

## **EVENT REPORT**

**Theme: Festive Economy and E-Commerce Sales of Small & Medium Businesses in India**

**Date:** 17<sup>th</sup> February 2022

**Time:** 03:30 PM – 05:00 PM

### **Overview**

CUTS Institute for Regulation & Competition organised a webinar under the project entitled “Festive Economy” to engage in a multi-stakeholder discussion on the role of e-commerce in boosting the sales of Micro, Small and Medium Enterprises (MSMEs) in India, particularly in the festive season.

Shri Bidyut Swain, Secretary, Ministry of MSME; Shri Ramesh Abhishek, Former Secretary, DPIIT and Director, Paytm Payments Bank; Shri Kundan Kumar, Joint Secretary and Adviser, NITI Aayog; Shri Pradeep S. Mehta, Secretary General, CUTS International and Shri Vinod Kumar, President, India SME Forum constituted the panel, moderated by Dr Arvind Mayaram, Chairman, CIRC and Former Finance Secretary, India.

### **Panel Discussion**

The session commenced with opening remarks by Ms. Garima Sodhi, Sr. Policy Analyst, CIRC. After welcoming the discussants and participants, she set up the backdrop for the need to discuss the e-commerce channels as means to maximize the growth of MSMEs and cash upon the festive season spending of the consumers.

Dr Mayaram commenced the discussion by enquiring about the state of MSME sector and the impact of the growing e-commerce channels and the covid-19. Mr. Swain expressed that the market is graduating into a hybrid field where physical retail will stay and virtual retail will continue it. As 68% of the MSMEs are service oriented, they are adjusting to the use of e-commerce platforms too. Many micro businesses reported temporary close-down in 3-4 months of COVID lockdown but a lot of them showed resilience and easily came back. E-commerce is no longer a luxury but a necessity for MSMEs. It is an inescapable reality.

Dr Mayaram discussed the state of Indian policies for MSMEs and the FDI/domestic laws discrimination in the e-commerce space with Shri Ramesh Abhishek. Shri Abhishek remarked that

the e-commerce space has been driven by FDI and FEMA related laws but a level playing field should be achieved so the same laws apply to all the players whether domestic players or FDI controlled companies. Policy should look at everyone in the same manner as issues would be the same for the stakeholders. Commenting upon the policy interventions on innovation in the e-commerce space like flash sales, Shri Abhishek said that one cannot be selective about discounting schemes wherein the discount in the offline sector is condoned but not on the online platforms. There should be no law or policy for regulating commercial decisions like discounting, it is best left to the people to decide.

Dr Mayaram questioned Shri Kundan Kumar about the factors that attract consumers to e-commerce and how e-commerce benefits MSMEs during the festive season. Shri Kumar commented that e-commerce has completely changed the way business is conducted in India. The rate of growth is very big for e-commerce. The demand after the covid lockdowns has picked up, even during the festive season when covid lockdowns were put, e-commerce comes in handy for a lot of consumers to buy goods for themselves and relatives. E-commerce channels are now very advanced, and they offer consumers superior experience along with price transparency. Coming to the challenges faced by the small businesses while onboarding the e-commerce channels, Shri Kumar shared that MSMEs face two sets of compliance burdens- one while registering as MSMEs with the Ministry and another when onboarding the e-commerce platforms. MSMEs need to take the burden of different e-market platforms while onboarding different platforms. He also mentioned about the solutions being developed by NITI Aayog like creating a general framework wherein if a seller complies on a particular e-marketplace, that can automatically lead to onboarding on the other e-marketplace.

Dr Mayaram invited Shri Vinod Kumar to share his opinion on the onboarding process of MSMEs on the e-commerce platforms and how MSME's are expanding their business online. Shri Vinod Kumar commented that e-commerce has bridged the gap of promoting the products of sellers to a set of people that are interested in. At present, sellers are only required to handover the products to the e-commerce platforms and the fulfillment services that reach the products to the consumers are provided by the platforms. In a research conducted by them, they found that during the lockdown, close to 2.2 crore enterprises came online. During the previous lockdown, local circles were created by most of the big websites. He said that Amazon claims to have more than 28,000 neighborhood Kirana stores, who are a part of their AmazonFresh and other networks. These platforms are enablers for retailers, sellers, and service producers. According to him, these are the people who will be able to stock and deliver in a very short time, say 15 minutes, to the customers. He opined that the Kirana and small businesses would not be left out because they are going to be the actual fulfillment partners for e-commerce marketplaces and not only in major cities but also in two-tier and three-tier towns. E-commerce has been one of the biggest enablers of economies like India and this is something India needs today. Shri Vinod Kumar also expressed that the government and policymakers need to figure out how to make it easier for the micro enterprise to get on to the e-commerce bandwagon.

Dr Mayaram invited Shri Pradeep Mehta to share his views on the growth of e-commerce adoption in India and how platforms such as Amazon, Flipkart, etc. are making lives easier for the consumers and the inclusion of small traditional businesses in the e-commerce chain. Shri Mehta remarked that the retail chain needs to be protected too. Linking of the e-commerce supply chain with the kirana stores is something unique happening in India, thanks to the policy push. The consumers, too, benefits as they get the product faster. The Indian e-commerce industry is projected to reach USD 200 hundred billion by 2026, the second largest after the USA. There are many problems that happen when a new sector comes into being. Innovation beats regulation or regulation beats innovation. Reflecting on the policy framework, Shri Mehta said that the regulators in India often take a knee-jerk approach and they go back again and again to rectify the flaws. There's need for a more rigorous policy making process. We also need a level playing field in terms of policies.

Dr Mayaram concluded the discussion with a round of Q&As. Ms. Sodhi delivered a vote of thanks to all the discussants and participants.

### **Resource**

[The recording of the webinar can be accessed by clicking here.](#)