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INSTRUMENTALISING E-COMMERCE FOR ECONOMIC RECOVERY AND SUSTAINABLE DEVELOPMENT: A FEW LEARNINGS FROM INDIA

COVID-19 has changed the way we used to live and forced us to shift the operations, largely, into digital space. It has negatively impacted lives¹ and economies around the globe². The Indian economy shrank by 24% due to COVID-19 and subsequent lockdown in the first quarter of 2020³. To curb the spread of COVID-19, physical stores were shut down and people opted to stay indoors as much as possible. The world responded in order to slow the spread of the infection of COVID-19 by instrumentalising technology that includes e-commerce – delivering goods and services to the home. Though the human element of courier to home deliveries actually went up.

While online shopping had already become a reality before the COVID-19, it has only increased our reliance significantly during the pandemic. On this transition to digitalisation, Satya Nadella, Microsoft's CEO, succinctly remarked that the world had seen a two-year worth of digital transformation in two months of the pandemic⁴. According to a report by United Nations Conference on Trade and Development (UNCTAD) (in association with few 'eTrade for all' partners), E-Commerce's share of global retail trade increased from 14% in 2019 to about 17% in 2020⁵. India has experienced a similar wave in the growth of e-commerce.

Riding on the demands created by the COVID-19, India's E-Commerce industry is expected to grow 84 percent, up to USD 111 billion by 2024⁶. In terms of the overall economy, India is viewing the digital economy as an important component to recover from the shocks of COVID-19. However, there are multiple challenges such as poor policy response, access to the Internet, positionality to use internet-driven services and other supporting infrastructure. Additionally, providing a conducive environment for smaller firms to grow in the digital economy demands urgent attention, so that employment is not adversely affected. If India aims to move towards sustainable and inclusive growth that will heavily depend on decisions it makes and approach in terms of leveraging the benefits and tackling the challenges that these technological changes pose.

¹WHO Coronavirus (COVID-19) Dashboard. Available at <https://covid19.who.int/>

²Coronavirus: How the pandemic has changed the world economy. Available at <https://www.bbc.com/news/business-51706225>

³India's economy contracts by nearly 24 percent, its sharpest drop on record. Available at https://www.washingtonpost.com/world/asia_pacific/indias-economy-contracts-by-nearly-24-percent-amid-pandemic/2020/08/31/92318fbc-eb70-11ea-bd08-1b10132b458f_story.html

⁴2 years of digital transformation in 2 months. Available at <https://www.microsoft.com/en-us/microsoft-365/blog/2020/04/30/2-years-digital-transformation-2-months/>

⁵COVID-19 And E-Commerce A Global Review. Available at https://unctad.org/system/files/official-document/dtlstict2020d13_en_0.pdf

⁶Indian e-commerce to grow 84% in 4 years, helped by Covid-19 impact: Study. Available at <https://www.firstpost.com/india/covid-19-lockdown-leaves-delhi-migrant-workers-with-neither-jobs-nor-social-security-experts-blame-political-apathy-lack-of-legal-protection-8444351.html>

IMMEDIATE POLICY INTERVENTIONS

When COVID-19 hit the Indian shore in early 2020, the Home Ministry imposed lockdown measures under Disaster Management Act, 2005, with imprisonment of up to two years and/or a fine⁷. The lockdown, strictest in the world, suspended transport services and closing of government offices, commercial and industrial establishments. Exceptions were made for a couple of activities which were defined as essential services. A sudden lockdown left migrant workers with no jobs and limited social security. This forced large number of men, women and children to leave cities, with little food and water and sustaining on handouts, as there was no hope of getting work anytime soon⁸. This was not only the result of inadequate policy planning but reflected the structural imbalance in India. However, technological intervention could have been better instrumentalised to minimise socio-economic marginalisation but the policy response was not only immature but it was inadequate.

Flawed Policy Hurt the Economy

Most businesses were affected due to the national lockdown imposed to curb the spread of the COVID-19. However, one segment that bucked the trend was e-commerce platforms as people were buying all their essential items such as food, medicines and household supplies from online vendors. Despite growth in commercial activities, two reasons that worried the e-commerce players in India are:

Firstly, purchasing sentiments, dipped down due to loss in jobs, salary cuts, meltdown in commercial activities and rising medical costs. UNCTAD survey on COVID-19 and E-commerce shows similar sentiment, drop in monthly online shopping expenditure, across the emerging and developed countries⁹. Consumers in both emerging and developed economies have avoided big expenditures, with those in emerging economies focusing more on essential products.

Secondly, policy response in terms of restrictions in physical movements that affected the delivery of goods and services. Initially, the central government was taking the call with respect to the terms of delivery but later it left for the state governments to decide¹⁰. For example, in 2021, the

⁷One year since a complete lockdown was announced, we look back on how India fought COVID. *Available at* <https://economictimes.indiatimes.com/news/india/one-year-since-a-complete-lockdown-was-announced-we-look-back-on-how-india-fought-covid/first-lockdown-announced/slideshow/81662838.cms>

⁸COVID-19 lockdown leaves Delhi migrant workers with neither jobs nor social security; experts blame political apathy, lack of legal protection. *Available at* <https://www.firstpost.com/india/covid-19-lockdown-leaves-delhi-migrant-workers-with-neither-jobs-nor-social-security-experts-blame-political-apaty-lack-of-legal-protection-8444351.html>

⁹Digital Economy Report 2021. *Available at* <https://unctad.org/webflyer/digital-economy-report-2021>

¹⁰Lockdown 4.0: After May 31, states to have their own curbs lists. *Available at* <https://timesofindia.indiatimes.com/india/lockdown-4-0-after-may-31-states-to-have-own-curbs-lists/articleshow/76024524.cms>

Government of Maharashtra, a prosperous state in Western India of which Mumbai is the capital, imposed wide restrictions in delivering goods and services, The Delhi union territory Government imposed restrictions at multiple layers and similar restrictions were imposed on the movement by different states to slow down the spread of infection.

Despite delivering goods and services with contactless and/or minimum contact, restrictions in movement impacted e-commerce substantially in terms of sales and logistics. There were reports of delivery workers being harassed in the beginning of the lockdown, but later became smooth, and even were put in the category of ‘corona warriors’¹¹. Restricting movements for delivering goods and services was an immature response that significantly impacted economic activities because the premise of the lockdown was to restrict the spread of infection by not allowing gatherings. E-commerce services, however, aided the government’s efforts in containing the spread of the virus by being largely contact less.

Essential and Non-Essential Categorisation

A major challenge for e-commerce was due to the categorisation of essential and non-essential goods. Like the brick and mortar shops, they were also restricted to the sale of only essential items. For instance, certain goods such as groceries and medicines are essential and mobile and laptops are not essential were not an adequately measured policy response. Reasons being that working from home and online education has made goods such as mobile and laptops a critical component of daily lives. Unreasonable categorisation, shutdown of the delivery of non-essential goods, negatively impacted the economic activities.

Initially distinction was made between businesses in essential and non-essential items, with the sole reason to avoid crowding at brick n mortar marketplaces, and hence checking the spread. But despite e-commerce, by design, being largely contactless, they were also kept within the purview of essential items in order to retain the so called ‘level playing field’ between brick n mortar shops and e-commerce business¹². This was a flawed decision, since allowing e-commerce in even non-essentials could have contributed in economic recovery, saved more jobs and above all could have added to government revenue. Allowing all goods and services to be delivered via e-commerce would have kept the economy floating and made lives less harder, increased government revenue, lesser closure of businesses, hence lesser loss of jobs, consequently faster economic recovery.

¹¹Low sales, police harassment: It’s truly a double whammy for food delivery boys. *Available at <https://en.gaonconnection.com/the-coronavirus-outbreak-followed-by-the-restaurant-shut-has-affected-the-earnings-of-the-indian-food-delivery-executives-but-they-got-a-double-blow-when-the-local-police-hit-them/>*

¹²Allowing e-tailers to supply only essentials to create a level playing field for small retailers: Goyal. *Available at <https://economictimes.indiatimes.com/industry/services/retail/allowing-e-tailers-to-supply-only-essentials-to-create-level-playing-field-for-small-retailers-goyal/articleshow/75233380.cms?from=mdr>*

THREAT MULTIPLIER: ACCESS OF DIGITAL INFRASTRUCTURE

COVID-19 has exacerbated the unequal access of digital infrastructure as it has forced the world to shift its operations to the digital sphere and widened the cracks of precarity for those living in neglected settings. Access to the Internet depends significantly on socio-economic position such as geography, class, caste, religion and gender. For instance, women in India are 15 percent less likely to own a mobile phone, and 33 percent less likely to use mobile internet services than men¹³. In 2020, 25 percent of the total adult female population owned a smartphone versus 41 percent of adult men¹⁴.

Similarly, penetration of the Internet in rural areas is only 29 percent against a national average of 51 percent¹⁵. This digital divide across the country exemplifies complex familial, institutional, religious, societal and stereotypical beliefs, which also negatively impacts Information and Communication Technology (ICT) access, usage and participation in commercial activities¹⁶. It also underlines that the rural areas experience less beneficial outcomes in terms of digitally mediated socio-economic development, than urban areas.

Integrating an underserved population into the digital ecosystem not only involves availability of Internet connectivity but also affordability and positionality that can allow them to access a wide range of potential benefits in terms of socio-economic mobility. Along with the access to the Internet, one requires an understanding of what digitalisation means in its most radical sense, and to imagine alternatives to the traditional approach of the socio-economic engagement¹⁷. However, In India, only 38% of the households in India are digitally literate, whereas about only 61% households in urban and only 25% households in rural settings are digitally literate¹⁸. The lack of digital literacy and limited access to the Internet in Indian households is a barrier for e-commerce platforms to penetrate into rural as well as urban households.

Mainstreaming Micro, Small and Medium Enterprises

Unequal access to digital infrastructure negatively impacts the consumer and business alike, particularly Micro, Small and Medium Enterprises (MSMEs). Integrating MSMEs into the e-commerce ecosystem will be critical for inclusive growth. Limited penetration of the Internet does not allow e-commerce to expand the user base, subsequently, leaving people with limited choices to shop. COVID-19 has also left the MSMEs to struggle for their survival, particularly those operating in rural areas due to limited access to the digital infrastructure.

¹³India's gendered digital divide: How the absence of digital access is leaving women behind. *Available at* <https://www.orfonline.org/expert-speak/indias-gendered-digital-divide/>

¹⁴Ibid

¹⁵Ibid

¹⁶Digital Town.. *Available at* <https://link.springer.com/content/pdf/10.1007/978-3-030-91247-5.pdf>

¹⁷Ibid

¹⁸The digital dream: Upskilling India for the future. *Available at* <https://www.ideasforindia.in/topics/governance/the-digital-dream-upskilling-india-for-the-future.html>

During COVID-19, 67% MSMEs were shut down for up to a three-month period in the financial year of 2020-21¹⁹. Additionally, 50% MSMEs experienced a decline of more than 25% in their earnings²⁰. The situation was more precarious for smaller firms that make up a predominant share of Indian MSMEs. This is because, they were unable to shift their business operations online due to infrastructural constraints and practices while the big players utilised the pandemic to expand their reach exponentially via online means.

However, during COVID-19, MSMEs integrated into the digital ecosystem were able to sustain their business, some of them increased their sales. According to the survey, conducted by ICRIER, found that in 2020-21, online sales accounted for 27% of total sales compared to only 12% in 2018-19²¹. About 70% of firms, integrated with e-commerce platforms, experienced an increase in sales volume²². About 65% experienced an increase in turnover and around 54 per cent reported an increase in their profits²³. However, it must be noted that, currently, Indian regulatory mechanisms are a bottleneck in onboarding MSMEs in the e-commerce ecosystem²⁴. For instance, mandatory requirements of GST registration to onboard on e-commerce platforms which is difficult to comply with for smaller firms.

Largely, all MSMEs that gained are dependent on third party e-commerce players which highlights the critical role of e-commerce platforms in tackling the economic stress. However, unequal access to financial and technical resources constrains the prospect of MSMEs with limited resources. If India aims to move towards a sustainable digital economy, it must be based on an inclusive socio-economic environment that gives everyone equitable access to infrastructure and resources. It will help in economic recovery that will be aligned with the idea of socio-economic justice.

INCREASING FEAR OF CYBERCRIME

Increasing adoption of digital technologies, accelerated by the COVID-19, has increased the associated risks such as privacy and security. Cyber-attacks in India were reported to have increased by about 300% in 2020 as compared to previous year, which had cost the MSMEs more than INR 35 million²⁵. 52% individuals do not know how to protect themselves from cybercrime, and even more 68% say it is difficult for them to determine the credibility of the information they

¹⁹E-commerce, digital transformation keys for growth of MSMEs. Available at <https://economictimes.indiatimes.com/small-biz/sme-sector/e-commerce-digital-transformation-keys-for-growth-of-msmes/articleshow/90741524.cms>

²⁰Ibid

²¹MSMEs Go Digital. Available at https://icrier.org/pdf/MSMEs_Go_Digital.pdf

²²Ibid

²³Ibid

²⁴E-commerce, digital transformation keys for growth of MSMEs. Available at <https://economictimes.indiatimes.com/small-biz/sme-sector/e-commerce-digital-transformation-keys-for-growth-of-msmes/articleshow/90741524.cms>

²⁵2 in 3 Indian SMBs suffered over Rs 3.5 crore business loss in post-pandemic cyber attacks: Survey. Available at <https://www.financialexpress.com/industry/sme/msme-tech-2-in-3-indian-smb-suffered-over-rs-3-5-crore-business-loss-in-post-pandemic-cyber-attacks-survey/2338676/>

receive²⁶. Over 27 million Indian adults experienced identity theft in the last 12 months²⁷. The cost of a cyber attack is not just material, it is colossal as well in terms of reputation, consumers and harm to profit-margins. Moreover, cybercrimes shake the confidence in online transactions.

Nearly 51 million attacks have been recorded between April and December 2021 on Indian data centres, noted the report of the Institution of Electronics and Telecommunication and Cyberpeace Foundation²⁸. To this end, the government is expected to also introduce a national cyber security strategy to provide guidelines in tackling emerging cyber threats (called National Cyber Security Strategy, 2021)²⁹. The policy will stress on a need for a legislative framework to address the emerging challenges in the technology space. India's Minister of State for Electronics and IT, Mr Rajeev Chandrasekhar said, "the government is committed to ensuring that the internet in India is open, safe, trusted and accountable for all users."³⁰ In order to increase levels of trust in online transactions that include e-commerce, India must enhance its cybersecurity as it will foster confidence in platforms as well as consumers.

GLOBAL COOPERATION WILL BE CRITICAL

Concentration of Gains: Increasing penetration of technology has created a new avenue for economic opportunities but it also reinforces the pre-existing socio-economic inequality within and across the country. According to the Digital Economy Report 2021 (UNCTAD), the U.S. and China together corner 90% of market capitalisation value of the world's largest digital platforms and 94% of all funding of AI start-ups³¹. These two countries also account for 50% of the world's hyper scale data centres as well as have the highest rates of 5G adoption³².

This unequal concentration of gains and resources demands urgent attention, otherwise, it will trigger a nationalist approach in the digital ecosystem or perhaps it already has. For instance, data localisation mandates, grounded in the idea of data sovereignty, have been an increasingly emerging response to boost the national digital economy. While the concerns related to security and unequal concentration of gains are legitimate but through global cooperation, nationalist responses can lead to fragmentation of the Internet due to restrictions in cross-border data flow.

²⁶Ibid

²⁷Over 27 million Indian adults experienced identity theft in the past 12 months, says Norton report. *Available at* <https://www.indiatoday.in/technology/news/story/over-27-million-indian-adults-experienced-identity-theft-in-the-past-12-months-says-norton-report-1792553-2021-04-19>

²⁸Data centres in India faced 51 million cyber attacks in 9 months: IETE-CyberPeace Foundation report *Available at* <https://government.economictimes.indiatimes.com/news/digital-india/data-centers-in-india-faced-51-million-cyber-attacks-in-9-months-iete-cyberpeace-foundation-report/90441944>

²⁹National Cyber Security Strategy 2021 Draft Formulated By NSCS: Rajeev Chandrasekhar. *Available at* <https://www.outlookindia.com/national/national-cyber-security-strategy-2021-draft-formulated-by-nscs-rajeev-chandrasekhar-news-189571>

³⁰Ibid

³¹Digital Economy Report 2021. *Available at* <https://unctad.org/webflyer/digital-economy-report-2021>

³²Ibid

Global Supply Chain: The battle of dominance between China and the United States of America has triggered economic nationalism across the globe³³. COVID-19 has exacerbated the situation further. This will impact the e-commerce ecosystem as it is highly dependent on the global supply chain. Policies will be formulated that will protect the national interests. For instance, even during COVID-19, the world witnessed vaccine nationalism at unprecedented levels which might have a negative effect in the battle against COVID-19³⁴.

Technological platforms as well as manufacturing companies are also going to be under political pressures to increase their domestic production and reduce the dependence on foreign countries, subsequently leading to balkanisation of the global supply chain system. In the post-pandemic era, the global community needs to pay attention to sustainability, governance and ethics around the global supply chain that will be critical in moving towards developing a better and just commercial ecosystem.

Connecting the Unconnected: If e-commerce needs to grow exponentially, it needs a global approach. Half the global population is still not connected to the Internet³⁵. There are two gaps in accessing the Internet that need to be addressed: those who are living in telecom dark settings and cannot access the Internet; and those who have access to the Internet but choose not to use it. To unlock the full potential of e-commerce that will support economic growth and sustainable development, these gaps will not be bridged.

Global community should promote investment in infrastructure to enhance connectivity. Along with this, policy makers should focus on digital literacy as access to digital infrastructure should be attuned with positionality to use ICT services. COVID-19 has highlighted the need of connecting the unconnected as adopting online was not an option for everyone, subsequently this will facilitate growth in the ecosystem of e-commerce.

CONCLUSION

The emergence of ICT and its increasing adaptation has become a driving force for commercial activities that includes e-commerce. ICT has been seen as an enabler of equality and creating a world where bottlenecks will be minimised in doing business and shopping. Real time access to information and services, enabled by ICT, will help both business and consumer alike in expanding their choices. However, these logical explanations are not always aligned with how digital technologies have been unfolding in reality. The technology mediated socio-economic development has reinforced the existing inequality within and across the national boundaries. E-

³³Global Supply Chains in a Post-Pandemic World. Available at <https://hbr.org/2020/09/global-supply-chains-in-a-post-pandemic-world>

³⁴What is 'vaccine nationalism' and why is it so harmful? Available at <https://www.aljazeera.com/features/2021/2/7/what-is-vaccine-nationalism-and-why-is-it-so-harmful>

³⁵Global Internet Access Is Even Worse Than Dire Reports Suggest. Available at <https://www.wired.com/story/global-internet-access-dire-reports/>

commerce is no exception. If the world aims to move towards inclusive growth and sustainable development, it needs to pay attention towards structural unequal distribution of wealth, power and resources that determines the opportunities to participate in socio-economic activities. The post-pandemic world demands global cooperation more than ever as it has widened the cracks of vulnerabilities for those who have been living at the socio-economic margin.

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