensions and expectations before the government, allowing it to take an informed approach to policy-making.

A well-thought, transparent methodology will not only ensure a fair, balanced and robust policy framework for the booming retail sector, but also generate huge confidence among millions of Indian consumers reassured by a responsive government, which the world today recognizes and we are all proud to be part of the NEW INDIA.



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