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## CONSUMER AWARENESS & PROTECTION IN E-COMMERCE TRANSACTIONS – AN OVERVIEW

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### **ABSTRACT**

*Electronic Commerce is also known as e-commerce that consists of the purchasing and selling of products or services through electronic systems like computer networks and the Internet. In this modern world of technology, e-commerce is becoming a very significant option for many businesses as there are lots of companies that are interested in [developing their online stores](#). The Indian Cabinet approved a new Consumer Protection Bill 2015 that seeks to replace a 29-year-old law and proposes to set up a regulatory authority which will have powers to recall products and initiate class suit against defaulting companies, including e-tailers.*

**Keywords :** E-Commerce, Consumer Protection

## **INTRODUCTION**

**Electronic commerce, commonly written as e-commerce, is the trading or facilitation of trading in products or services using computer networks, such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle, although it may also use other technologies such as e-mail. Ecommerce can be broken into four main categories: B2B, B2C, C2B, and C2C. B2E (Business-to-Employee) G2G (Government-to-Government), G2E (Government-to-Employee), G2B (Government-to-Business), B2G (Business-to-Government), G2C (Government-to-Citizen), C2G (Citizen-to-Government) are other forms of ecommerce that involve transactions with the government--from procurement to filing taxes to business registrations to renewing licenses.**

## **E-Commerce Applications**

Various applications of e-commerce are continually affecting trends and prospects for business over the Internet, including e-banking, e-tailing and online publishing/online retailing.

A more developed and mature e-banking environment plays an important role in e-commerce by encouraging a shift from traditional modes of payment (i.e., cash, checks or any form of paper-based legal tender) to electronic alternatives (such as e-payment systems), thereby closing the e-commerce loop.

The payment schemes available for online transactions are the following:

### **A. Traditional Payment Methods**

- Cash on delivery. Many online transactions only involve submitting purchase orders online. Payment is by cash upon the delivery of the physical goods.
- Bank payments. After ordering goods online, payment is made by depositing cash into the bank account of the company from which the goods were ordered. Delivery is likewise done the conventional way.

### **B. Electronic Payment Methods**

- Innovations affecting consumers, include credit and debit cards, automated teller machines (ATMs), stored value cards, and e-banking.

- Innovations enabling online commerce are e-cash, e-checks, smart cards, and encrypted credit cards. These payment methods are not too popular in developing countries. They are employed by a few large companies in specific secured channels on a transaction basis.
- Innovations affecting companies pertain to payment mechanisms that banks provide their clients, including inter-bank transfers through automated clearing houses allowing payment by direct deposit.

### **ELECTRONIC PAYMENT SYSTEM**

An electronic payment system (EPS) is a system of financial exchange between buyers and sellers in the online environment that is facilitated by a digital financial instrument (such as encrypted credit card numbers, electronic checks, or digital cash) backed by a bank, an intermediary, or by legal tender. EPS plays an important role in e-commerce because it closes the e-commerce loop. In developing countries, the underdeveloped electronic payments system is a serious impediment to the growth of e-commerce. In these countries, entrepreneurs are not able to accept credit card payments over the Internet due to legal and business concerns. The primary issue is transaction security.

Many developing countries are still cash-based economies. Cash is the preferred mode of payment not only on account of security but also because of anonymity, which is useful for tax evasion purposes or keeping secret what one's money is being spent on. For other countries, security concerns have a lot to do with a lack of a legal framework for adjudicating fraud and the uncertainty of the legal limit on the liability associated with a lost or stolen credit card.

In sum, among the relevant issues that need to be resolved with respect to EPS are: consumer protection from fraud through efficiency in record-keeping; transaction privacy and safety, competitive payment services to ensure equal access to all consumers, and the right to choice of institutions and payment methods. Legal frameworks in developing countries should also begin to recognize electronic transactions and payment schemes.

### **MAJOR BENEFITS OF E-COMMERCE BUSINESS FOR RETAILERS & CUSTOMERS**

With increasing demand for online purchasing, more and more businesses are moving to e-store from brick and mortar stores. In the US, more than 60% of people are purchasing goods online from the comfort of their home and this figure is increasing constantly. By considering this percentage, we can say that e-commerce is expanding tremendously because of its complete range of benefits that any industry vertical can enjoy. Today, e-Commerce has revolutionized the way companies are doing business. Now, consumers can purchase almost anything online 24\*7 a day and get an ultimate shopping experience. Before you opt for an e-Commerce business, have a look on its comprehensive benefits that you can enjoy:

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**Convenience & Easiness:** For many people in the world, e-commerce becomes one of the preferred ways of shopping as they enjoy their online because of its easiness and convenience. They are allowed to buy products or services from their home at any time of day or night. The best thing about it is buying options that are quick, convenient and user-friendly with the ability to transfer funds online. Because of its convenience, consumers can save their lots of time as well as money by searching their products easily and making purchasing online.

**Offer Product Datasheets:** Consumers can also get description and details from an online product catalog. For your customers, it is very much important to get information about the product no matter whether the time of day and day of the week. Through information, your customers and prospects are making decision to purchase your products or not.

**Attract New Customers with Search Engine Visibility:** As we all know that physical retail is run by branding and relationships. But, online retail is also driving by traffic that comes from search engines. For customers, it is not very so common to follow a link in the search engine results and land up on an ecommerce website that they never heard of.

**Comprise Warranty Information:** No matter whether you are looking to choose including warranty information with product descriptions and datasheets or providing it from within an ecommerce shopping cart, you need to make sure that customers must be aware of important terms and conditions that are associated with their purchase.

**Decreasing cost of inventory Management:** With e-commerce business, the suppliers can decrease the cost of managing their inventory of goods that they can automate the inventory management using web-based management system. Indirectly, they can save their operational costs.

**Keep Eye on Consumers' Buying Habit:** The best thing is e-commerce retailers can easily keep a constant eye on consumers' buying habits and interests to tailor their offer suit to consumers' requirements. By satisfying their needs constantly, you can improve your ongoing relationship with them and build long-lasting relationships.

**Competence:** For effective business transactions, e-commerce is an efficient and competence method. Setting-up cost is extremely low as compare to expanding your business with more brick and mortar locations. Very few licenses and permits are required to start-up an online business than physical store. You can save your lots of money by using fewer employees to perform operations like billing customers, managing inventory and more.

**Selling Products Across the World:** If you are running a physical store, it will be limited by the geographical area that you can service, but with an e-Commerce website, you can sell your products and services across the world. The entire world is your playground, where you can sell

your complete range of products without any geographical limits. Moreover, the remaining limitation of geography has dissolved by m-commerce that is also known as mobile commerce.

**Stay open 24\*7/365:** One of the most important benefits that ecommerce merchants can enjoy is store timings are now 24X7/365 as they can run e-commerce websites all the time. By this way, they can increase their sales by boosting their number of orders. However, it is also beneficial for customers as they can purchase products whenever they want no matter whether it is early morning or mid-night.

**Economy:** Now, you don't have to invest your money in the physical store, insurance or infrastructure as all you need is a wonderful idea, unique products and well-designed website to reach your precious customers to sell your products and services. We can say that this makes an e-commerce a lot more economical and reasonable.

**Boost Brand Awareness:** As like e-commerce business can help B2B organizations to get new customers, so it will be helpful for e-commerce businesses to boost their brand awareness in the market. Developing pages that can be indexed by search engines crawlers is one of the best ways to enhance your website' search engine optimization and enhance the target audience on your site.

**Decrease Costs:** One of the most positive things about e-commerce is that you can decrease the costs of your business. Below are some of the costs that you can reduce by opting for ecommerce:

- **Advertising & Marketing Cost:** If you opt for ecommerce, you don't have to spend your money on advertising and marketing. However, organic search engine traffic, social media traffic and pay-per-click are some of the advertising channels that are cost-effective.
- **Personnel:** A complete automation of check-out, billing, inventory management, payments and other type of operational costs lower the total number of employees that you require to run your ecommerce business.
- **Eliminate Travel Cost:** Now, customers do not have to travel long distances to reach their desired stores as ecommerce allows them to visit the e-store anytime without travelling. With few mouse clicks, customers can make their purchase and have wonderful shopping experience.

**Offer Huge Information:** One of the best benefits of ecommerce for customers is they can get huge information that is not possible in a physical store. We all know that it is quite difficult to equip employees to respond to customers who are looking for information on different product lines. But ecommerce websites offer additional information to their customers without any hassle. All the given information is provided by vendors so that their customers find it easy to purchase products with information.

**Analytics:** We can say that business 2 business offers an excellent platform to organizations to launch their complete range of analytics campaign. Through ecommerce, organizations can easily calculate and evaluate sales effectiveness, customer effectiveness, marketing campaigns, product mix, customer engagement and more.

**Scalability:** With effective ecommerce solution, you and your organization grow and scale easily to meet market demand as well as customer requirements by introducing different sales channels and reaching market segments.

**Ability of Multi-site:** With ecommerce platform, it becomes easy for businesses to launch channel specific and particular brand ecommerce website. This ability enables you to provide co-branded websites for your specific customers and allows for websites catering to specific international spectators.

### **CONSUMER PROTECTION IN ONLINE TRANSACTION**

The year 1986 is a 'Magna Carta' in the history of Consumerism. It was this year that witnessed the enactment of the Consumer Protection Act. The first ever legislation in India of its kind which solely aimed at the grief staken consumers who the victims of the unfair trade practices and sub standard services rendered to them. The preamble to this Act reads as follows: An Act to provide for better protection of the interests of the consumers and to make provisions for the establishment of consumer councils and other authorities for the settlement of consumers' disputes and for matter connected therewith. Thus the preamble to this Act makes the intention of the framers of this Act crystal clear . The setting up of the dispute redressal machinery was only to secure and enable speedy justice to the aggrieved consumers. But the only point on which this mission could not give back its 100% waste short sightedness in visualizing the problem which occur at the post implementation period of the orders/decrees of the redressal forums.

The Indian Cabinet approved a new Consumer Protection Bill 2015 that seeks to replace a 29-year-old law and proposes to set up a regulatory authority which will have powers to recall products and initiate class suit against defaulting companies, including e-tailers. The proposed new law assumes importance as there is growing concern over safety of consumer products and services especially after the Maggi controversy. The new bill, approved by the Cabinet provides for a comprehensive framework for protection of consumer interest and will replace the Consumer Protection Act, 1986.

The decision comes against the backdrop of emergence of complex products and services in the era of growing ecommerce business in India that has rendered consumers vulnerable to new forms of unfair trade and unethical business practices, sources said. The key features of the new bill include establishment of an executive agency 'Central Consumer Protection Authority' (CCPA) which will protect and enforce the rights of consumers. The authority will intervene when necessary to prevent consumer detriment arising from unfair trade practices and to initiate class action including enforcing recall, refund and return of products.

That apart, the bill has provisions for "product liability" if product/services causes personal injury, death or property damage and will take action against defaulting manufacturers or service providers. For speedy disposal of court cases, the bill proposes "mediation" as an alternative dispute resolution mechanism. The mediation will be under the aegis of consumer courts.

Explaining the rationale behind bring a new bill, sources said that misleading advertisements, tele-marketing, multi-level marketing, direct selling and e-tailing pose new challenges to consumer protection. Hence, there was a need to modernise the act to address the situation effectively. The Bill also provides for stringent penalty, including life imprisonment in certain cases. The Consumer Protection Act 1986 was amended thrice earlier in 1991, 1993 and 2002.

India has been a consumption-driven economy for the last many decades and as per the Ministry of External affairs, Government of India, the Consumer spending in the country is expected to increase about 2.5 times by 2025. With such positive probabilities, the Government is emphasizing on reforming Indian market into a strong potential market in the global strata. The consumer affairs ministry realizes that there has been a growing feeling that consumers do not get quick redressal and framework available is lagging behind. There is also a need align the framework in line with global best practices and new business practices that have cropped up. Hence, it is proposed to create an agency similar to the US Federal Trade Commission, known as the Consumer Protection Authority. So as to strive at the objective, recently on 5 November, 2014, the Ministry of the Consumer Affairs issued a draft which discusses the proposed amendments to the Consumer Protection Act, 1986.

### **Inclusion of e-commerce transactions**

In India, presently the e-commerce and online shopping market is gaining tremendous popularity. Online shopping sites offer their online shopping services to various cities and towns. The proposed amendment attempts to include e-commerce transactions under the ambit of the Act. Under the current consumer protection regime, a consumer can initiate legal action against a seller only in the place where transaction takes place. However seeing the increasing trend of online shopping in India, the Government planned to propose amendment to the Act in order to allow 'territory free' legal action against any goods or service provider.

### **Mediation process**

It is noteworthy that the proposed amendments also include the process of mediation by inserting a new Section 2(1)(ja) which means the process by which a mediator (appointed by the

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National Forum or a State Forum or a District Forum, as the case may be), mediates the dispute between the parties to the complaint/ appeal made by the application of the provisions as specified under Chapter IV of the Act and in particular:

- by facilitating discussion between parties directly or by communicating with each other through the mediator,
- by assisting parties in identifying issues, reducing misunderstandings, clarifying priorities, exploring areas of compromise, generating options in an attempt to solve the dispute; and emphasizing that it is the parties' own responsibility for making decisions which affect them.

### **Product Liability**

The proposed amendments to the Act include a new chapter on the product liability which embraces provisions related to actions brought for or on account of personal injury, death, or property damage caused by or resulting from the manufacture, construction, design, formula, preparation, assembly, testing, service, warning, instruction, marketing, packaging, or labeling of any product. Further, the proposed amendment is set to introduce product liability charges even in cases like train or flight delays. Instead of just refunding the amount paid, the service providers will be liable for punitive action, fine and compensation.

Apart from above proposed amendments, there are further noteworthy proposed amendments which suit the requirement of today's advanced and cyberoriented market. For instance, the scope of the definition of the term "complaint" is widened to include an additional condition stating a complaint means any allegation in writing made by a complainant that he has suffered a loss due to an unfair contract entered into by him. The proposed provisions are intended to protect the consumers who are placed in an unequal bargaining capacity.

### **Advertisement**

The Act specifies that a trade practice which, for the purpose of promoting the sale, use or supply of any goods or for the provisions of any service, adopts any unfair method or unfair or deceptive practice which includes permitting the publication of any advertisement whether in any newspaper or otherwise, for the sale or supply at a bargain price, of goods or services that are intended to be offered for sale or supply at the bargain price, or for a period that is, for sale or supply at the bargain price, or for a period that is, and in quantities that are, reasonable, having regard to the nature of the market in which the business is carried on, the nature and size of business, and the nature of the advertisement.

In order to make the existing provisions related to advertisement more effective, the proposed amendments have defined the term "Advertisement" which means any audio or visual publicity, representation or pronouncement made by means of any light, sound, smoke, gas, print, electronic media, internet or website and includes through any notice, circular, label, wrapper, invoice or other documents.

## **CONCLUSION**

The new bill seeks to replace the 29-year-old law and proposes to set up a Consumer Protection Authority which will also have the power to initiate class suit against defaulting companies. The new bill came against the backdrop of emergence of complex products and services in the era of growing e-commerce business in India that has rendered consumers vulnerable to new forms of unfair trade and unethical business practices. India is likely to emerge as the world's largest middle class consumer market with an aggregated consumer spend of nearly US\$ 13 trillion by 2030, as per a report by Deloitte titled 'India matters: Winning in growth markets'. The proposed amendments address various issues which remained unaddressed under the current consumer protection regime. Upon implementation of these amendments to the existing laws, the consumer laws of the country will not only get stronger but also will help India to outshine in the global strata with a stronger consumer driver- economy.

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