

**GOVERNMENT OF INDIA  
MINISTRY OF COMMERCE & INDUSTRY  
DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE**

**LOK SABHA**

**UNSTARRED QUESTION NO. 1560.  
TO BE ANSWERED ON WEDNESDAY, THE 28<sup>TH</sup> JULY, 2021.**

**FDI NORMS FOR e-COMMERCE**

**1560. DR. PRITAM GOPINATHRAO MUNDE:  
SHRI GIRISH BHALCHANDRA BAPAT:  
SHRI RAHUL RAMESH SHEWALE:**

Will the Minister of **COMMERCE AND INDUSTRY** be pleased to state:

वाणिज्य एवं उद्योग मंत्री

- (a) whether the Union Government has received complaints from some segments of the industry that some e-commerce behemoths have been flouting the policy rolled out by the Government;
- (b) if so, the facts in this regard;
- (c) the action taken by the Union Government against e-commerce giants who have been flouting the FDI policy norms;
- (d) whether the Union Government is proposing to issue clarification on Foreign Direct Investment(FDI) in e-commerce; and
- (e) if so, the time by which the final decision is likely to be taken in this regard?

**ANSWER**

वाणिज्य एवं उद्योग मंत्रालय में राज्य मंत्री (श्री सोम प्रकाश)

**THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY  
(SHRI SOM PARKASH)**

- (a) & (b):** Yes Sir. The Government has received complaints from trader and industry associations against marketplace e-commerce entities alleging violation of the Foreign Direct Investment (FDI) Policy on e-commerce sector. As per the extant FDI Policy on e-commerce sector, e-commerce entities are permitted to engage only in Business to Business (B2B) e-commerce and not in Business to Consumer (B2C) e-commerce. Further, 100% FDI under automatic route is permitted in marketplace model of e-commerce. FDI is not permitted in inventory-based model of e-commerce. It has been alleged that certain marketplace e-commerce entities have created complex ownership structures and are engaging in inventory-based model of e-commerce through controlled vendors/preferred sellers. Further, there are

allegations regarding deep discounting, predatory pricing and exclusive arrangements.

**(c):** FDI is a capital account transaction and thus any violation of FDI regulations are covered by the penal provisions of the Foreign Exchange Management Act, 1999 (FEMA). Reserve Bank of India (RBI) administers the FEMA and Directorate of Enforcement (ED) under the Ministry of Finance is the authority for the enforcement of FEMA. ED takes up investigation in any contravention of FEMA. Accordingly, maintaining the extant position of powers assigned to ED under FEMA, representations against e-commerce entities have been forwarded to ED as well as other regulatory authorities including RBI, Competition Commission of India (CCI) and Directorate of Income Tax for necessary examination and investigation. Further, stakeholder meetings are held with all concerned including e-commerce platforms, trader, industry and retailer associations periodically with a view to address their concerns.

**(d) & (e):** FDI Policy is periodically reviewed in consultation with the stakeholders to ensure that the FDI regulatory regime is aligned with the larger economic & financial policy priorities and International developments.

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