

# EMPIRICAL ANALYSIS OF LEGAL AND REGULATORY FRAMEWORK FOR E-COMMERCE

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## ABSTRACT

*Electronic commerce related to online transactions. Electronic commerce offers consumers a set of benefits such as low cost, wide variety of options, time savings and product availability. The general category of electronic commerce can be divided into two parts: electronic: electronic finance. Electronic commerce involves conducting business using modern means of communication such as telephone, fax, electronic payment, remittance sending systems, electronic data exchange and the Internet. This is a review of several studies conducted in electronic commerce. This document analyzes the various opportunities of electronic commerce. This report provides an overview of the general e-commerce industry in India from 2007 to 2011. This white paper highlights the main challenges and opportunities that the Indian e-commerce industry will face in the coming years.*

**Keywords:** *E-merchandise, E-finance, E-payment, Money transfer systems, E-data interchange.*

## INTRODUCTION

Electronic commerce, commonly known as electronic commerce, is the purchase and sale of products or services through electronic systems such as the Internet and other computer networks. Provide paid content online through the online order and the transfer between bank accounts. This document analyzes the many challenges and opportunities of electronic commerce. This paper analyzed some challenges and opportunities in electronic commerce. Elizabeth Goldsmith and others (2000) reported that the general category of electronic commerce can be divided into two parts.

### **E-commerce:**

Move goods through sales channels and distribution of electronic products and services. For example, grocery stores, tickets, music, clothing, hardware, travel, books, flowers or gifts.

### **Electronic finance:**

Banking, debit cards, smart cards, banking machines, telephone and Internet banking, insurance, financial services and online mortgages.

The Organization for Economic Cooperation and Development (OECD) has significantly reduced the number of e-commerce companies with barriers of being a reform of regulation and innovation of the last three years combined in the article on the economic impact and social impact. Electronic commerce The growth of e-commerce electronic commerce (or electronic commerce) includes all companies that operate through a computer network. The latest advances in communications and information technology, computer networks have become a key element of the economic infrastructure. E-commerce offers customers a range of benefits in the form of reduced availability and different options and save time in the form of product availability. People can buy items by clicking on the mouse button, without leaving their home or office. Banking, ticket sales (including airlines, buses and trains), and online services such as bill payment and the book also brought huge benefits to our customers(1).

Online travel industry grew prudent Rs.25258 crore of Rs.6250 crore in 2007, based on the convenience of online payments until December 2010. Currently, the national air transport represents 63% of the industry Travel online and represents 28% of online train tickets. Electronics, appliances, clothing and jewelry, and other accessories and retail electronics (retail electronics) for the purchase of consumer products, including personal care products, such as 32 percent, at which the current value of Rs2050 crore next step Rs.2700 crore Rs The year is expected to grow(3).

### **OPPORTUNITIES FOR E-COMMERCE:**

The main reasons for the increase in e-commerce in India are:

1. E-commerce is one of the most interesting spaces for the global online community of today, and the young emerging economies of India are on board. In three months of 2011, Indian venture capitalists have already invested more than \$ 50 million in seven e-commerce companies, an increase of 400% over last year, which will reflect the potential of the e-commerce industry in India(4).

2. E-commerce in India is a long and long journey, and the e-commerce infrastructure and best practices are at an early stage. India's Internet penetration is much lower than 30-40% of China and Brazil, compared to India's 7 ~ 9%. India's 100 million Internet users still represent the third largest online population, but India's e-commerce market is approximately 3 in the US market, compared to \$ 6.7 billion. UU has great opportunities for this great challenge and the maturity of the e-commerce ecosystem in India is the same. According to a recent report by the United Mobile Association of India, the e-commerce market in India has grown at an average annual rate of 70% and has grown more than 500% in the last three years(5). The previous analysis of Kearney's analysis reflects the Indian e-commerce market with great investment opportunities. The analysis shows that supply chain infrastructures for Internet penetration and e-commerce in the

infrastructure quadrant are lower than global standards, but e-commerce revenues in India are still higher than countries with better electronic commerce indexes.

3. The rise of the middle class with disposable income: throughout the short history of India, it has become a land of rich and poor. But with the rise of powerful multinational companies in India that create SMEs, foreign direct investment and millions of new jobs, a new generation of Indian consumers has emerged worldwide. These consumers are scattered throughout the country. From 2024 to 2025, the potential of consumer electronic commerce in India is expected to be approximately 594.8 million, or 297.4 million(6).

Though the Indian Market has a long way to go for ecommerce and unranked in top 10 by the consulting firm, we feel it still offers an early mover advantage and the growth of the market seems inevitable due to following reasons(5):

- With 8-10% of Internet penetration it offers a huge market for growth potential as around 120Mn of the population is accessing internet
- Number of online shoppers in India is on a sharp rise as the market is building; new customers are getting acquired every day
- Rate of Internet penetration is 10.2% according to Internet world stats
- Mobile & Smartphone penetration rates are high where users are switching to Smart phones for internet and there is a rise in mobile shopping
- Logistics Services in India are aggressively coping up with the current demand of ecom players with new specialized players coming to the scene
- Rise of disposable income and middle class is adding consumers' willingness to spend
- Low penetration of Organized retail and lack of availability of products is facilitating ecommerce transaction in Tier 2/Tier 3 cities which are witnessing sharp increase in demand

### **CHALLENGES FOR E COMMERCE:**

Internet-based e-commerce has enormous advantages, and there are many threats because it is widely known as people without faces and without borders. Some examples of ethical problems that arise as a result of electronic commerce. All the following examples are exclusive of ethical issues and electronic commerce. According to a study published by the Internet and Mobile Association of India (IAMAI) and Inter link Advisors, close to 150 million or 75 million households in India are preparing for electronic commerce in India today. However, there are currently less than 10 million e-commerce transactions. The study has adopted income, education

and work standards to reach the number of homes enabled for electronic commerce at present. The main reasons for this discrepancy between potential e-commerce customers and real e-commerce customers are the lack of trust, compliance issues and the shopping experience(7).

Cash withdrawal (COD) has been promoted as an innovation to address issues of low credit card penetration and online payment security. COD represents an important part of today's sales, which in most cases contribute up to 60% to 11% (in the case of Perperfy). The exchange can not be maintained because it increases transaction costs by 30-60 rupees per transaction. Given the low profitability and the small size of the ticket in the e-commerce sites, the gross margin will be settled in cash. Consumers often change their minds until they arrive, so high returns are a problem. The return is as high as 40-45% of the entire COD shipment(8). COD also raises the issue of the scalability of long-term e-commerce sites, since logistics companies are more difficult to scale to the required level. High cash incentives In recent meetings, venture capitalists have mentioned that a horizontal player needs \$ 300 to \$ 400 million in funds, while a niche vertical e-commerce company requires \$ 50 million per hour. Leaders in e-commerce (those who raise money and have a great team and actively pursue growth) spend between \$ 1 million and \$ 2 million (Rs.5 to 1 billion) per month on marketing, general expenses and payroll. At this rate, smaller companies with insufficient capital can not cope. Most large e-commerce joint ventures in the supply chain / inventory complain about the absence of surplus inventories and Indian settlement markets. Poor supply chains synthesize inventory problems due to the unpredictability of supplies(9). The cost of inventory is very high and successful venture companies must solve their supply chain problems to successfully execute a scale enterprise. Another problem lies in the unpredictability of delivery to customers with higher returns.

**Ethical issues:** Jackie Gilbert Bette Ann Stead (2001) reported on ethical issues related to electronic commerce. Privacy has been a major concern for current and future e-commerce customers. The following dimensions are more prominent with respect to web interaction and electronic commerce(10).

(1) Privacy consists of not being interfered with, having the power to exclude; individual privacy is a moral right.

(2) Privacy is "a desirable condition with respect to possession of information by other persons about him/herself on the observation/perceiving of him/herself by other persons" Security concerns.

In addition to privacy concerns, other ethical issues are involved with electronic commerce. The Internet offers unprecedented ease of access to a vast array of goods and services. The rapidly expanding arena of "click and mortar" and the largely unregulated cyberspace medium have however prompted concerns about both privacy and data security.

**Legal and regulatory framework for e-commerce**

Besides developing the e-infrastructure in the country through effective Telecom Policy measures, the Indian government is taking appropriate steps as confidence building measures for the growth of e-commerce. It has created the necessary legal and administrative framework through the enactment of the Information Technology IT Act which combines e-commerce transactions and computer misuse and frauds rolled into an Omnibus Act. While on the one hand it seeks to create the Public Key Infrastructure (PKI)(11) for electronic authentication through digital signatures, on the other hand, it seeks to build confidence among the public that the frauds in the cyber space will not go unpunished. The Controller of Certifying Authorities (CCA) has been put in place for effective implementation of the IT Act. The Act also enables e-governance applications for electronic delivery of services to citizens.

The CCA acts as a regulator for the growth of e-commerce and e-governance. It is responsible for the establishment of PKI the country through licensing of certifying authorities (CAs). For this purpose, it has notified standards which are based on international standards as adopted by the International Telecom Union, the Internet Engineering Task Force (IETF), Institute of Electrical and Electronics Engineers, Inc. (IEEE) and the Federal Information Processing Standards (FIPS) of the Government of the United States. These standards range from specifying the high security modules for storing private keys of the CAs to the public key certificates, the certificate revocation lists and the directory services. Notable feature of the implementation in India is the creation of a panel of independent auditors who would be responsible for auditing the technical and physical infrastructure of the CAs to ensure conformance with the standards as also to ensure that the CAs comply with their certification practice statement(12).

There will be greater emphasis to ensure that the identity of individuals and businesses is verified as per established procedures to create the required level of trust in electronic environment. The CCA has established the National Root infrastructure which would be used for digitally signing the certificates of all the certifying authorities. Beginning February 2002, four Certifying Authority license have been issued to operate under the Root. It is also setting up the National Repository to store all the certificates issued by all the CAs in the country as required under the Information Technology Act. 6. Actions to be taken at national level The CII and NASSCOM reports and many other businesses have observed that there are some difficulties associated with the formation of online contracts in the present formulation of the IT Act. It's argued that legal enforceability of electronic contracts is open to challenge and legal jurisdiction of contracts involving international parties is not defined. The Act is also silent on issues regarding taxation of electronic transactions(13).

Customs duty for cross border taxation, sales tax, etc. (indirect taxation) for goods and services delivered electronically are not clearly spelled out. The jurisdiction of e-commerce transactions is

also not clarified. They have also pointed out that there is no provision for dual-key pairs for individuals and businesses which can create some difficulties for confidentiality of e-transactions. Other difficulties associated with the IT Act relate to the cybercrimes which are not fully covered are an area of concern for the growth of e-commerce. In this context it is also argued that Law Enforcement Agencies are not fully equipped and trained to deal in cybercrimes(14). Safeguards to protect privacy of personal and business data collected over the Internet are not covered under the Act. Also the Act is silent on the issue of protection of intellectual rights (patents, trademarks, copyrights) including domain names. Finally, payment gateways have to evolve to a level that inter-bank settlement should be enabled through Real Time Gross Settlement (RTGS). These are some of the barriers that have been identified and have to be overcome, in addition to achieving higher Internet and PC penetration, for the growth of e-commerce. The e-governance projects initiated by governments at various levels are built around the following concepts: government wide information infrastructure, reengineering of government processes, service delivery to citizens on commercial basis and best practices. The web sites designed for information dissemination are in the process of moving from the publish mode to the interact mode and then to the transact mode(7).

Establishment of Public Key Infrastructure for issuance of certificates to citizens and government agencies, creating electronic payment gateways for accepting service charges, involving banks and credit card agencies, and establishing service delivery points are some of the important elements of e-governance. Finally, there is realization and consequent emphasis that the digital divide in the country should be minimized; it must not be worse than the existing gaps in other amenities such as the electric power or supply of drinking water between the rich and poor, between the urban and rural people. Effective policy framework has been outlined by the Indian government to bridge this gap. It has launched community information centers that provide broadband Internet access to population in the underdeveloped and underprivileged areas such as in the northeast and hill-area states(15).

There is a need to generate much greater awareness about e-commerce and its benefits. Inappropriate communication strategy needs to be formulated to spread e-commerce awareness among enterprises by underscoring the benefits and dispel any misconceptions. The apex industry bodies like the CII should coordinate with themselves and the Government to educate people in decision-making positions in Indian organizations. IT education would be a major driving force towards the development, adoption and growth of e-commerce in India. To keep pace with the changing software and hardware scenario it is necessary to emphasize on the current IT trends and develop quality programmers to impart training and education in contemporary topics. Newer, better and more effective methods of imparting education are evolving which will supplement traditional methods of teaching using books, classroom lectures and written exams on pen and paper(16).

Using modern technologies like multimedia, online training and testing etc., the emphasis is shifting to computer-based training which uses text, audio, visuals and animation in interactive as well as self paced mode. IT education could be encouraged by facilitating the setting up of institutes for imparting such education, by the way of tax incentives, etc. The government could partner with business houses to establish centers for IT training and education in a big way. Currently, 40 per cent of India's population is illiterate and only 20 per cent understand English. Since most of the content in Internet is in English or other foreign languages, a large portion of the content and applications is not accessible to a significant majority of the Indian population. Creative solutions need to be thought of for overcoming this challenge. While, on one hand local language content and applications need to be developed, on the other hand, voice applications on Internet accessible through a normal touch tone telephone need to be developed. The society as a whole needs to guard itself against the emergence of a digital divide, where the section of the population with access to Internet gains significant advantage over the others(17).

Regional cooperation Information Technology Changes the global economy, making it a wired economy by changing the priority of protection factors such as labor and capital, and information technology adaptation and deployment. This calls for an information order for the Government and industry, increasing consumer awareness by means of better education, calls for continuous lifelong education for better employability, just building a cooperative community relationship within and outside a nation to share the global market by means of free flow of talents, capital and goods and services within and across nations. Taxation of e-commerce transactions is a very controversial issue, as transactions at different levels may depend on resources situated in various countries. Similarly, any disputes related to transaction may span multiple countries. It also calls for a better legal system and institutional reforms and information education foreknowledge and information – based society, better asset evaluation system, stringent privacy protection laws and good regulatory legal framework for trade and finance to be conducted across the network(2).

Thus anytime, anywhere access, trade and do business and get information, calls for strengthening information infrastructure enabling anyone to access high-speed communication services anywhere, at any time. To make e-commerce successful on regional level, we require mutual trust worthy environment. All the countries are having independent and separate Legal Framework in place. To enable mutual recognition of various countries Legal Framework, an International Legal Framework is necessary. Electronic commerce security planning and management calls for identification of the users, better risk assessment and evaluation, application specific security identification, better and appropriate network security policies, information resources protection, better security management policies, retransformation and deskilling human resources in terms of identifying roles and responsibilities and improving physical and environmental security(7). The trans-border data flow also cause serious concerns about authorization control, better audit trails, the country's legal laws and secure technology restrictions for developing nations, calls for

supporting e-laws, better consumer education, better network management, cooperative regional and multilateral agreements between nations. The delivery mechanisms and transportation should be tuned with appropriate modernization of clearing services of goods and products within and across the nations(6).

## **CONCLUSIONS**

With the advancement of computer technology, the World Wide Web has become the means of connection in the world of networks. Computers in geographically dispersed locations can communicate with each other over the Internet. Like new technologies, there are positive and negative factors associated with use and adoption. Finally, the electronic market can act as an information agent to inform buyers and sellers about their products and market participants. E-commerce creates new opportunities for your business. Create new opportunities for education and academia. There seems to be tremendous potential to provide e-commerce education.

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