Strange deal

Posted at: 29/12/2018

Strange deal-The new e-commerce policy betrays a muddled view of online and offline retail

- The Centre's curiously timed attempt to 'clarify' foreign direct investment norms for e-commerce players could end up scuttling investor interest in the sector that has attracted large foreign players and generated thousands of jobs.
- The fresh restrictions and the clarifications on certain operational aspects could reinforce investor complaints about India being unpredictable in terms of policies.
- In March 2016, foreign investment up to 100% was allowed under the automatic route for e-com firms engaged in business-to-business transactions using the marketplace model — one where a firm sets up an enabling IT platform to facilitate trade between sellers and buyers.
- However, FDI was not allowed where the e-com player owned the inventory of goods to be sold, or for business-to-consumer purposes, barring a few exceptions.
- Now, the rules have been altered for players like Amazon or Flipkart (majority-owned by Walmart) that have made significant investments in India.
- Separately, any specialised back-end support for some sellers must now be extended to all vendors, while discounts, cash-backs and preferential subscription services have been made far trickier to implement.
- An e-commerce marketplace entity will not mandate any seller to offer a product exclusively on its platform under the new rules. But this doesn't explain what to do when a seller voluntarily opts to sell exclusively on one e-commerce portal over another.
- The government is clearly keen to quell the long-brewing disquiet among offline retailers over big discount sales and the surge in e-commerce.

The Hindu