

REVOLUTIONIZING PUBLIC PROCUREMENT IN INDIA: THE IMPACT OF THE GOVERNMENT E-MARKETPLACE (GeM)

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ABSTRACT

Public procurement plays a crucial role in the economic development of a country specially developing countries. It accounts for a significant share of government spending. In OECD countries, public procurement is estimated to represent 25-30% of GDP, while in India, it constitutes around 20% of GDP. It serves as a key tool for governments to achieve their policy objectives, such as poverty reduction, job creation, and infrastructure development. By investing in public procurement, governments can stimulate local industries, encourage innovation, and promote economic growth. However, traditional procurement processes in India have often been subject to administrative hurdles, lack of transparency, and corruption. The Government e-Marketplace (GeM) has emerged as a transformative solution, reshaping India's public procurement landscape. By leveraging technology, GeM has revolutionized the way government purchases goods and services. It's an online platform for public procurement in India. In order to ensure a fair and competitive process during procurement for both the buyers and sellers, this new initiative was pioneered on the 9th of August 2016 by the Ministry of Commerce and Industry. The main aim here was to create a platform which is inclusive, efficient and also transparent. This technological innovation has significantly simplified procurement procedures, reduced bureaucratic delays, enhanced transparency, and fostered increased competition among vendors. It supports a wide range of goods and services, enabling government departments, public sector enterprises, and other public bodies to access products at competitive prices. This paper explores the transformative impact of GeM on India's public procurement system, examining its role as public policy and technological innovation. By reducing administrative rigidity and improving transparency, GeM has contributed for better governance and accountability and cost efficiency. Moreover, it has safeguarded the interest of the small and medium-sized enterprises (SMEs) by giving them direct market access. The paper also addresses the challenges and opportunities faced by GeM and outlines the path forward for it. Additionally, it analyses how technological innovations like GeM can modernize and optimize procurement systems in emerging economies.

Keywords: *Public Procurement, Government e-Marketplace (GeM), Technological Innovation, Emerging Economies, Transparency.*

Introduction

Public procurement plays a crucial role in the economic development of developing countries. It serves as a key tool for governments to achieve their policy objectives, such as poverty reduction, job creation, and infrastructure development. By investing in public procurement, governments can stimulate local industries, encourage innovation, and promote economic growth. This process allows public funds to be channelled into projects that directly benefit society, from building roads and schools to improving healthcare and sanitation. In developing countries, effective public procurement is particularly important for fostering transparency and accountability. With proper oversight, it helps reduce corruption, ensuring that resources are used efficiently and, in the public's, best interest.

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Despite its potential, public procurement in many developing countries faces challenges such as weak legal frameworks, corruption, lack of skilled personnel, and limited access to information. Addressing these issues is vital for maximizing the benefits of public procurement. Strengthening procurement systems can enhance governance, boost investor confidence, and improve service delivery, all of which are key to sustainable development.

India Scenario

Public procurement plays a vital role in India's economic growth and development. As one of the largest economies in the world, Indian government spends a significant portion of its budget on procurement to meet the needs of its growing population. The public procurement is estimated to be around 20-30 percent of the GDP in India. A few Union ministries, namely, Defence, Railways, and Telecom allocate approximately 50 percent of their respective budget for public procurement.¹ The public procurement process in India is quite complex given the federal framework for public service delivery.

Through this massive² public procurement, the government can directly contribute to the development of vital infrastructure and services that benefit society as a whole. In India, public procurement also serves as a tool for promoting economic inclusivity. By encouraging the participation of small and medium-sized enterprises (SMEs), local businesses, and marginalized groups, the government can help foster entrepreneurship and job creation, contributing to poverty reduction.

There exists a broad range of requirements across multiple levels of the government ranging from the Union and state government to the autonomous and statutory bodies or panchayats and municipalities of the local governments.³ This has led many analysts to believe a single comprehensive documented procurement law doesn't exist to steer the process, the system has inevitably become convoluted and confusing.

In general, the administrative guidelines of the public procurement activities are outlined by the GFRs. Apart from GFRs, the Ministry of Finance publishes separate procurement manuals of policies and procedures for work contracts, purchase of goods, and employment of consultants.

India was following a traditional, manual system governed by a set of rules, regulations, and procedures. The most common method was the submission of physical tender documents, where bidders would submit their bids in hard copy. The entire process, from issuing tenders to opening bids and awarding contracts, was done manually and involved significant paperwork. Tender notices were published in newspapers, government websites, and sometimes in specific journals, but the process was not very centralized or standardized across departments.

DGS&D is another central purchase organization of the Indian government, functioning under the Ministry of Commerce & Industry. Its role is to finalize the rate contracts to be used by Government departments to procure items of general use. The DGS&D conducts the Rate Contracts for the government entities following the DGS&D manual. DGS&D contract rates allow the state, central and government-owned entities to buy required goods at the DGS&D specified prices.

Adoption of e-procurement and e-payments to reduce cost and improve efficiency in public procurement, got a boost with the creation of Indian Government Tenders Information System known as 'Tenders India'.⁵ This was developed by NIC in association with the DeitY to provide greater accessibility to the government tenders.⁴

In a significant move towards adopting of E-Governance, Central Public Procurement Portal (CPPP) was also launched, which provided a centralized platform for the publication of tenders for central government organizations. National Informatics Centre (NIC), Ministry of Electronics & Information Technology, in close association with the Procurement Policy Division, Ministry of Finance, has developed, hosted and implemented this initiative. In the year 2012 it was made mandatory for all Ministries/ Departments of the Central Government, Central Public Sector Enterprises (CPSEs) and Autonomous bodies to publish all their tender enquiries issued on or after the following dates, on the CPP Portal.

¹ Hazarika, B., & Ranjan, P. (2017b). Public Procurement in India: Assessment of Institutional Mechanism, Challenges, and Reforms. Retrieved from https://www.nipfp.org.in/media/medialibrary/2017/07/WP_2017_204.pdf

² P.S., Buvanewari & Perveen, Farhat. (2019). Government e-Market: Procurement Re-imagined. Adalya. 8. 1387-1396.

³ Hazarika, B., & Ranjan, P. (2017b). Public Procurement in India: Assessment of Institutional Mechanism, Challenges, and Reforms. Retrieved from https://www.nipfp.org.in/media/medialibrary/2017/07/WP_2017_204.pdf

⁴ Hazarika, B., & Ranjan, P. (2017b). Public Procurement in India: Assessment of Institutional Mechanism, Challenges, and Reforms. Retrieved from https://www.nipfp.org.in/media/medialibrary/2017/07/WP_2017_204.pdf

The Central Public Procurement Portal (CPPP) was a significant initiative aimed at bringing transparency and efficiency to the public procurement process. By centralizing procurement data and making it publicly accessible online, the portal ensured that tender notices, bid documents, and contract awards were easily available, which reduced the potential for corruption and favoritism. The move towards e-tendering and automation also streamlined processes, reduced paperwork, and made it easier for vendors, including small and medium enterprises, to participate in government tenders.

However, while the CPPP and other E-tendering platforms have improved transparency, it has not fully addressed all issues related to public procurement. There were limitations and insufficiencies in the procurement system, the supplier base was localised, there was no method available to verify the prices across the bids of the similler products. The entire process despite being online was time consuming and was based on manual processing. There was no effective tool to monitor the status of procurement through priority sect so such as MSMEs.

The main objective behind launch of this GeM was the numerous drawbacks that the current manual and E-public procurement system is afflicted with like the delay in procurement processes, corruption, opaque procedures, manula intervention in procurement related decisions, costly procurements leading to in fructuous ex-chequer losses. This e-platform reduces manual process inefficiencies and human interventions in procurement procedures and ensures transparency, openness and value for money in each procurement.¹

GeM : The Vision, Philosophy and Structure

GeM is built on three fundamental principles of governance: efficiency, transparency, and inclusivity. It is Inclusive since it allows anyone and everyone to do business on GeM, it's efficient for conducting business operations smoothly and it is transparent for fair business practices². In addition, the platform seeks to improve openness, effectiveness, and speed in public procurement. It offers a wide range of procurement methods, including direct purchase, electronic bidding, electronic reverse auction, and direct reverse auction. The digital platform enables economies of scale, efficient price discovery, and dissemination of best practices.

In last 8 years of its operations, the **Government e-Marketplace (GeM) portal** has transformed how the Indian government manages its procurement processes, addressing inefficiencies, reducing cycle times, and enhancing transparency. Previously, government procurement was time-consuming and lacked transparency, but GeM has streamlined procedures, enabling faster procurement from weeks or months to just a few days. It has effected transparent, efficient and inclusive marketplace. It is seen to drastically reduce the cycle time of procurement as also bring in complete transparency in the procurement process. The initiative of creating the GeM portal is in line with the Digital Transformation initiatives of the current Government.

Government e-Marketplace (GeM) is primarily inspired by several global best practices in public procurement, with a strong influence from both Brazil's Comprised and Singapore's GeBIZ platforms. The GeM system was designed to streamline and modernize the public procurement process, ensuring transparency, efficiency, and ease of access for businesses, especially Small and Medium Enterprises (SMEs).

- **Legal Framework**

It is said that "A strong and well-functioning procurement system would be one that is governed by a clear legal framework establishing the rules for transparency, efficiency and mechanisms of enforcement."³ GeM (Government e-Marketplace) was conceptualized on a robust foundation comprising strong legal, administrative, and technical frameworks.

GeM is owned and managed by GeM, it's a section 8 (Non-Profit) company registered under the Companies Act, 2013. This SPV operates, monitors and supervises all business transactions on the portal. Its an a Government-to-Business platform (G2B) online marketplace (or e-commerce marketplace where products or services are offered by a number of sellers and all the buyers

The administrative guidelines of the public procurement activities are outlined by the GFRs, which are mandatory for government procurement. To enable the Government departments to make

¹ P.S., Buvanewari & Perveen, Farhat. (2019). Government e-Market: Procurement Re-imagined. Adalya. 8. 1387-1396

² P.S., Buvanewari & Perveen, Farhat. (2019). Government e-Market: Procurement Re-imagined. Adalya. 8. 1387-1396.

³ Hunja, R. (2003) "Obstacles to Public Procurement Reform in Developing Countries." In S. Arrowsmith and M. Trybus (Eds.), Public Procurement: the Continuing Revolution (pp. 13-22). Dordrecht, The Netherlands: Kluwer Law International.

purchases through the GeM portal, the Government Financial Regulations (GFR) of 2005 were amended to include purchasing through the Government e-Marketplace portal. Such an amendment was brought out by insertion of a new Rule 141 'A'.¹ The purchases through GeM by Government users have been authorised and made mandatory by Ministry of Finance by adding a new Rule No. 149 in the General Financial Rules, 2017. In case of deviation all central government buyers will be required to obtain a 'GeM Availability Report and Past Transaction Summary' in accordance with an office memorandum of the Department of Expenditure to take informed procurement decisions.²

Similarly, the Payment & Receipt Rule of 1983 have also been amended by an Office Memorandum to include online payment to all the suppliers. The Drawing and Disbursing Officers (DDOs) of all the departments will now be able to make online payments directly to the suppliers and thereby reduce the payment time against received supplies significantly.

- **Technology**

The initial version of GeM portal was developed and hosted by the erstwhile Directorate General of Supplies and Disposals (DGS&D) under the Ministry of Commerce and Industry. This initiative of the Government of India was supported by National eGovernance Division (NeGD) of the Ministry of Electronics and Information Technology (MeitY). In a short period of time they helped build such a portal and the portal went live in August 2016 after undergoing the necessary security audit by STQC. Currently, a Managed Service Provider (MSP) is responsible for enhancing and maintaining the GeM portal. For payment services, GeM has linked with numerous banks and the IT systems of significant buyers.

By 2020 (GeM) has completed work towards creation of a Unified Procurement System by integrating GeM with the Central Public Procurement Portal (CPPP) and consolidating the entire public buying of goods and services onto a single platform³ During the year, GeM was awarded Digital India Platinum Award for 'Exemplary Online Service' by the Ministry of Electronics & IT (MeitY). It was also nominated for the prestigious UN-ITU WSIS. GeM had taken up some special initiatives to spread awareness, train prospective users and promote inclusiveness in the marketplace.⁴ Public procurement portal GeM has also started using high-end technologies such as Artificial Intelligence and blockchain to make the portal more dynamic and help both buyers and sellers for smooth transactions⁵

Key Features

Following its mission, the government aimed to make GeM the best possible platform for any form of public procurement in India. To achieve this, the government developed the platform to offer the following key features:

- **Transparency:** GeM (Government e-Marketplace) is significantly enhancing transparency in public procurement by automating key processes and ensuring real-time monitoring. The platform completely eliminates the need for human interaction in vendor registration, order placement and payment processes. It sends SMSs and email notifications to all buyers, heads of organisations, paying authorities and sellers. As the platform is integrated with the Public Financial Management System (PFMS) and the State Bank Multi Option System (SBMOPS), it facilitates online, cashless, and time-bound payments. Every transaction on GeM is fully traceable, creating an auditable record of activities that can be reviewed at any time, ensuring integrity in the procurement process. These features make GeM a powerful tool in building trust and reducing corruption in public procurement

¹ PIB (2016) Insertion of Rule 141-A after Rule-141 in General Financial Rules (GFR), 2005 for proposed creation of One Stop Government e-Marketplace (GeM) by Directorate General Supply and Disposal (DGS&D).

² PTI. (2020, October 23). GeM completes work for creation of unified procurement system: CEO Talleen Kumar. Retrieved December 19, 2024, from The Economic Times website: https://economictimes.indiatimes.com/news/economy/policy/gem-completes-work-for-creation-of-unified-procurement-system-ceo-talleen-kumar/articleshow/78826873.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

³ Economic Times (2020, October 23). GeM completes work for creation of unified procurement system: CEO Talleen Kumar. Retrieved from The Economic Times website: https://economictimes.indiatimes.com/news/economy/policy/gem-completes-work-for-creation-of-unified-procurement-system-ceo-talleen-kumar/articleshow/78826873.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

⁴ Government E Marketplace (GeM) Closes FY 2018-19 on a High Note. (2018). Retrieved December 19, 2024, from Pib.gov.in website: <https://pib.gov.in/Pressreleaseshare.aspx?PRID=1570586>

⁵ Economic Times (2021, January 5). GeM using AI, blockchain tech to become more dynamic: Kumar. Retrieved December 19, 2024, from The website: https://economictimes.indiatimes.com/news/economy/policy/gem-using-ai-blockchain-tech-to-become-more-dynamic-kumar/articleshow/80113052.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

- **Efficiency:** GeM is enhancing efficiency in public procurement by offering a streamlined, end-to-end service platform that simplifies and accelerates the purchasing process. Users can directly make purchases on GeM without needing to navigate multiple systems or face delays. The platform is integrated with online tools that automatically assess pricing reasonableness, helping users make informed decisions quickly and avoid overpaying for products and services. For high-value products, GeM offers additional efficiency through bidding or reverse auction (RA) services. GeM's automated processes reduce manual intervention, minimizing the risk of errors and delays associated with traditional procurement methods.
- **Inclusiveness:** GeM is driving inclusiveness in public procurement by providing a level playing field for all vendors, regardless of their size or location. The platform allows small and medium enterprises (SMEs), including micro, small, and local businesses, to easily register and participate in government procurement processes. This is a significant departure from traditional procurement systems, where larger, more established firms often dominated the market. GeM's user-friendly interface and simplified registration process enable even smaller businesses to access government contracts without facing complex bureaucratic barriers. Additionally, GeM helps Govt of India to promote inclusiveness by offering special schemes for SMEs and marginalised section. The platform comprises filters that can be used to procure 'Make in India' and small-scale industry goods.
- **Secure and Safe:** GeM ensures a secure and safe procurement process by implementing multiple layers of verification and monitoring throughout the transaction lifecycle. At various stages of a process, sellers, and buyers are required to use e-sign documents, which are electronically and automatically checked by using MCA21, Aadhar and PAN databases. In addition, the platform employs SEBI-registered credit rating firms to assesses third-party suppliers. This automated verification reduces the risk of fraudulent activities and enhances trust in the platform.
- **Cashless and Contactless:** GeM (Government e-Marketplace) is both cashless and contactless, ensuring secure, digital transactions throughout the procurement process. Payments are made electronically, eliminating the need for cash handling and minimizing the risk of fraud or delays. This cashless model is integrated with online payment systems, such as the State Bank Multi Option Payment System (SBMOPS), which facilitates smooth, real-time financial transactions. Additionally, the platform's contactless nature means that all interactions, from vendor registration to order placement and payment, are conducted online, without the need of human intervention and Human presence making the procurement process safer and more efficient.
- **Efficient Price Discovery:** GeM offers an efficient price discovery mechanism that leads to better pricing for government procurement. By leveraging a transparent and competitive platform, GeM allows multiple vendors to participate in the bidding process, fostering price competition. This is particularly evident in features such as reverse auctions, where suppliers compete by offering progressively lower prices in real-time. This bidding environment ensures that government buyers get the best possible value for their money.

Additionally, GeM integrates pricing reasonableness tools that automatically evaluate and compare prices across different suppliers and market standards. This price discovery system is further strengthened by the platform's transparency, as all pricing details are visible to both buyers and sellers, promoting fair competition. With a vast range of suppliers, both large and small, competing on an equal footing, GeM ensures that government procurement is not only cost-effective but also fair and efficient, leading to better pricing for the public sector.

- **Saving for the Government:** GeM is promoting significant savings for government organizations by offering fair and lower prices compared to traditional procurement methods. Surveys have shown that the prices on GeM are typically 15-20% lower than those found on other platforms, and in some cases, they can be as much as 56% lower. These savings are achieved through better pricing, more efficient procurement processes, and the elimination of middlemen. There is huge savings in the cost of procurement, ranging from a minimum of 10% to 45% in different categories. The average saving based on the MRP/Listed price is about 28%.¹

¹ Government e-Marketplace - Procurement Reimagined. (2024). <https://gem.gov.in/statistics>

However, purchases in the hospital and health sector add additional complexities simply on account of direct impact on patient care. The concept is relatively young and evolving. The challenges faced by stakeholders and their feedback is important to improve the public procurement. The World Bank conducted an evaluation of the effectiveness of India's e-procurement systems, including GeM, in the context of **digital transformation in public procurement**. The e-marketplace has set an ambitious target to achieve Gross Merchandise Value (GMV) equivalent to 4-5% of India's GDP. If 15-25 % savings are realized on this volume of procurement, it will free up enormous sums which the government can use to finance its development and poverty alleviation programs.¹

The Economic Survey 2021-22 included a cost comparison of offer prices for 22 common use goods listed on GeM versus listings on popular online platforms like Amazon and Flipkart. Prices on GeM were observed to be 9.5% lower in comparison with other online platforms for 10 out of 22 commodities.²

Growth Journey of GeM

In the last 8 years, GeM has transformed the public procurement space in India through its technology and strategic interventions. It has made significant strides towards the pursuit of its three fundamental pillars, i.e., inclusion, transparency and efficiency in public procurement, since its launch. GeM is an example of how digital platforms created with the intent to reimagine legacy processes can bring about lasting change for the nation as well as the underserved.³

In Financial Year 2023-24, Govt eMarket place, GeM, has achieved a Gross Merchandise Value (GMV) of over ₹4 lakh crore with near 1000 times increase over FY 2016-17. The cumulative total GMV of Goods and Services on GeM since its inception is over ₹13 lakh crore as on date. In Financial Year 2016-17, GeM had achieved a Gross Merchandise Value (GMV) of ₹422 crore. GeM has logged more than 62 lakh transactions during FY 2023-24. This is also more than 1000 times increase compared to FY 2016-17. Total GeM portal transactions until date since inception are more than 2.50 crore. More than 1.63 lakh women-owned MSEs have been onboarded on GeM portal since inception. Women MSEs have been awarded orders worth ₹35,138 crore from inception till 30th July 2024. More than twenty-five thousand Startups are registered on the GeM portal since inception. Start-ups have made orders worth more than ₹27,319 crore in terms of GMV since inception as of 30th July 2024.

During the current year the gross turnover has already crossed 3.5 Lacs crore and estimated to achieve record total turnover of 5.5 Lacks crore during the year 24-25.

Initiative under GeM

Through the GeM initiative, the government aimed to encourage and support entrepreneurs with low access to opportunities; therefore, launched numerous initiatives as follows:

- **Promotion of Startups**

To foster innovation and entrepreneurship, GeM introduced Start-up Runway 2.0 in 2019. This unique initiative aims to give emerging startups a platform to engage with government buyers and promote their products and services through public procurement. The program supports startups in creating local jobs and generating wealth, contributing to inclusive growth. More than 1,500 startups are now part of GeM, offering over 12,000 products, with over 5,000 orders placed. Some of the innovative products introduced by these startups include motorbike fire engines, health kiosks, and rescue watercraft etc.⁴

- **Supporting MSMEs and SC/ST Entrepreneurs**

GeM has also undertaken initiatives to promote MSMEs and SC/ST entrepreneur. on the platform. MSME SC/ST entrepreneurs on GeM GeM works with a variety of stakeholders in the Micro, Small, and Medium Enterprises (MSMEs) ecosystem, with a particular focus on entrepreneurs from scheduled caste/schedule tribes (SC/ST) communities. The collaboration is based on the goal of all government departments and public sector enterprises (PSE) reaching a mandated procurement goal of 25% from MSMEs and a sub-target purchase of 4% products and services from MSME entrepreneurs from SC/ST communities.

¹ How government e-marketplace is revolutionizing procurement in India. (2018). World Bank Blogs website: <https://blogs.worldbank.org/en/governance/how-government-e-marketplace-revolutionizing-procurement-india>

² <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1945150>

³ Government e Marketplace: A Game Changer. (n.d.). <https://static.pib.gov.in/WriteReadData/specificdocs/documents/2023/apr/doc2023427188401.pdf>

⁴ The Indian Government's E-Marketplace (GeM) - Centre for Public Impact. (2024, September 28). <https://centreforpublicimpact.org/public-impact-fundamentals/the-indian-governments-e-marketplace-gem/#The-initiative>

This initiative aims to increase the participation of small and mid-sized businesses in governmental procurement. To date, 319,000 vendors have registered on GeM, processing orders for a total of US\$ 389.05 billion in Gross Merchandise Value (GMV), with 68,286 MSME merchants facilitating orders worth US\$ 202.63 billion in GMV. MSMEs account for 26% of all sellers and suppliers on the government e-marketplace. The platform also boosted employment, as it aided in creating and retaining positions in the government sector.

- **Supporting Women Entrepreneur**

The Union Government on 14th January, 2019 launched the 'Womaniya on Government e Marketplace (GeM)', a web-based platform for women entrepreneurs and Women Self-Help Groups (WSHGs) to directly sell handicrafts, handloom, accessories, etc. to Government departments and institutions. With this, the government aimed at encouraging women to open businesses with the vision of an economy that would be more equal for both men and women.

Nearly 80% women-owned establishments in India are self-financed and more than 60% of 8 mn units are owned and led by women entrepreneurs from socially-challenged sections. Womaniya on GeM will spur hyper-local economic opportunities for women entrepreneurs and achieve gender-inclusive economic growth.¹ The Saras Collection Following 'Womaniya' initiative, the government introduced 'the Saras Collection' programme to encourage and enable small artisans to sell their products on the GeM platform. Under the Deen Dayal Antyodaya Yojana-National Rural Livelihoods Mission.

GeM'S Alignment with other Initiatives

The GeM is also closely linked to the 'Make in India' movement, which promotes the idea of producing with Indian manufacturers. To encourage OEMs and component makers to manufacture locally and promote domestic procurement of automobiles, the Ministry of Heavy Industries announced that preference will be given to domestically built vehicles, with a minimum localisation of 65% for ICE vehicles. Furthermore, GeM has stressed on the 'Swachh Bharat Abhiyan' through its goods, limiting the use of plastic and pushing shoppers to choose environmentally friendly products for a cleaner India. On World Environment Day, June 05, 2019, GeM took the lead in urging governments, businesses, communities, and individuals to collaborate and research on renewable energy and green technology to improve air quality in cities and regions worldwide. The platform supports this endeavour by operating in a cashless, contactless, and paperless manner.

GeM was also created as part of the 'Digital India' programme, which aims to emphasise e-governance and transform India into a digitally empowered society. Its purpose is to ensure that citizens may access government services over the internet. It strives to improve the country's overall ease of doing business, therefore all initiatives are linked in the sense that they try to help each other.

Issues and Challenges

GeM portal is a relatively novel dynamic concept in the country and continuously evolving with a mandate to revolutionize public procurement. GeM has significantly improved public procurement processes, however, several shortcomings remain that hinder its overall efficiency and effectiveness. One of the key challenges is related to quality issues. Despite its transparency and competitive bidding, there is no foolproof mechanism to guarantee that all suppliers consistently deliver high-quality products and services. Some vendors may list their products with low prices to win contracts but compromise on quality, leading to discrepancies between expectations and delivered goods. Although the platform allows buyers to review vendors based on past performance, inconsistent product quality can still be a concern, especially in sectors that require strict adherence to standards, such as healthcare or infrastructure.

Another major issue is the presence of non-serious or inexperienced suppliers, particularly in the service sector. While GeM's open registration process allows a wide range of suppliers to participate, it also opens the door to vendors who may not have the capacity, expertise, or reliability needed for large-scale government contracts. Inexperienced suppliers, especially those entering areas unfamiliar to them, can create significant functional issues. For example, a vendor new to providing technical services or specialized goods might struggle with understanding the specific requirements of government projects, leading to delays, subpar performance, or even project failures.

¹ The Indian Government's E-Marketplace (GeM) - Centre for Public Impact. (2024, September 28). <https://centreforpublicimpact.org/public-impact-fundamentals/the-indian-governments-e-marketplace-gem/#The-initiative>

The platform also faces difficulties with the procurement of customized goods and services. GeM excels at handling bulk purchases of standardized products but is less effective when it comes to procuring tailored or highly specialized items. Customized procurement often requires extensive consultations, adjustments, and negotiations, which are at present level difficult to manage through GeM's automated systems, resulting in inefficiencies and delays. The GeM has introduced customised bid option but it will take some more time for the government organisation as well vendor to properly utilised facility

Delays in delivery remain a common issue. Due to the large volume of suppliers, some may face logistical or operational challenges in meeting the strict timelines set by government buyers. Non-serious suppliers or those lacking the necessary infrastructure may contribute to these delays, affecting project timelines and overall procurement efficiency.

One of the significant shortcomings of GeM lies in the capacity building of both vendors and government officials. Despite the platform's automation and user-friendly interface, many officials and vendors, particularly small and medium enterprises (SMEs), lack the necessary skills and resources to navigate the system effectively. There is reluctance on part of the officials for various reason to follow the mandate given in FR This lack of training and familiarity is leading to inefficiencies, mistakes, or delays in the procurement cycle.

GeM : The Way Ahead

GeM has significantly transformed public procurement in India, but to further enhance its impact, several areas need attention and improvement.

- **Inclusion of Works Contracts:** Currently, GeM covers the procurement of goods and services, but it does not cater to **works contracts**—a major segment in government procurement. Works contracts, which involve construction, infrastructure, and development projects, form a critical part of public sector spending. To maximize GeM's potential, it is crucial to integrate **works contracts** into the platform. This inclusion would allow the government to streamline procurement for large-scale infrastructure projects, promote transparency, and reduce delays associated with traditional tendering methods.
- **Integration with CPPP/Local/Organization-Based Platforms:** Another significant step forward would be the integration of GeM with other procurement platforms like the Central Public Procurement Portal (CPPP), local government systems, and organization-specific platforms. This would create a unified digital ecosystem, simplifying the procurement process across various levels of government, ensuring seamless information exchange, and improving efficiency.
- **Mandatory Adoption by All States:** As of now, procurement through GeM is not mandatory for state governments. While many states have signed MoUs with GeM, the adoption rate remains inconsistent. To ensure uniformity and better governance, it is essential for all states to make procurement through GeM mandatory. This would help standardize processes across the country, reduce delays, and enhance transparency at the state level.
- **Improvement in Quality Control and Delivery Mechanisms:** Despite its many advantages, GeM still faces challenges related to quality control and delivery mechanisms. Ensuring that products meet the required standards is crucial for maintaining the platform's credibility. GeM could benefit from introducing more rigorous checks, certifications, and a robust system for monitoring the delivery of goods and services. Additionally, establishing a reliable grievance redressal mechanism would help resolve issues related to quality and delays efficiently.

To address concerns about product quality, standardization and certification systems—similar to the ISI (Indian Standards Institute) certification—should be introduced on GeM. This would ensure that only certified and high-quality products are sold on the platform. Such certification would also build trust among government buyers, making them confident in the procurement process.

- **Capacity Building for Vendors and Government Officials:** Finally, **capacity building** for both vendors and government officials is crucial for the successful expansion of GeM. Vendors, especially small and medium enterprises (SMEs), need training on how to navigate the platform, bid effectively, and comply with regulations. Government officials also require ongoing training to familiarize themselves with the technicalities of GeM's advanced features and to maximize the platform's full potential. Building confidence among all users will not only enhance participation but also ensure smoother and more efficient procurement processes.

Conclusion

The most important steps toward overcoming the obstacles to the fundamental reforms of the public procurement system would involve analysis of where the problems with the system lie, what solutions would be needed to solve identified problems, and the obstacles that would be faced in trying to achieve those solutions. When the assessment indicates that severe problems of the procurement system are systemic, then it is necessary to develop strategies aimed at overcoming obstacles to the far-reaching reforms that are required. The strategy needs realistically to analyze such barriers to reform, along with a view of how these can be managed. Accordingly, GeM has been actively engaged in the development of a Unified Public Procurement System for the country with a single user flow for government buyers, bringing all government procurement onto a single platform leading to economies of scale, better price discovery, and sharing of best practices.

GeM has emerged as a transformative force in India's public procurement landscape, driving significant improvements in governance, transparency, inclusivity and cost efficiency. By reducing administrative rigidity and automating key procurement processes, GeM has streamlined operations, minimizing delays and human intervention, and ensuring a more transparent and accountable procurement system. It has help the organisations to counter corruption and inefficiencies often associated with traditional procurement models. A particularly noteworthy achievement is GeM's role in promoting inclusivity, especially by providing small and medium-sized enterprises (SMEs) with direct access to government markets. This has allowed SMEs to compete on an equal footing with larger players, expanding their opportunities and boosting economic diversity. In a short span of two years or so, the platform has opened up market access for micro and small enterprises and entrepreneurs, expanding the number of potential suppliers.¹

However, as this paper highlights, GeM also faces several challenges, including quality control issues, the capacity building of both vendors and government officials, and the need to integrate works contracts into the platform. These challenges, while significant, present opportunities for further refinement and growth. The paper outlines a strategic roadmap to address these hurdles, such as improving supplier vetting processes, enhancing training programs, and expanding GeM's functionality to include more complex procurement needs.

Additionally, the paper emphasizes the broader potential of technological innovations like GeM in modernizing procurement systems, particularly in emerging economies. Through the analysis of GeM's role, it becomes clear that digital platforms can revolutionize public sector procurement, optimizing both efficiency and transparency. By demonstrating how technology can be leveraged for more streamlined and cost-effective public procurement, GeM offers valuable lessons for other countries seeking to modernize their own procurement processes. In essence, GeM stands as a pioneering example of how technology can drive positive change, making government procurement more efficient, inclusive, and transparent, while contributing to better governance and economic development.

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