1) Discounting logic

Theme: Draft policy on e-commerce

- The process of putting together a regulatory framework for electronic commerce in the country is finally speeding up.
- A task force of the Union Commerce Ministry has submitted the draft National Policy on Electronic Commerce, which will now be studied by a 70-member think tank chaired by Suresh Prabhu, the Union Commerce, Industry and Civil Aviation Minister.

Need for e-commerce policy:

- India’s e-tail business, estimated to be worth around $25 billion. Over the coming decade, it is expected to swell to $200 billion, fuelled by smartphones, cheaper data access and growing spends.
- Consumer protection norms to guard online shoppers from possible frauds too are overdue.
- As per data available for the first eight months of 2017-18, over 50,000 e-commerce grievances were made to the Consumer Affairs Ministry helpline.
- Traditional retailers too have voiced concerns about large e-tail players with deep pockets pricing them out of the market, and have been seeking a level playing field.

Provisions of Draft e-commerce policy:

- The draft policy proposes the creation of a single national regulator to oversee the entire industry, although operationalising its different features would require action from multiple Ministries and regulators.
- Among the ideas in the draft policy are a sunset clause on discounts that can be offered by e-commerce firms and restrictions on sellers backed by marketplace operators.
- To prevent large players from pricing out the competition through unfair practices.

Concerns:

- To give the government a say on who can offer how much discount and for how long, instead of letting consumers exercise informed choices, would be a regressive step for the economy.
- Foreign direct investment restrictions on players who can hold their own inventory are sought to be lifted, but there must be a majority Indian partner and all products have to be made in India. This seems like a leaf out of India’s retail FDI policy that has similar procurement diktats that are not easy to meet or monitor.
- E-tailer costs are also likely to rise on account of proposed norms on storing and processing data locally, while consumers and firms could both question the plan to stipulate payments via Rupay cards.
- The proposed e-commerce policy could drive away those planning online retail forays — and the opportunity to create jobs and benefit consumers would be lost.

Way forward:

- Various elements of e-commerce are governed by various laws and regulations. The gaps which are there, those gaps will be filled either through a set of rules and regulations or through changes in rules and regulations.
- The Government have to see recommendations from a wide variety of stakeholders and process those inputs.

2) Private sector investment may see rise
Centre for Monitoring Indian Economy (CMIE) states that the value of new project announcements by private sector increases for first time in 2 years.

Details:

- Of the share of announcement made by the Private sector, a bulk was made by the foreign companies.
- Private sector new project announcements in the June 2018 quarter grew 43% over what was announced in the same quarter of the previous year. The share of Indian private sector accounted for 30.4% of all announcements made by the private sector.
- In contrast, the government announced saw a contraction of 77.6% over the June 2017 quarter marking the fifth consecutive quarter of contraction.
- As a result, private sector announcements made up 88% of all new project announcements in the quarter, the highest proportion the sector has achieved since September 2003.

Way forward:

- Demonetisation and the GST impact are considered to be two major issues due to which the private sector got a jolt. Now that the impact of these two massive changes have subsided, the revival of the private sector, and specifically MSMEs, needs to take place.
- The government needs to take more steps towards the revival of MSMEs. As a lot of these investments are by medium-sized entrepreneurs.