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**Contribution by**

**CUTS Institute for Regulation & Competition**

**The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.**

## **CUTS Institute for Regulation & Competition**

**India (CIRC), New Delhi**

### **Unlocking the Potential of Digital Infrastructure to bridge the gaps in Indian Economy**

#### **Background**

The digitalization of services has been one of the most significant drivers of growth in the past decade. It is leading socio-economic transformation at grass-root levels, bringing efficiency and accountability in government schemes, creating new income opportunities, increasing connectivity and opening newer channels of communication between the government and population. Not only the macro-structures of the society have benefitted, but digitalization has ensured a positive impact on everyday lives of people.

Indian experience of digitalization has been truly unique with its own set of unique challenges. Digital infrastructure has played a key role in governance of the country since 2015 following the launch of Digital India Programme. This programme encouraged the use of digital means to implement a variety of government initiatives and schemes. The programme not only increased the efficiency of new and existing schemes but also aimed to promote digital literacy. Internet penetration has increased in the past few years and the number of smartphones being used by the population has also gone up. As of July 2021, the number of internet connections in India increased to 784.59 million, largely driven by this programme. The Covid-19 pandemic further catalyzed the process of people opting for digital methods in daily lives- from making digital payments to conducting trade online. Almost all the e-commerce marketplace platforms also noted an uptick in the seller count. For example, the number of sellers on Government eMarketplace (GeM) for Micro, Small, and Medium Enterprises (MSMEs) recorded a jump from 3,76,000 sellers in May

2020 to 1.78 million in 2021.<sup>1</sup> About 28 percent of MSMEs saw their sales doubling while another 23 percent saw an increase of 50 to 100 percent in one year.<sup>2</sup>

## **Problem Statement**

While these activities showcase the tremendous potential of the digital transformation, the pandemic has also accentuated the gaps between the haves and the have-nots. While few digital divides may have narrowed down in past years, most have not followed the same pace, thereby leaving many behind in the COVID-induced digital acceleration.

One such divide is gender related. The digitalization has made, on an average, the life of a common man easy in India and unlocked new opportunities and learning avenues for him. But the same has not been the experience of the ‘common woman’. The pandemic has exposed and further deepened the prevailing inequalities in the country, particularly gender inequality. As education compulsorily shifted online and schools shut down, females suffered a greater brunt with comparably lower access to digital networks than males due to varying family attitudes and biases. It has been reported that only 35 percent of Indian women have internet access. Due to the pandemic, there is a risk of up to 10 million girls dropping out of schools, which might increase the chances of early marriages or child labour. Education is the only social security for some of the female students in our country. When girls are being left behind due to the digital gap, they are at a risk of staying contained within their social ceilings.

The Indian economy is also bound in the matrix of extreme poverty along with extreme wealth. While India produced 40 more billionaires in last one year, more than 46 million persons are estimated to have slipped into poverty during the same period.<sup>3</sup> The income inequality is increasing rapidly and since the accessibility to digital services is still restricted in privileged classes; digitalization is entrenching the position of poor in the society instead of dissolving it.

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<sup>1</sup> Financial Express. 9 May 2021. “MSME sellers count jumps nearly 5X in 12 months amid covid on Modi govt’s e-commerce marketplace.” <https://www.financialexpress.com/industry/sme/msme-seller-count-jumps-nearly-5x-in-12-months-amid-covid-on-modi-govts-e-commerce-marketplace/2248808/>

<sup>2</sup> Livemint. 8 August 2021. “64 percent of MSMEs saw online sales grow in the last 12 months: survey”. <https://www.livemint.com/news/india/64-of-msmes-saw-online-sales-grow-in-the-last-12-months-survey-11628425722410.html>.

<sup>3</sup> [https://d1ns4ht6ytuzzo.cloudfront.net/oxfamdata/oxfamdatapublic/2022-01/Indiapercent20Supplementpercent202022percent20lo-respercent20single.pdf?qpbOxJULM6jrm1QUPjW\\_e2zSPYHDVhx](https://d1ns4ht6ytuzzo.cloudfront.net/oxfamdata/oxfamdatapublic/2022-01/Indiapercent20Supplementpercent202022percent20lo-respercent20single.pdf?qpbOxJULM6jrm1QUPjW_e2zSPYHDVhx)

Even though India has the second highest number of internet users in the world, only half of its total population has access to internet.<sup>4</sup> As only 3 percent of India's poorest 20 percent households have access to a computer, and 9 percent have access to the internet, the difficulties faced by poor in accessing any benefits emanating from digital infrastructure have only increased manifold.<sup>5</sup>

Another layer of discrimination in access to the internet gets added as the rural areas in India where most of the population resides are still under served. Due to unreliable electricity, unaffordability of the connectivity and user equipment, topographical challenges, and high cost of infrastructure, rural India faces challenges in even securing access to functional internet.<sup>6</sup>

The lack of access to the internet also translates to low digital literacy in India. As per a study, only 20 percent of Indians have the technical know-how to fully use the digital services.<sup>7</sup> In 2016, digital literacy was as low as just 10 percent. To combat the same, the government had launched the National Digital Literacy Mission (NDLM) in 2014. While approximately 5.3 million individuals were trained during the first two years of the programme's launch, it is not moving at the desired pace since then. Lack of proper capacity building programmes has hindered the implementation of key governmental policies in the country.

Digital illiteracy in a highly digital accelerated world also exposes the population to security and privacy lapses. The Personal Data Protection Bill, (PDP Bill) 2019 (inspired from the EU General Data Protection Regulation) has been pending in the Parliament for more than two years. In the absence of a regulatory framework, issues like privacy infringement, illegal storage of data, and absence of consent arise. For example, the Indian government recently launched National Digital Health Mission that is a collaborative initiative between several ministries to integrated digital healthcare ecosystem providing a repository of all the health facilities, digi-doctors and electronic medical records of the patients. At present, the medical records of the patients are stored by the hospitals in their data silos. The mission aims to create a Health ID of the individuals to facilitate a seamless flow of patient's medical information across multiple systems and stakeholders. This

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<sup>4</sup><https://theprint.in/india/education/as-digital-divide-widens-india-risks-losing-a-generation-to-pandemic-disruption/568394/>

<sup>5</sup> <https://indianexpress.com/article/opinion/editorials/income-inequality-rich-poor-divide-covid-19-pandemic-oxfam-7161426/>

<sup>6</sup> <https://arxiv.org/ftp/arxiv/papers/2111/2111.10219.pdf>

<sup>7</sup><https://theprint.in/india/education/as-digital-divide-widens-india-risks-losing-a-generation-to-pandemic-disruption/568394/>

unique Health ID was recently integrated with the COVID-19 vaccination appointment slot portal (CoWIN) to maintain a database of the vaccinated population in India. However, no consent was sought and no prior information regarding the use of was provided. As a guiding legislative framework for digital services is absent, it is feared that data security and safety cannot be ensured.

### **Policy Response**

An effective and efficient policy strategy can be devised by keeping the Gandhian principles in mind- The true measure of a digitally inclusive infrastructure can be found in how it would treat the most vulnerable members of the society. The government therefore needs to start at the grass roots to increase the access and affordability of the digital services. It should also engage in public-private partnerships, where feasible, to ensure stable and reliable internet services even in the remote corners of the country. Apart from ensuring a stable and cheap internet connection throughout the country, there is also a need to train the population to use digital solutions. While the internet holds the key to unlocking the next phase of the economy, many people might not get a chance to participate in it if they are not properly inducted. Social stigmas need to be eradicated around the use of internet in order to onboard the female population of the country.

A comprehensive regulatory framework is required to ensure that digital infrastructure becomes a safer space. In the e-commerce space, The PDP bill is lying pending for more than two years and has attracted heavy criticism from the sectoral experts. It may have aimed to increase the cybersecurity in India but it would result in higher compliance burden for the e-commerce companies, it is feared. Provisions like data localization could also result in country's digital services exports, innovation and start-up ecosystem, and further reduce India's global digital competitiveness, as they are dependent upon an ecosystem of seamless data flow, collaboration, and the ease in transborder movement. Therefore, quick efforts should be made to create a legislation with optimum regulations to promote good governance in the digital infrastructure.

Dr Arvind Mayaram, Chairman  
Ms Bhaavi Agrawal, Research Associate

E-mail: [circ@circ.in](mailto:circ@circ.in)  
Web: [www.circ.in](http://www.circ.in)