

## New E-Commerce Rules In India

### Background of the New E-commerce Rules

- The government recently announced new [E-commerce](#) rules.
- New e-commerce rules restrict players from selling the products of companies in which they have a stake and capping the percentage of inventory that a vendor can sell through a marketplace entity (IT platform of an e-commerce entity) or its group companies.
- Also, it curbs the practice of deep discounts, the government said they cannot directly or indirectly influence the price of goods and services, and also brought in a new set of rules that bar the sale of products exclusively in one marketplace.

[IAS Exam](#) aspirants can find more notes from the links given at the end of the article.

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#### Private Labels:

- The first restriction explicitly disallows e-commerce marketplace companies from selling private labels that are brands they directly or indirectly own, on their platforms.
- E-commerce companies would be barred from selling products sourced from firms in which they have a stake in or control over.
- From the point of view of the vendor too, the clarification said that an entity with an equity stake owned by an e-commerce marketplace entity or its group companies, or having control on its inventory by e-commerce marketplace entity or its group companies, will not be permitted to sell its products on the platform run by such marketplace entity.

#### Exclusive Deals

- In November 2018, the OnePlus 6T phone went on sale exclusively on Amazon, besides being available on the phone company's website. Samsung launched its new A9 phone exclusively on Flipkart. Such "exclusive sale" deals are common and popular across e-commerce platforms in India. Well, not anymore.
- The government has said that e-commerce entities will have to maintain a level playing field, and ensure that they do not directly or indirectly influence the sale price of goods and services. The policy mandates that no seller can sell its products exclusively on any marketplace platform

To know more about [FDI in Retail](#), follow the linked article.

#### Cash Back Services

- For this clause, the provision of services to any vendor on such terms that are not made available to other vendors in similar circumstances will be deemed unfair and discriminatory.

- Any service like logistics provided by e-commerce companies to vendors in which they have direct or indirect equity participation or common control stake should be fair and non-discriminatory. These services include logistics, warehousing, advertisement, marketing, payments, financing, etc.
- The policy says a vendor will not be permitted to sell more than 25% of its products on an online platform of a single e-marketplace firm.

## How does it help domestic Players?

- The biggest winners from the new guidelines will be the traditional brick-and-mortar sellers. In the past few years, online marketplaces had hit the brick and mortar hard. They had started luring away so many customers with discounts and cashback — and of course, the ease of buying without stepping out — that brick-and-mortar retail was seen to be dying off soon.
- The new guidelines restricting discounts and cashback will help brick-and-mortar retailers retain customers.
- The revised norms are aimed at protecting the interest of domestic players, who have to face tough competition from e-retailers having deep pockets from foreign investors.

To know how FDI will [affect E-commerce](#) in India, visit the linked article.

### Small Sellers

- Smaller sellers on online platforms, which have been contesting the preferential treatment meted out by Flipkart and Amazon to their entities, have reason to cheer.
- Any service on an e-commerce platform – logistics, warehousing, or easy financing options – will now have to be offered to all sellers and not to only preferred sellers.
- Ecommerce companies cannot charge additional prices from third-party sellers for these services. Even for private labels, retailers may not be able to advertise or promote their brands while charging third-party sellers for pushing them.

### Customers

Consumers may no longer enjoy the deep discounts offered by retailers that have a close association with marketplace entities.

## Way Forward

Marketplaces are meant for genuine, independent sellers, many of whom are [MSMEs](#) (Micro, Small & Medium Enterprises). These changes will enable a level playing field for all sellers, helping them leverage the reach of e-commerce. Also, the Government should form a regulatory authority to check the flouting of e-commerce rules. The government should also come with an e-commerce policy soon so that small vendors get enough chances to participate in the online business.

## Frequently Asked Questions Related to e-Commerce in India

### Is FDI permitted in e-Commerce in India?

No FDI is permitted in Business to Consumer (B2C) e-commerce. A single brand retail trading entity operating through brick and mortar stores is permitted to undertake retail trading through e-commerce. An Indian manufacturer is permitted to sell its single-brand products through e-commerce retail.

### What is the future of e-commerce in India

There are expected to be more than 600 million internet users in India by 2021. At present India's business sector for internet business areas is developing yearly at a fast pace of 51%. India is jettisoning offline commerce at an alarming pace and switching to E-commerce for most, if not all buys.

