



## Towards Digital Aatmanirbharta

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**(Mains GS 3 :Indian Economy and issues relating to planning, mobilisation of resources, growth, development and employment & Investment models )**

### **Context:**

- Today the internet governs an average human's life in multiple ways. One sector that has significantly evolved is the consumer retail sector.
- With their efficient, quick and reliable logistics network, e-commerce platforms have nudged consumer behaviour patterns from an offline to an online shopping mode.
- The utility was also made evident during the pandemic when the world came to a standstill. E-commerce emerged as an enabler in ensuring the availability of essentials to the masses.

### **The growing sector:**

- E-commerce is going to be increasingly important in the future of retail shopping in India and the world over.
- It is estimated to become a \$100 billion industry by 2024, which was at \$38.5 billion until 2017.
- In just one festive week of October 2020, the reported sales online have been to the extent of \$4.1 billion.
- The numbers show India's story, where the dependence on online retail is alike from metropolitan to tier III cities.
- The trend will continue to grow with the government's impetus on digital literacy, also supported by the increasing penetration of internet and smartphone users.

### **Significance of operational policies:**

- For any trade or industry to flourish, a significant role in its success is played by the operational policies.
- An investor-friendly environment not only catalyses the growth of a sector but relevant policy interventions by lawmakers go a long way in ensuring compliance.
- Both over-regulation and under-regulation are detrimental to the healthy future of any business entity.

- In addition to the FDI Policy/FEMA, other laws such as IT Act, Consumer Protection Act, and those pertaining to IP and copyright, regulate the e-commerce sector in India.
- Of these, the FDI policy plays an important role as massive investments are needed to build and strengthen the entire ecosystem of the e-commerce sector in the country.

### **FDI policy on e-commerce:**

- FDI policy on e-commerce needs to be viewed as part of the FDI policy on trade.
- Due to historical reasons, FDI policies on trade have evolved over time as policy-making was done from time to time mostly responding to the needs of the market coupled with political feasibility.
- Thus, FDI policy in cash and carry or wholesale B2B operations is different (100 per cent FDI allowed under automatic route) compared to highly restrictive FDI policy on retail B2C trade.
- Similarly, an artificial distinction was created between single-brand retail and multi-brand retail as opposition to multi-brand retail was strong: 100 per cent FDI is allowed under automatic route in single-brand retail whereas FDI regime in multi-brand retail is quite restricted.
- E-commerce is not allowed under FDI policy in multi-brand retail.
- However, manufacturers are allowed to sell their goods through e-commerce also without any restriction.
- The FDI policy on e-commerce is quite different as e-commerce platforms are allowed to work only as a marketplace with permission to provide certain specified services to sellers and buyers.
- However, FDI is allowed in the inventory model when these platforms sell fresh farm produce made in India.
- There is no specific policy on FDI in e-commerce for exports though it can probably be justified as there is no sale to domestic consumers and hence, there should not be any objection to e-commerce platforms themselves owning inventories purely for exports.

### **Needs a comprehensive FDI policy:**

- There is the need for a comprehensive FDI policy on trade that takes care of the needs of all the stakeholders: Producers, consumers, service providers in the supply chain and small traders.
- The policies that have evolved over time need a relook to balance the interests of all in a win-win policy at a time when rapid expansion of the retail, organised retail as well e-commerce sector in India in coming years will create huge opportunities for all.
- Today, our small businesses employing an exceptionally large number of workers need to use e-commerce more and more to augment their sales.
- These businesses compete against cheap imported goods while they face many disadvantages that unfairly dilutes their competitiveness.

- E-commerce provides them with the means to access a much bigger market without having to overly invest in marketing. This should include more and more foreign markets.
- With GST and the drive towards digitisation, more small traders need to be enabled to make the transition and take advantage of the expanding opportunities.

**Conclusion:**

- Public policies need to provide an enabling environment and a level-playing field to promote and nurture competition and protect the interests of all.
- Public policy on e-commerce needs to place an equal premium on the views and interests of all the stakeholders in the ecosystem to strengthen our domestic businesses and create many more jobs and livelihood opportunities in the country to fulfil the dreams of Atmanirbhar Bharat.