IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429
Volume 12, Issue 1, December 2020
Impact Factor: 4.819

E-Commerce- Rules and Legal Framework in India

Mr. Pranav Purushottam Lakhe and Mr. Anant Bhushan Sidana
Assistant Professor, Department of Commerce
Kamla Nehru Mahavidyalaya, Nagpur

Abstract: *Internet plays an important role in our daily life. We use internet daily almost for every single work. Before e-commerce buying and selling were done without internet physically in the markets but after the arrival of e-commerce in India our life has become more convenient because of its number of advantages. Online shopping is a part of e-commerce which is done mostly by the users due to e-commerce websites in India which allows us to buy and sell the products according to our choice at affordable price. E-commerce website has a lot of impacts on different markets and retailers. In this paper we will discuss about the different markets and retailers and impacts of e-commerce on them*

Keywords: *Internet*

I. INTRODUCTION

Internet has emerged as the component of quick and rapid purchase revolution making inroads in the busy life of the consumers. Be it for communication or explorations, connecting with people or for any official reasons. Internet has become the central hub for all. Resultantly, internet growth has led to a host of new developments, such as consumers turning more and more to the internet for buying goods at an afford able pricing. Internet has truly been a catalyst in changing the basic fundamentals of doing business over the web.

E-commerce has its roots from foreign jurisdictions. The concept has evolved in developed nations like United States. These jurisdictions have appropriate laws and adequate infrastructure to cater the needs of online stakeholders. This has helped these stakeholders in not only complying with the laws of these countries but also in contributing towards the GDP of these nations.

E-commerce in India is a totally different class. It has all the advantages of profit making and commercial viability but is neither regulated by any dedicated e-commerce law, although we have IT Act. 2000, which happens to be the first Cyber Law in India.

E-commerce is buying and selling of goods and services over the internet. Before e-commerce buying and selling were done without internet physically in the markets but after the arrival of e-commerce in India our life has become more convenient because of its number of advantages. The advantages offered by e-commerce are online shopping of anything at any time and at any place, customers can find the products on e-commerce websites which is no available in physical markets, it reduces cost and time, without stepping out from home we can get our product at home. Along with e-commerce there is also a popular term called e-business due to which the business of enterprises has increased electronically with the help of internet by which they can reach to many customers which increases their sales. There is no specific definition of the terms E- commerce and E-business, they are used interchangeably. In fact, E-commerce is a part of E-business which focuses on external activities while E-business focuses on both internal and external activities of a business. E-commerce has a lot of good and bad impacts on different areas. The key of having a successful e-commerce is to reduce the negative impacts and increase the benefits at the same time.

The IT Act is the principal legislation governing and regulating the use of the internet in India. The IT Act governs online conduct and related aspects of e-commerce and recognizes electronically concluded contracts, cybercrimes, internet surveillance and intermediary liability.

Indian government has recently published an FDI Policy 2018 that has changed the way market place based e-retailing would conduct their businesses in India. It has brought some very significant and far reaching techno legal consequences that are not easy to understand and comprehend at this stage opines Praveen Dall.

Simply said, Amazon, *Walmart,*etc. cannot sell products or services supplied by affiliated companies on their websites and they cannot offer their customers special discounts or exclusive products. FDI in inventory-based model is not allowed now and businesses to customer (B2C) dealings have also been prohibited in India. Anti-competition norms have also been introduced for e-retailing companies operating in India.

Now they cannot complain as they themselves have brought this situation upon themselves. If they do not care about privacy and security of their customers, why the customers should care about them?

India's e-commerce rules regressive, not good for global business: *Walmart* to US government

The new rules barred companies from selling products via firms in which they have an equity interest and also from making deals with sellers to sell exclusively on their platforms.

II. IMPACT OF E-COMMERCE ON RETAIL INDUSTRY

Ecommerce, which simply means buying and selling online, has reached almost every nook and corner of the world. This has been mainly attributed to the advent in information technology and electronics. Smart phones with easy access to internet and affordable data plans have ensured that internet is accessible to everyone, irrespective of class. The increase in literacy rate has also played a part in increasing consumer awareness about online stores. Such an increase in the number of online shoppers has definitely rattled the traditional retail industry which mainly relies on physical presence where shoppers visit their premises to purchase the products being sold.

Impact of E-commerce on Markets and Retailers:

a) Impact on Markets:

1. Through Ecommerce product can be promote in an interesting way and with lots of information directly to the customers which reduces the cost of offline promotion.

2. Customer service can be enhanced because customers can search detailed information about product or marketplace which offers the product and can compare the prices of different market places.

3. New business men can establish their brands on internet by using attractive images at an affordable price.

4. Traditionally the advertisements were one- way to attract customers and let them know about the new product or market place but now through e-commerce advertisements are two-way in which customer can browse the market place and product, can compare the prices and also can ask questions to the online retailers.

5. Customized products can be made available according to the needs of customers. It will make a good place of business in market and new customers will be attracted.

6. Traditionally to take orders from customers, intermediaries are used which takes a lot of time and expenses but with e-commerce the order taking is so easy which reduces a lot of time and expenses and they can make more sales.

7. Traditionally attaining a big value from the customers was the main interest. Only customers were attracted and it was the biggest target but now sellers make long term relationships with customers to attain long term value by offering them special discounts.

b) Impact on Retailers:

While majority of the individuals feel that e-Commerce has affected the retail industry in an adverse manner, it may not be true completely.

While small time retailers have been definitely affected it has helped major brands increase their retail business. The ones which have been affected are those who have been relying only on the traditional business method. The expectations of the buyers have increased with the boom in e-Commerce industry and they expect much more than just buying products. The ones which have been able to provide these have thrived well while the rest seem to have been negatively affected.

On the other hand, the buyers' mentality of having to touch and see the product physically has ensured continued business for many businesses including clothes, jewels, vegetables, electronic gadgets, etc. Majority of the buyers still feel the need to verify the products physically before buying them. It has been said that although more than 200 million people use the internet in India, only about 32 million buy online. Another aspect that is helping the offline sellers sustain is lack of reach of internet. Many still feel the need to physically visit the stores as it is an overall experience (like a break from the daily routine) which cannot be provided by online stores.

The cons of online buying including breakage during transit, delivery of faulty/incorrect products, difficulty in post-sales service, delayed delivery, poor accessibility in remote areas, and mainly the lack of personal attention, are the factors which help retail stores thrive in India. Many major brands which only had online stores (such as lenskart) have opened up brick-and-mortar stores to address such issues. High value products are still preferred to be purchased offline. Additionally, advertising online can often be much cheaper than offline advertising. Many companies are making videos with an emotional/social message which become viral overnight and subtly push their brand image.

Relying only the concept 'physical touch' driven sales may not be a good plan in the long run. Taking simple measures (such as having a credible website or even a Face book page) to have their presence felt online may also have a significant positive impact on their offline sales. Numerous small time and local retailers now offer discounts as well as home delivery option to stay in the game:

1. Due to e-commerce the turnover of offline retailers has reduced which is a warning signal for the enterprise.

2. On the arrival of online shops in the market offline retailers are suffering from pricing. To survive in market, they have to sell product in law prices which covers only their operational costs and they do not get any profit margin.

3. Offline retailers sell their products at discounted rates because online stores offer heavy discount to the customers and to stay in the market and to attract the customers, they have to sell the products at discounts.

4. Variety of goods is offered by online stores to which offline retailers cannot compete because at the end of year the left-over stock can give a huge loss to the retailer.

5. Offline retailers are providing different services at which online stores fails. Repair and goods of services, home delivery and after sales services also like online shops.

6. Low prices offered by online stores leads to window shopping by customers at physical stores and they buy product online. Due to which they have prospective customer's more than actual customers.

7. Offline retailers focus only on the advertisements so that they can attract customers and increase their sales. They do not leave a single chance to advertise.

III. Current Scenario in India:

In the initial years, online shopping was fairly simple with placing orders and pay on delivery model, besides there were very few options to choose from, as well. There has been a gradual but drastic change in the way the online shopping works in India today.

Online shopping has seen greatly adopted by the Indian consumers because of attractive websites, user-friendly interfaces, multiple online stores – with countless options and trending fashion, easy and very secure online payment methods and of course, the liberty of choosing the size, color and even the best price for a favorite item.

Moreover, the chance to get discounts round the year, coupons, getting referral and reward points, 30 days return guarantee, less than a day or week delivery timelines have played a key role in the success of e-commerce in India.

The frenzy of online buying has severely hit the off line retailers. Buyers quite obviously prefer shopping online for lower prices and dependable delivery options. Consumers in India have become smart shoppers, preferring to do exhaustive research before they find the best prices and deals for the things they want to buy.

Naturally, offline retailers have started making some noise about the low prices offered online; the e-commerce laws in India are yet to be defined and offline retailers have approached the government to intervene in their price war with the online merchants.

Online companies have been promoting products with predatory pricing, and the fact that online merchants do not have to pay VAT is increasing the discontent amongst the offline retailers.

IJARSCT
International Journal of Advanced Research in Science, Communication and Technology
International Open-Access, Double-Blind, Peer-Reviewed, Refereed, Multidisciplinary Online Journal
ISSN: 2581-9429 Volume 12, Issue 1, December 2020 Impact Factor: 4.819

Even luxury brands and premium brands have started to feel the heat of their brands being sold at cheaper rates online, affecting their brand value. Some brands such as Lenovo, Nikon, Toshiba and Canon have sent a cautionary note to buyers that their products purchased online may not cover warranty; these are some of the harsh steps taken by offline retailers against the online sales of their products.

The inherent attitude of 'touching and feeling' the products before buying for the Indian consumers who still haven't come to terms with online shopping, this notion seems to be capitalized by industry giants and the increasing number of foreign investments made in the retail industry.

E-commerce retailers, along their growth path, have capitalized significantly on the relatively fragmented nature of India's physical retail institutions, by offering a wider portfolio of products, a simple purchasing experience and a significantly higher level of comfort and convenience, vis-à-vis the traditional stores may not always have the required items in stock or there may be a waiting period for the consumer to acquire products from the offline store.

There are similarities to the brick and mortar which are equally annoying – case in point, the sales associate who follows you around in a store is much like the 'retargeting' that happens online, where the ads follow you after you've visited a dealer site. With warehousing or other constraints, physical retailers may not be able to display a vast array of products, while online e-commerce have the liberty to display it all – including those that are not even 'in stock'. That's a definite added advantage for e-commerce retail model in India. Amazon India is capitalizing on the "Aur Dikhao" Indian mentality today.

The Indian skeptical mind-set still yearns for that 'physical touch' of products like those for the baby or expensive items like Jewellery or watches. Keeping this in mind exactly, merchants like Caratlane.com and firstcry.com have set up physical shops for customers to try out their items. "We found that since some jewellery items are priced Rs. 15,000 onwards, a customer typically wants to try it out before buying it," says Kalaivani Sadagopan, Senior Vice President, CaratLane.com.

One of biggest pain-points (other than the whopping 20% real estate cost) for the offline retailers, is the pricing of the products offered online. To win over more customers, online merchants make such discount offers that the Indian consumer just cannot refuse. The pricing could be via direct discounts or offers at checkout. Either ways, when the prices online seem much lower than the physical retailers; consumers tend to touch and feel the items first at a retail store on location and then buy them online – this phenomenon is actually termed as 'show rooming' which offline retailers have now started to take note of and are obviously unhappy with.

Offline retailers have spent years building their brands and creating a brand loyalty. With products and price points slowly moving towards a level of approximate parity, e-commerce retailers are turning increasingly towards consumer experience differentiators – such as shorter delivery timelines, reduced (or altogether eliminated) delivery prices, doorstep delivery, at home jewellery-clothes-spectacle frame trails (before purchase), a broader variety of payment methods and so much more.

IV. Innovations in E-commerce:

a) Technology Enablers: One of the biggest enablers is the mobile, of which, the Smartphone usage is growing steadily and currently holding a 35% market share. Mobile apps are becoming an increasingly convenient channel for consumers, even for individuals from rural areas. Flipkart reports 50% revenue doling in from their mobile app and Quirk reported 70% revenue.

b) Marketing: Digital Advertising is rising with a 30% full force that reached $538.09 million in 2015. Advertisements made for digital advertising are versatile and can be featured to any form of digital media such as TV, Mobile or laptop and are able to reach out to a wider audience.

c) New Strategies: With a plethora of start-ups vying for consumers attention, there is bound to be competition; to eliminate such competition, the trend of mergers and acquisition is on the rise. Just this past year, Flipkart merged with Myntra at nearly $300 million, thus reducing competition. Another big merger in 2014 was Ola cabs buying off their arch rival Taxiforsure for $200 million.

d) Retailers Go Online: Many big players are boosting their overall revenues by their digital e-commerce sales to their preexisting traditional retail systems. There is a reason why Snapdeal and Croma are now partners or Amazon and Big Bazaar are not just retailers.

V. The Need for Regulation of E-Commerce in India:

The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034 [1]. The industry is all set to record the third highest growth rate in the Asia-Pacific region this year and has more than tripled since 2015, however, it still has a long way to go. With the revolution in e-commerce and the fact that this is only the beginning of the technology sector in India bracing itself for a new era of e-commerce warfare, there is no doubt that India is in need of a regulatory framework that would bridge the various arms of the government. With the ever-increasing pace at which e-commerce is growing in the country, a dire need can be felt for a proper framework.

In order to reduce their risk, foreign investors diversify their portfolio by investing in competing firms to maximize returns, thus leading to consolidating tendencies. Their de facto control over the management of the company could weaken the competitiveness of the company against other target companies under their control.

Given how contemporary the issue at hand is, there has been no legislative or executive intervention, or any policy measures taken for the same. However, due to its dynamism, it has been dealt with in recent case laws by the courts in India.

VI. E-Commerce Policy- 2018 in India:

A framework is definitely needed for standardization as well as to ensure necessities concerning digital transactions in India including fair price in the country's digital marketplace are met with.

The draft E-Commerce Policy, 2018 seems to be a positive development in the sector which is a result of suggestions that have been received from industrial players and various industrial bodies. This is an indicator that the government is interested in consulting with other players in the sector to ensure that there is a policy that contemporarily meets the needs of the market and is dynamic enough to adapt to the vibrant economy of India. That being said, this draft policy has its own set of boons and banes.

The draft policy states that deep discounting has affected offline sales in a negative manner and that unregulated discounts must be brought to an end. This move can lead to complete restriction on e-retailers from giving deep discounts. Business decisions should not be micromanaged this way.

E-commerce is still new, regardless of its growth. The imposition of any restrictions at this stage would be restrictive and inhibit the sector from reaching its possible potential. To facilitate the same and ensure efficiency, regulatory mechanisms are needed.

Having differential voting rights for foreign investors and recognizing the concept of common ownership, which has historically showcased the tendency to obtain collusive profits, could be a step forward to ensure such regulation along with the inclusion of a non-compete clause in investor agreements.

Overall, although e-Commerce industry has the retail industry during the initial stages, it has helped increase revenue by manifold to several major players who have been smart enough to 'make hay while the sun shines. Pushing promotions online and offering equivalent discounts offline has proven to be successful strategy for the retail industry in wake of e-Commerce boom. Retail industry which can adapt according to the changing trends and understand the consumer mentality will become a successful venture, while the others who fail to swim with the tide may be at risk of losing significant amount of business.

This paper concludes that e-commerce is very good for us who provides us wide variety of products and services with lots of information and attractive pictures at an affordable price at our doorstep. It provides convenience to customers and allows the enterprise to expand their business over internet. E-commerce have good impact on markets like reduce the cost of advertisements as many customers can attract through internet, new brand can be developed, can maintain a good relationship with customers and can make customized products according to customer's needs. But e-commerce has bad impact on offline retailers because customers buys on low price from online shops due to which they also have

ISSN 2581-9429 IJARSCT

to lower their price and does not get any profit, retailers cannot maintain a large stock like online shops have stores because it will cost a huge loss to them. They have to spend more money in offline advertisements to attract customers. Along with the impacts e-commerce also offers some limitation in terms of markets and retailers that is website cost, to create and maintain a website a lot of money is required; infrastructure cost, to fulfill the orders online retailers have to maintain a large stock in a big warehouse which costs a lot; security and fraud, due to popularity of online shops criminal elements are also attracted to them who can hack the personal information and can misuse them; customer trust, it is difficult for customers to trust a new brand without looking, touching and face-to face interaction.

Significance

The e-commerce boom has led the way for job opportunities in the marketing and the e-commerce industry, in general. The working class already established in the IT and other consumer goods sectors are expected to get 35-50% pay raise this year. The e-commerce industry in India is expected to contribute to, at least, 4% of the total GDP of India by 2020; such growth will have a positive impact on other related industries such as logistics, whose revenue is expected to churn nearly $2.5 billion by 2020.

With the digital age, there is definite a paradigm shift leaning more towards e-commerce. However, for e-commerce to be successful throughout the country, key challenges like low internet network in rural areas, or even low connectivity in urban areas causing high drops in payment processes can impede the expected e-commerce growth. However, brands that decide to be strictly offline are likely to lose the patronage of the tech-savvy Millennial. It is estimated that millennial have the total purchasing power accounting to $170 billion every year, worldwide. The brick and mortar retailers must comply and adjust themselves to new strategies like going online, or merging with established online businesses, if they want to partake in the profits that the online e-commerce brings to their existing portfolio.

REFERENCES

[1]. A. Gunasekaran, et al.,(2002) "E-commerce and its Impact on Operations Management," International Journal of Production Economics, Vol.75, Issue.1

[2]. Shahrzad Shahriari, Mohammadreza Shahriari, and Saeid Gheiji (2015), "E-Commerce and It Impacts on Global Trend and Market," International Journal of Research, Vol. 3, Issue.

[3]. Abha Chauhan, "Evolution and Development of Cyber Law(2016) - A Study with Special Reference to India," available at: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2195557

[4]. Jayanth Pattanshetti Associates, "Ecommerce Laws In India: Foreign Investment And Retail Trade" (2016) 2-3 available at: Https://Pattanshettiassociates.Wordpress.Com/2015/01/02/Ecommercelawsinindiaforeigninvestmentandretailtrade/

[5]. M.M.K. Sardana (2016); "Evolution of E-Commerce in India: Challenges Ahead (Part 2)" 3 available at: http://www.isid.org.in/pdf/DN1408.pdf

[6]. Rajendra Madhukar Sarode, (2019) "Future of E-Commerce in India Challenges & Opportunities" 1(12) IJAR 646.

[7]. Sumanjeet (2016) "E-Commerce Laws in the Indian Perspective" available at: http://www.smsvaranasi.com/insight/e-commerce_laws_in_the_indian_perspective.pdf.

[8]. Cucuzza, T.G. and J.Cherian, (2001), "The internet and e-business: Trends and Implications for the Finance Function, Journal of Cost Management

[9]. www.amazon.in

[10]. www.eBay.in