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CONSUMER PROTECTION AND E-COMMERCE: A CRITICAL STUDY

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ABSTRACT

This study explores the problems faced by consumers and the impact of the rapidly growing e-commerce industry. Consumer protection, which aims to protect the weaker party to the transaction, has failed to establish adequate frameworks for effective implementation. As a result, the rights of the consumers are at risk. A significant portion of this violation can be the result of e-commerce and its rapid growth. With its growing prominence, e-commerce has introduced various risks, particularly, threats to consumer security and life. This study will aim to address the issue of restricting consumer information and equipping consumers with the required tools for protecting themselves from the exploitative nature of market forces including the role of redressal institutions and their ability to derive remedies. The present study employs a dual approach, combining doctrinal research, which involves the analysis of various articles, with primary data collection through questionnaires to gather consumer opinions. Through this study, we recognize the significance of the intervention of government authorities in the daily purchasing activities of consumers and its power to regulate e-commerce to protect consumers and ensure fair trade at the online level. In conclusion, this study highlights the challenges posed by e-commerce which threatens consumer rights, and emphasizes the need for strong and effective solutions to address these concerns and ensure a safe digital environment for consumers.

KEYWORDS - Consumer, consumer exploitation, consumer rights, redressal institutions, e-commerce, consumer security, consumer information, India.

INTRODUCTION

A *consumer* is an individual who purchases any products or avails any services for consideration, that has been either paid or promised to pay, or partly paid or promised, or based on any scheme of deferred payment, as stated by *the Consumer Protection Act (CPA) (2019)*.¹

An individual who consumes or utilizes goods and services for their satisfaction is generally termed a consumer. These goods can be divided into consumables such as fruits, milk, sugar, etc., and durable items such as mixers, televisions, etc. Services can be in the form of transportation, electricity cooking gas, etc. Consumers, as the backbone of the economy, perform vital functions in the development of the country, as they constitute a substantial portion of a country's GDP (Gross Domestic Product).² It's their demand for goods that drives the economy to produce more and become more efficient.

The rise in demand for goods by consumers stimulates an increase in goods production in markets. Businesses, to attract consumers, improve their product quality through innovations and more efficient production processes. There has been a transition from 'consumer was asked to beware' (Caveat Emptor) to 'let the seller beware' (Caveat Venditor). This has led to the rise of competition within the market. With the primary motive of making profits, companies or businesses may resort to unfair trade practices or provide low-quality products without taking into consideration consumers' interests.³ Consequently, the rights of consumers have been violated. Hence, the Consumer Protection Bill 2019 has been introduced to make consumers aware of their rights, and responsibilities, redress consumer grievances, and provide adequate compensation for damages caused. From the last decade, it can be seen that the majority of the population has leaned towards purchasing commodities from online stores located nationally and internationally as it offer a wider variety of choices to select from within their comfort zone. As it is a positive development, it has also given rise to various concerns regarding the quality of the product as there is no direct interaction between the buyers and sellers which may often result in fraud and scams thereby leading to potential risks to consumers. Hence consumer protection is an important element through which consumers can make efficient decisions and protect themselves from deceptive practices.

¹ Sec. 2(7), Consumer Protection Act 2019, (India).

² National Institute of Open Schooling, Sr. Sec. Course in English, 319EL24, at [page number] (2021), available at <https://nios.ac.in/media/documents/srsec319new/319EL24.pdf>.

³ Unstop, What is a Consumer: Definition, Types & Rights, Unstop, <https://unstop.com/blog/what-is-a-consumer>.

CONSUMER PROTECTION: THE HISTORY

The Civil War in the USA led to huge changes in the production, distribution, and marketing of goods. However, the inefficient, poor production process and labor conditions ultimately led to the first consumer rights movement. The consumer movement took place in three phases i.e. in the early 1900s, in mid-1930, and in the mid-1960s. During the nearly 1930, the absence of laws relating to the protection of the public from dangerous chemicals and adulterated goods raised concerns among consumer activists.⁴ The meat packing industry used to supply poorly packaged contaminated meat to the public. To solve this, the Food and Drugs Act (1906) was introduced to make such unethical activities illegal.

Later after the First World War, amid the 'Great Depression' and 'Housewives Strike', advertising became an important mode of communication between the manufacturers and buyers. The book authored by Stuart Chase and F. J. Schlink (1927) named '*Your Money's Worth*' exposed exploitation done by American manufacturers, which resulted in people buying low-quality goods with their hard-earned money due to the improper information provided by the advertisements. Later, amendments to the Food and Drugs Act were made which prohibited false advertising of food, drugs, or cosmetics along with the formation of the first State Consumer Department.

In the third phase, a new form of consumerism developed which was socially oriented and aimed at balancing the power between buyers and sellers. Influential among the prominent leaders had been Ralph Nader, who via his book "Unsafe at Any Speed" and successful lawsuit against General Motors, laid the foundation of "the National Traffic and Motor Vehicle Safety Act (1966)". Followed by, Infant Milk Formula Act (1980), and Safety Acts for poultry products, natural gas, medication, etc.⁵ Similarly, under the leadership of John F. Kennedy (1962), four basic rights were given to the consumers, i.e. to be safe from products hazardous to health, to choose from a variety of products, to be informed of misleading information, and to be heard in law-making processes. These rights evolved that have been identified as the "*Consumer Bill of Rights*"; an established framework for consumer protection legislation in the US and other nations.⁶

⁴Stole, Inger L., Consumer Movement, History of, in THE WILEY-BLACKWELL ENCYCLOPEDIA OF CONSUMER CULTURE (2015), <https://onlinelibrary.wiley.com/doi/pdf/10.1002/9781118989463.wbeccs056>.

⁵ National Repository of Open Educational Resources (NROER), Unit 7, eGyankosh, <https://egyankosh.ac.in/bitstream/123456789/13486/1/Unit-7.pdf>.

⁶ Massachusetts Government, Consumer Bill of Rights, Mass.gov, <https://www.mass.gov/info-details/consumer->

CONSUMER PROTECTION IN INDIA

During the 1960s and 1970s consumer development in India took place and reached the middle class by the 1980's. Voluntary consumer organizations, central ministries, and representatives of the State Government participated in formulating an effective framework for consumer protection which laid down the foundation for the upcoming 1986 Act, through legislative efforts. However, it did not make any sense to maintain an expensive, time-consuming suit for the enforcement of consumer rights.⁷ Despite all the odds, Consumer Protection was implemented which consisted of the basic rights of the consumers. In addition to this, it also guaranteed remedies to consumers through informal and speedy protection with no court fees. The consumers could fight their cases without any lawyers or representatives on their side. Additionally, a three-tiered grievance redressal mechanism was made available, with complaints about concerns under 20lakhs, under 1crore, and above 1crore being considered by District Forum, State Commission, and National Commission, respectively.⁸ Although it had a great head start, there were some drawbacks as well. Provisions relating to product liability, teleshopping and online transactions, unfair contracts, and e-commerce websites hadn't been included.

So, to eliminate such negatives, amendments were made to the previous Act of 1986, which brought about the refined Consumer Protection Bill of 2019. Bill established 6 consumer rights, including protection from dangerous products, cost transparency, access to diverse goods at competitive prices, and redress for unfair trade practices. These rights are regarded as a significant step toward consumer empowerment.⁹ To safeguard, advance, and uphold the rights of consumers Central Consumer Protection Authority has been established. Under the guidance of the Director-General, the investigation wing will manage complaints about deceptive advertising, unfair trade practices, etc. Additionally, the act established product liability, which required the manufacturer, seller, or service provider to compensate the consumer for any damages or injuries brought on by the damaged product. Additionally, the District, State, and National Consumer Dispute Redressal Commission (CDRC) have been established. Concerning CPA (1986), in this act their jurisdiction was increased to matters dealing with the

[bill-of-rights.](#)

⁷ G.I.S. Sandhu & Arvind Kaur, *Consumer Protection in India: Some Areas of Illusion*, 38 J. Indian L. Inst. 377 (1996), <https://www.jstor.org/stable/43952391>

⁸ I.C. Saxena, *The Consumer Protection Act 1986: A Viewpoint*, 30 J. Indian L. Inst. 321 (1988), <https://www.jstor.org/stable/43951181>

⁹ PRsindia.org, *The Consumer Protection Bill, 2019*, <https://prsindia.org/billtrack/the-consumer-protection-bill-2019> (last visited Feb. 25, 2025).

value of goods below 1crore, 10crore, and above 10crores respectively. Strict regulations, penalties, and punishments were introduced against manipulative tactics to strengthen the consumers.¹⁰

E-COMMERCE

E-commerce, or 'electronic commerce,' involves buying and selling goods and services online without visiting traditional stores. It operates across several market segments, that include business-to-business, consumer-to-business, and business-to-consumer. This could be carried out via computers, cell phones, and other devices. In e-commerce, the consumer base is quite large and customers can have access to products worldwide. Business can be accessed at any time and from anywhere without any restrictions.

E-commerce companies tend to be less expensive than brick-and-mortar stores since they don't have to spend money on rent or utilities. Shopping online is expanding rapidly, with global e-commerce sales projected to exceed \$8trillion by 2027, providing you with a lot of opportunities to sell online.¹¹ Additionally, e-commerce allows it to be simple to collect and store customer information, which can assist with targeted marketing and customer loyalty.

With positive developments, there are negative implications too. Since online business is easy to begin with, E-commerce can be highly competitive. Both established as well as new companies are competing for the same market which may or may not be expanding. While selling physical goods, handling things like inventory, order fulfillment, and returns can become complicated. High expectations of customers such as fast shipping, easy returns, and prompt customer support can be difficult to sustain at all times.¹² Online shopping lacks the important personal aspect of in-store shopping, which is enjoyed by a lot of consumers. E-commerce needs to take additional measures to safeguard the data and privacy of the customers as they input their personal and financial information.

¹⁰ Amrit Mahotsav, Blog Detail, <https://cmsadmin.amritmahotsav.nic.in/blogdetail.htm?84> (last visited Feb. 25, 2025).

¹¹ BigCommerce, *What is Ecommerce?*, BigCommerce (Feb. 25, 2025), <https://www.bigcommerce.com/articles/ecommerce/>.

¹² Investopedia, *Ecommerce*, Investopedia (Feb. 25, 2025), <https://www.investopedia.com/terms/e/ecommerce.asp>.

CONSUMER PROTECTION AND E-COMMERCE IN INDIA

CPA (2019) broadened the term 'consumer' which additionally offers consumers who deal online better protection. Additionally, "The Ministry of Consumer Affairs, Food, and Public Distribution" in India introduced "Consumer Protection (E-Commerce) Rules (2020)" to regulate e-commerce platforms and protect the rights of consumers who transact online. These rules included provisions that ensure fair business practices, transparency, and resolution of consumer complaints in the e-commerce sector.¹³ Some of its regulations included providing transparency in matters such as information relating to sellers and their contact details, providing detailed information about the specification, and price of the product and services with robust grievance redressal mechanisms to address the issues and grant effective remedies.

With the increased developments in e-commerce, there are many concerns raised about the vulnerability of consumers to unfair trade practices especially, misleading advertisements. Recently, Delhi Police arrested two individuals for circulating fraudulent website links similar to famous e-commerce sites with fake deals and offers. Many people deceived by this clicked the following link. As a result, the duo gained access to the bank information of the people and looted them lakhs of rupees.¹⁴

Similarly, a 70-year-old woman had ordered six towels for Rs.1160 from an e-commerce website. But Rs.19,007 was debited from her account when she made an online payment for the said order instead of Rs.1160. She called the bank helpline number but it wasn't answered. Later she got a call from an unknown number who offered to provide help and asked her to download an app. She followed the said instructions given by him which led her to a further loss of Rs. 1Lakhs. She rushed to a nearby police station to report the same but within that time frame Rs. 8.3Lakhs had already been stolen from her account¹⁵.

Another prime example of circulating misleading advertisements is that of 'Patanjali' headed by Baba Ramdev and Acharya Balkrishna. It all began during the COVID-19 epidemic when

¹³ Anwasha Panda, *The Consumer Protection Act 2019 and Its Impact on the E-Commerce Sector in India: Navigating the Consumer Landscape in the Digital Era*, (2024), <https://www.ijcrt.org/papers/IJCRT2401577.pdf>.

¹⁴ TNN, How Gang Used Fake E-Commerce Sites to Dupe Several People, TIMES OF INDIA (Oct. 12, 2023), <https://timesofindia.indiatimes.com/city/delhi/how-gang-used-fake-e-commerce-sites-to-dupe-several-people/articleshow/104355534.cms>.

¹⁵ India Today. *Senior citizen loses Rs 83 lakh while shopping for towels online: Full story*. India Today, Mar. 28, 2023. <https://www.indiatoday.in/technology/news/story/senior-citizen-loses-rs-83-lakh-while-shopping-for-towels-online-full-story-2352309-2023-03-28>.

Patanjali published a research paper titled "First Evidence-Based Medicine for COVID-19" and introduced 'Coronil,' claiming to treat and protect individuals against COVID-19.¹⁶ They further claimed that it had received certification from the World Health Organization and Aayush Ministry as a COVID-19 treatment. However, WHO criticized and denied the above claim.¹⁷ Although provisions for consumer protection have been introduced, consumers are still prone to fraudulent activities, and scams by the e-commerce platforms. There are need for some stringent enforcement of laws and improved consumer awareness to protect consumers in the cyber marketplace.

CONSUMER OPINIONS

Here are some perspectives of people who have expressed their experiences with online shopping and the protection they feel—or do not feel when using an e-commerce platform. These opinions are pivotal in shedding light on issues, difficulties, and areas that require development to protect consumers in the online marketplace.

1. Priyank Srivastava, my batchmate, feels that websites of e-commerce have changed the way trade and commerce are viewed by people, providing hassle-free services that have had a very positive influence. Yet, he also believes that these sites are accompanied by several issues. He finds himself wondering many times if a website can be relied upon, particularly when purchasing expensive luxury items. When a large sum of money is involved, he of course expects security. If he is not confident, he begins exploring options. Another issue Priyank has observed, but many customers often neglect, is the way these sites manage prices. A commodity that begins at a high price can drastically fall, or the reverse can occur, which is not always good for customers like him. On the other hand, Priyank sees the convenience of e-commerce as a positive aspect. With minimal mouse clicks, a consumer can access a product that they require. Same-day or one-day delivery is especially convenient for consumers who are in dire need of a product. As convenient as these aspects make e-commerce, he also believes that it should be done with caution.

¹⁶ Exchange4Media. *Patanjali Row: A Chequered History of Misleading Ads by the Ramdev Baba-Owned Company*. Exchange4Media, Oct. 12, 2020. <https://www.exchange4media.com/advertising-news/patanjali-row-a-chequered-history-of-misleading-ads-by-the-ramdev-baba-owned-company-133971.html>.

¹⁷ LiveLaw. *Misleading Advertisement: Patanjali Case, Self-Declaration Certificate, Celebrities, Influencers, Consumer Protection, Advertising Agencies*. LiveLaw, Oct. 18, 2023. <https://www.livelaw.in/lawschool/articles/misleading-advertisement-patanjali-case-self-declaration-certificate-celebrities-influencers-consumer-protection-advertising-agencies-261264>.

2. Vedaanti Bakshi, only used tried-and-tested e-commerce sites such as Myntra and Amazon. Although her general experience with online shopping had been good, she did not take a chance with lesser-known websites, particularly Instagram shops, which had become more and more associated with shopping scams. She was scrolling through Instagram one day and saw an ad for a couple of earrings. The link took one to a webpage that appeared reputable, with customers giving reviews. But the order could only be taken through texts. Wanting to make the purchase, she sent a chat to the admin, who instructed that the purchase needed to be prepaid, covering shipping costs also, as there was no option for COD. The admin also stated that the website had crashed because of a technical glitch, but promised that the order could be traced through messages. Having faith in the process, she paid—only to find out that she had been blocked. The page of the store had disappeared, and it was not possible to reach the seller. When she requested her friends to verify, they found that the account had been deactivated. A few days later, they stumbled upon a fashion influencer's video revealing the same "brand," where they found out that several others had been similarly scammed.
3. Udisha Mishra, tells us her view on internet shopping, how great it is to be convenient yet at risk. She points out that imitation websites can appear fully legitimate, and unsuspecting consumers end up paying for items that never materialize. Even on reputed sites, certain sellers deliver defective or different products altogether. She further speaks of the irritation due to concealed charges, false discounts, and cunning refund policies. According to her, instances of stolen card information after shopping on untrustworthy websites further highlight the importance of being careful. Although she practices precautions such as reading reviews, authenticating sellers, and making secure payments, she admits that scams continue to change. Udisha feels that consumers need not remain always on guard and very much feels the need for stringent regulations and effective consumer protection to render online purchasing safe for all.

RECOMMENDATIONS

Comprehensive and strong regulatory frameworks are required to monitor on e-commerce industry and protect the fundamental rights of consumers. These may include:

Awareness among consumers regarding the scams that are recurring in nature - For the effective implementation of Consumer Protection, consumers should have awareness about their rights and duties. The efforts depend on both the consumers and the government. Sufficient consumer

education should be provided so that consumers are equipped with some basic information about the demand and supply mechanisms. This can be done through electronic and print media such as newspapers, magazines, periodicals, etc. The language should be simple, preferably in English or the native language which the majority of people can understand. Other methods can also include conducting campaigns, street plays, dramas, and so forth.

Return and Refund Policies - Standardized, fair, and transparent return-refund policies should be established that can be easily accessed by the consumers to get a clear understanding before making decisions about their purchase without causing much hassle later.

Consumer Feedback - Feedback from customers and ratings of products and services play a very important role in helping the company or any other business identify faults and take measures to prevent such mistakes from happening in the future. But most e-commerce markets either don't have such mechanisms or aren't transparent. This results in future buyers not being aware of the mishap that they may get into.

Effective Dispute Resolution – E-commerce should adopt quick and easy dispute resolution processes. Through arbitration and third-party mediators, issues between consumers and businesses can be resolved without the need for time-consuming legal proceedings.

Certification for Authenticity - The government should provide certification to E-commerce sites through which consumers are aware that they are dealing with websites that have high standards of ethical business practices that guarantee consumer rights by protecting their data and their privacy.

CONCLUSION

E-commerce has gradually changed customers' consumption habits with convenience and access to an enormous marketplace. E-commerce also creates dangers like fraud, information breaches, and unfair competition practices. Even though laws have been drafted through "CPA (2019)" and "Consumer Protection (E-Commerce) Rules (2020)", consumers remain short of an assurance of rights in an e-market.

To resolve these issues, regulatory enforcement needs to be tightened, consumer education needs to be promoted, and companies need to follow fair and transparent policies. Through the

enforcement of strict laws, enhanced consumer education, and effective dispute-resolution mechanisms, the online marketplace can be made a secure place for consumers. Finally, efforts from customers, businesses, and government are necessary to create a balanced and secure e-commerce environment that will protect consumer rights and promote fair trade practices.

