

GOVERNMENT E-MARKETPLACE: A GEM OF AN IDEA

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ABSTRACT

In 2014, the new government led by PM Narendra Modi was elected to power in the backdrop of the several scams and allegations of corruption on the previous Indian National Congress led United Progressive Alliance government. One of the major agenda of Modi's election was a crackdown on corruption in the government and ensuring a corruption free regime.

Procurement forms a very important part of the government activity and involves a huge expenditure. And wherever there is expenditure involved, there is a possibility of financial irregularity.

After taking over as the Prime Minister, the hon PM Narendra Modi invited senior bureaucrats from the DGS&D and asked them to come up with a digital marketplace for procurement on the lines of Amazon which will be easy to use for the government employees and will ensure transparency in the system through competitive pricing.

This paper tried to study the changes brought about GeM and how it has turned out to be a GEM of an idea with regards to transparency and encouraging free market economy.

1. INTRODUCTION

On 9 August 2016, Government of India launched a one-stop online procurement portal under the Ministry of Commerce & Industry for all government buyers including central/state ministries, departments, bodies & PSUs replacing the Directorate General of Supplies and Disposal (<http://pib.nic.in>).

I. DIRECTORATE GENERAL OF SUPPLIES AND DISPOSAL (DGS&D)

The Directorate General of Supplies and Disposal (DGS&D) was the central purchasing organisation of the Government of India under the Ministry of Commerce & Industry. It was established in 1951 for rendering procurement and disposal services to central/state/government/PSUs/Autonomies bodies, etc. DGS&S fixes the Rate Contracts (RC) for common user items that are required at various government departments, organisations and public sector units. It was replaced by Government E-Marketplace in 2016 and in 2017 as per the cabinet note the DGS&D was officially closed. (<http://dgsnd.gov.in/>)

II. BACKGROUND

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After taking over as the Prime Minister, the hon PM Narendra Modi invited senior bureaucrats from the DGS&D and asked them to come up with a digital marketplace for procurement on the lines of Amazon which will be easy to use for the government employees and will ensure transparency in the system through competitive pricing. (Chauhan Radha, CEO-GeM, personal communication, March 15, 2018).

In January 2016, two groups of secretaries made recommendations to the Prime Minister. They suggested setting up a dedicated digital marketplace for different goods & services procured/sold by Government/PSUs besides reforming DGS&D.

Subsequently on 29 February 2019, the Finance Minister in his budgetary speech announced setting up of a technology driven platform to facilitate procurement of goods and services by various Ministries and agencies of the Government. (<https://www.indiabudget.gov.in/>)

III. GOVERNMENT E MARKETPLACE (GeM)

In 2016, the Government set up a new Public Procurement Portal in the form of a Special Purpose Vehicle (SPV) by the name Government e-Marketplace (GeM) was formed by the Ministry of Commerce & Industry after taking inputs from the Directorate General of Supplies and Disposal (DGS&D). GeM is an innovative and transformative step of the Government with the aim to transform the way in which procurement of goods and services is done by the Government Ministries/Departments, PSUs, autonomous bodies etc.

IV. KEY POINTS OF GeM

- GeM is as non-profit autonomous body registered under Section 8 of the Companies Act, 2013.
- It provides end-to-end online marketplace for Central and State Government Ministries/Departments, CPSUs & SPSUs, local bodies for procurement of goods & services.
- It was established with an aim to bring efficiency, transparency and streamline government procurement (<http://pib.nic.in>).

V. BENEFITS OF GeM

GeM is a completely paperless, cashless and system driven e-market place that enables procurement of common use goods and services with minimal human interface.

Given below is a list of benefits of GeM (<http://pib.nic.in/>)

1. **Transparency:** GeM to a great extent eliminates human interface in order placement, vendor registration and payment processing. It is open platform and does not offer no entry barriers to bonafide suppliers who wish to do business with the Government. At every step, SMS/email notifications are sent to buyer, head of the organisation, paying authority as well as seller.
2. **Efficiency:** GeM allows direct purchase on it in a matter of minutes. The entire process in online, end to end integrated. It has online tools for assessing price reasonability. For buying the buyer does not need to create his/own technical specifications during the bidding/Reverse Auction (RA) as they have been standardized on GeM. The bid can be created in a matter of minutes and can be finalized in a matter of minimum seven days. Once the bid/RA is created, a notification is sent to all prospective eligible sellers via email. GeM thus ensures fair competition and pricing.

Over and above this, GeM has performance based User Rating and online vendor assessment (optional) which further enhances the efficiency of this model.

3. **Secure and safe:** GeM platform is a completely safe and secure. All the documents on GeM are e-signed at various stages by the buyers and sellers. The antecedents of the suppliers are automatically verified online through Aadhar and PAN databases.

In addition, SEBI empaneled credit rating agencies are also being used for conducting third-party assessment of suppliers. In the previous system, there was zero check on the antecedents of the suppliers for small value procurements (upto Rs 1 lakh) whose cumulative value is huge across the Government organizations. GeM does a 100% online verification of all vendors irrespective of the value of procurement.

4. **Support to Make in India:** GeM has filters which are Preferential Market Access (PMA) compliant for selecting goods which are manufactured by Small Scale Industries (SSI). Thus, it will enable Government buyers to easily procure Make in India and SSI goods.
5. **Savings to the Government:** Transparency, efficiency under GeM initiative will result in a substantial reduction in prices of procuring goods, in comparison to the direct purchase rates and purchases by tender and rate contract. The average prices on GeM are lower by at least 15-20%, and in some cases even up to 56%. The Demand Aggregation further leads to a lowering of the prices. By way of standardization of specifications and economy of scale there are more savings for the buyer.

In short, the advantages of GeM can be summed up as

VI. GENERAL ADVANTAGES of GeM

- Listing of products for individual, prescribed categories of Goods/ Services of common use.
- It is important to note there are over 400 services being covered on tis digital platform
- Look, estimate, compare and buying facility on dynamic pricing basis just like one may see on a digital marketplace like Amazon or Flipkart.
- Market place buying of majority of common User Items.
- Buying Goods and Services online, as and when required.
- Single window system for aggregating demands and ordering
- Transparency and ease of buying.
- Easy entrance process for a possible seller.
- Useful for low value buying and also for bulk buying at competitive price using Reverse Auction/ e-bidding.
- Continuous vendor rating system.
- User friendly dash board for buying and monitoring supplies and payments
- Return policy

VII. GeM ADVANTAGES FOR BUYERS

- Rich listing of products for individual categories of Goods/Services
- Search, Compare, Select and Buy facility
- Buying Goods and Services online, as and when required.
- Transparent and ease of buying
- Continuous vendor rating system
- User-friendly dash board for Buying and monitoring supplies and payments
- Easy Return policy

VIII. GeM ADVANTAGES FOR SELLERS

- Direct access to all Government departments.
- One stop shop for marketing with minimal efforts.
- One stop shop for bids / reverse auction on products / services
- New product suggestion facility available to sellers
- Dynamic pricing: price can be changed based on market conditions
- Seller friendly dashboard for selling and monitoring of supplies and payments
- Consistent and uniform purchase procedures

IX. SCOPE FOR IMPROVEMENT/MAKING GeM BETTER

- **Product Approval:** GeM takes minimum 4 working days to approve a product. Some bids provide 5-6 days only to quote rates which includes weekends but product approval time does not include non-working days. This means there is possibility that a bidder may miss a bid if the product is not quoted by him in advance and in process a chance to have a lower price for a goods commodity/service is also lost. Appropriate time should be given to ensure a better competition.
- **Disposal of products:** Disposal of products purchased by government agencies, departments, etc is an issue. These products cannot be disposed off as there is no provision made in this present digital marketplace to dispose of previously purchased products.
- **Not all small enterprises on digital platform:** Not necessarily a big drawback in the age of smartphones, but yes a digital platform though it open up opportunities for several possible sellers across the country, many small scale enterprises won't benefit out of this marketplace because of the digitised format of the marketplace.
- **Awareness:** India is a land of entrepreneurs and businessmen, the opening of this new section of market for small sellers has opened a window of opportunities. But not everyone is aware of GeM. An increased awareness needs to be made to get more sellers on the portal which will lead to an increase in choice as well as competition.

X. GOVERNMENT e-MARKETPLACE IN NUMBERS

As of 22 February 2019, the GeM website (<https://gem.gov.in/>) states,

Buyer Organisations	33,657
Sellers & Service Providers	201,216
MSME Sellers	29,203
Products	810,601
Services	5,309
Orders	1,407,707
Sellers & Service Providers	201,216
Orders Value	Rs 19,450 crores
MSE Orders Value	40.44%

XI. CONCLUSION

Nearly 25 states and union territories have already signed MoUs to make procurement with GeM mandatory so far. (<http://morungexpress.com/>)

The platform is in sync with the government's mission of Digital India and is not only providing transparency and accountability in government but also opening up the otherwise closed segment of buying and selling to everyone. With increased broadband connectivity and having more PSUs and agencies signing MoUs with GeM, the E-marketplace is only and only going to grow.

XII. REFERENCES

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