

Regulator for e-commerce in India: Licence raj redux?

| Updated on November 07, 2019 Published on November 07, 2019

The Centre's plan to have a regulator for e-commerce calls for caution

The tug-of-war between India's online commerce giants and offline shop owners has really heated up. As a result, the government has said it is contemplating a regulator to settle disputes with regard to the e-commerce businesses in the country. The move, though apparently well-timed, does not seem to arise from a balanced viewpoint on the subject — given the way the Centre has been dealing with the sector, dominated by US retail giants such as Amazon and Walmart.

E-commerce has become the centre piece of action in the Indian economy. And the sector is poised to grow exponentially, thanks to the boom in smartphones, smart payment systems and the general growth of information technology infrastructure across the country. One estimate suggests that by 2020, Indian e-retail will hit \$60 billion in revenues from over \$30 billion now. There is a general consensus that the sector will be a significant contributor to the Modi government's ambitious plan to make India a \$5-trillion economy by 2025. Experts expect digital technologies and e-commerce to rake in \$1 trillion in economic value by 2025.

In this context, the government must exercise extreme caution while trying to regulate a sector that offers such potential. This is not to say regulations are uncalled for in e-commerce. The sector is riddled with issues, from predatory pricing to hefty discounts. The Competition Commission has already suggested that e-commerce platforms be more transparent in their discount policies and cautioned them against predatory pricing. The Commission is planning an advisory for e-tailers and food, cab aggregators, seeking clarity in their operations. Several other agencies are also looking into the operations of e-commerce companies in India.

A regulator can help coordinate and streamline such efforts and can make dispute redressal faster and judicious. But there should be clarity on its role and functions. What will it regulate in e-commerce — merely pricing? Will it also regulate the technology and sales practices employed by the players? Micromanagement should be strictly avoided.

The regulator should allow free and fair competition to determine prices, and the winners and losers. Any signs of undue tinkering, which is already in evidence, can potentially stall the growth of this booming sector.