



A STUDY ON LAWS GOVERNING E-COMMERCE TRANSACTIONS IN INDIA

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Abstract:

E-commerce is a method of conducting business electronically rather than through traditional physical means. This includes all internet-based retail activities such as purchasing goods, receiving services, delivery, payment facilitation, and supply chain and service management. Get to know about the E-Commerce Laws and Regulations in India. Government initiatives such as Startup India, Digital India, the allocation of funds for the BharatNet Project, the promotion of a "cashless economy," and the launch of the Unified Payment Interface by the RBI and the National Payment Corporation of India have all contributed to the country's e-commerce sector's growth and success. Hence, it is very important that this new platform known as e-commerce has to be governed and regulated by laws which will ensure that the consumer is protected while entering into e-commerce business.

Keywords: *E-commerce, Consumer, Laws and regulations.*

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Introduction:

E-commerce is the buying and selling of goods and services over the Internet. E-commerce can be done on computers, tablets, smartphones, and other smart devices. Almost every product and service imaginable can now be purchased through e-commerce, and this has changed the way many businesses and entire industries do business.

As mentioned earlier, e-commerce is the process of buying and selling goods and services online. But in addition to the buyers and sellers, it requires a vast and unseen infrastructure, and it requires infrastructure to maintain it. E-commerce has helped companies (especially those with narrow market reach, such as small local businesses) reach wider markets by providing a low-cost, efficient sales and distribution channel for their products or services.

E-commerce actually began in the 1960s, when businesses began using an electronic system called Electronic Data Interchange to more easily transfer documents. The first transaction took place in 1994. It involved selling CDs between friends through the retail site NetMarket.1. Since then, the industry has grown rapidly, with companies like Alibaba and Amazon becoming widely known around the world. The introduction of free shipping, which at least on the surface reduces costs for consumers, has also helped to increase the popularity of e-commerce.

Objectives:

- To know about e-commerce
- To understand the growth of e-commerce in India
- To study the various laws regulating e-commerce business in India



Research Methodology:

This research is entirely based on secondary data. The secondary data is collected from various articles, blog and other web sources. None of the data in the research paper is my own primary data.

Limitations:

This study is based solely on secondary data and does not analyze consumers' perceptions of e-commerce transactions.

Importance of E-Commerce Laws and regulations to regulate Online Transactions: Consumer Protection:

E-commerce laws set guidelines and rules to protect the rights and interests of consumers who engage in online transactions. The primary purpose of these laws is to ensure fair practices, transparency, and accountability in e-commerce and to protect consumers from fraudulent and deceptive practices.

Security and Privacy:

E-commerce laws are important in ensuring the security and privacy of online transactions. They set security standards and measures that businesses must adhere to, such as secure payment gateways and data protection practices.

Legal Compliance:

E-commerce laws provide businesses with a clear framework for legal compliance. These laws define the legal requirements and obligations that online businesses must comply with, including registration, taxation, intellectual property rights, and consumer protection.

Dispute Resolution:

E-commerce laws include provisions for dispute resolution mechanisms, such as alternative dispute resolution (ADR) or online arbitration platforms. These mechanisms are necessary because they provide a streamlined process for resolving disputes between buyers and sellers and increase trust and confidence in online transactions.

Cross-border Transactions:

E-commerce laws also address issues related to cross-border transactions. They provide guidance on international trade, including customs regulations, import and export restrictions, and tax policies.

Laws Governing E-Commerce in India:

The Information Technology Act, 2000 is one of the most important laws governing e-commerce in India. It provides a legal basis for electronic transactions, digital signatures, and protection of confidential personal data. Key aspects of the Act include:

- **Electronic Contracts (Section 10A):** The IT Act provides legal recognition to electronic contracts. This means that any contract entered into through electronic communication (e.g. email, web forms, or apps) has the same legal effect as a traditional paper contract.
- **Digital Signatures and Authentication (Section 3):** The Act recognizes digital signatures as equivalent to handwritten signatures. It is used to verify the identity of users in e-commerce.
- **Cyber Security (Sections 43, 66 and 66C):** Section 43 deals with the punishment for unauthorised access to computers and data. Section 66 outlines the punishment for cyber crimes such as hacking and identity theft. Section 66C defines identity theft and the act of illegally using another person's identity online.
- **Personal Data Protection:** The Act specifically prescribes measures to ensure the privacy and security of sensitive personal data in online transactions.
- **Cybercrime Appeal Tribunal (Article 48):** This law provides a mechanism for resolving disputes related to e-commerce and cybercrime.

The Consumer Protection (E-Commerce) Rules, 2020

Part of the **Consumer Protection Act, 2019**, these rules aim to ensure consumer safety and fair business



practices specifically for e-commerce. They apply to both **domestic and international e-commerce entities** that sell in India.

Disclosure requirements:

E-commerce platforms must clearly disclose the seller's name and details, product description, price, and delivery conditions. Platforms must not provide misleading advertisements or hide important information (e.g. total price, hidden fees).

Grievance Redressal Mechanism:

E-commerce businesses must have mechanisms in place to handle consumer complaints and resolve disputes within a certain time frame (e.g., one to two weeks).

Refund/Return Policy:

Clear information about the return, refund, and cancellation policies must be shared with consumers before purchase.

Liability for Defective Products:

Platforms must bear responsibility for defective or substandard products. Sellers are required to follow quality standards.

Payment and Delivery Terms:

Platforms must provide clear terms related to modes of payment, delivery, and timelines.

Ban on Fake Reviews:

Platforms are prohibited from publishing fake or paid reviews to mislead consumers.

Indian Contract Act, 1872, and Sales of Goods Act, 1930

To put it simply, transactions on e-commerce websites entail the formation of an electronic contract, which is simply a contract that is entered into electronically over the Internet. All the details of a valid contract under the law are essential to enter into a valid contract with an e-commerce business. Section 10A of the Information Technology Act, 2000 governs the validity of contracts entered into online by the parties. It states that a contract cannot be questioned

for its validity or enforceability solely because it was entered into through such an electronic process. On the other hand, the delivery, return, refund and sales policies of e-commerce platforms are governed by the Sale of Goods Act, 1930. All representations, warranties and assignments relating to personal property are governed by this Act.

The Goods and Services Tax (GST) Act, 2017

Under **GST**, e-commerce transactions are taxed, and platforms are required to comply with specific tax-related provisions.

Tax at Source (TCS): E-commerce businesses are required to collect tax on behalf of GST registered sellers. Section 52 of the GST Act introduces TCS, which mandates e-commerce businesses (e.g. Amazon, Flipkart) to collect and remit tax on transactions made through their platforms.

E-commerce operators as Tax Collectors: E-commerce platforms are required to collect GST on the supply of goods and services, ensuring that the government receives its share of taxes.

GST Returns and Compliance: E-commerce entities must file monthly and annual returns detailing the sales made, taxes collected, and input taxes paid.

The Payment and Settlement Systems Act, 2007

This Act regulates **payment systems** and ensures **secure and efficient electronic funds transfers**. It also governs **payment gateways, online wallets, and digital currencies**.

RBI Guidelines: Under the Payment and Settlement Systems Act, the Reserve Bank of India (RBI) has laid down rules regarding:

Security of Payment Systems: E-commerce companies must ensure the security of online payment systems (e.g., PCI-DSS standards for credit card payments).

Payment Gateways and Wallets: Providers of digital wallets and payment gateways must be registered with the RBI and comply with regulations for KYC (Know

Your Customer) and fraud prevention.

Prepaid Payment Instruments (PPI): Digital wallets like Paytm, PhonePe, and Google Pay fall under this regulation. They must follow the guidelines for money transfers, refunds, and merchant transactions.

The Copyright Act, 1957

This law protects intellectual property in India, including **copyrights** for digital content like software, product images, and descriptions published by e-commerce platforms.

Content Protection: E-commerce platforms must ensure that the content shared by sellers (images, descriptions, videos) does not infringe upon copyrights.

Copyright Violation by Sellers: E-commerce platforms could be held liable for **copyright infringement** if they host or sell counterfeit products that violate the intellectual property rights of others.

Digital Rights Management: Platforms may implement Digital Rights Management (DRM) tools to protect copyrighted content from unauthorized distribution or reproduction.

The Foreign Exchange Management Act (FEMA), 1999

This law governs **foreign exchange** in India and regulates foreign investment, including **FDI (Foreign Direct Investment)** in e-commerce.

FDI in E-Commerce: The Indian government permits **100% FDI in single-brand retail** e-commerce and **up to 49% in multi-brand e-commerce** through the **automatic route**, while stricter conditions apply for the latter.

Cross-border Transactions: FEMA ensures that foreign currency exchange is regulated during e-commerce transactions, preventing illegal transactions and ensuring compliance with the foreign exchange policies of India.

The Competition Act, 2002

The **Competition Act, 2002** ensures **fair trade**

practices and prevents **anti-competitive behavior** in markets, including e-commerce.

Unfair Trade Practices: E-commerce platforms must not engage in **predatory pricing**, **price-fixing**, or **monopolistic behavior** that harms competition and consumer interests.

Investigation by CCI: The **Competition Commission of India (CCI)** investigates complaints and can impose fines or take corrective actions against platforms that indulge in anti-competitive behavior, such as:

Unfair discounting or exclusive agreements.

Favoring certain sellers unfairly on the platform.

The Personal Data Protection Bill (PDPB), 2019

Although still under discussion in Parliament, the **Personal Data Protection Bill** will play a crucial role in regulating the **use of personal data** in e-commerce.

Data Privacy: The Bill mandates that e-commerce companies take adequate measures to protect consumer data from breaches and misuse.

Consent: E-commerce platforms must seek explicit consent from consumers to collect, process, and store their personal data.

Rights of Data Subjects: Consumers will have the right to access, correct, or delete their personal data and can file complaints regarding misuse.

The Digital Media Ethics Code Rules, 2021 (Intermediary Guidelines)

These rules were introduced to regulate online platforms, including e-commerce entities, in terms of digital content and user interaction.

Content Moderation: E-commerce platforms must monitor and remove content that is illegal, harmful, or violates Indian laws.

Transparency in Ads: Platforms must disclose if any content or ads are sponsored, ensuring transparency for consumers.

The Electronic Commerce (EC) Act, 2019 (Proposed): This is a proposed law that aims to

regulate the **overall functioning of e-commerce** in India, especially focusing on **consumer rights, data protection, and fair business practices.**

Seller Accountability: The law will require platforms to ensure transparency in transactions and hold them accountable for non-compliance with consumer protection laws.

Stronger Consumer Protection: E-commerce platforms will be required to take stringent measures to ensure the safety of consumers, such as providing easy return policies and clear information on products.

Legal Issues in E-Commerce:

Understanding Data Privacy and Protection Laws

In e-commerce, privacy and data protection laws are very important to protect personal information. These laws regulate how businesses collect, store, and use customer data. Complying with regulations such as GDPR and CCPA is essential to avoid legal risks and maintain trust. Understanding legal requirements related to data protection ensures the security of online transactions and increases consumer trust. Implementing measures to protect sensitive data from breaches and unauthorized use is of utmost importance to e-commerce businesses. Stay informed and comply with your legal obligations to mitigate potential legal issues.

Addressing Product Liability for Online Sales:

When engaging in e-commerce, it is important to address product liability issues for online sales. Ensuring that products comply with safety standards, providing accurate product descriptions, and handling returns efficiently are key. Negligence in these areas can result in legal consequences that affect your company's reputation and profits. Proper documentation, clear policies, and compliance with consumer protection laws can help reduce the risks associated with product liability in online transactions. To avoid legal issues, it is important to prioritize the safety and satisfaction of your customers.

Protecting Intellectual Property in the Digital Marketplace:

For e-commerce businesses, protecting intellectual property rights in the digital marketplace is critical. With the proliferation of online transactions and third party involvement, trademark and copyright protection have become more important than ever. Implementing effective strategies to monitor and address violations is essential. By following best practices and staying up to date with relevant laws, businesses can reduce their risk of intellectual property infringement and remain compliant in the ever-changing world of digital commerce.

Ensuring Compliance with Regulatory and Taxation Requirements:

In online business, it is very important to comply with taxes and laws. Failure to do so can lead to serious problems. It is especially important to comply with laws related to sales tax. This will help you avoid legal problems and increase trust with customers and the government. By following these rules carefully, your company will be able to safely handle legal issues that arise from online sales.

Managing Contracts and E-Commerce Transactions:

When managing e-commerce contracts and transactions, it is important to comply with legal requirements. Set clear terms and conditions to protect your online business. State third-party obligations and ensure legal risks are mitigated. Details on payment systems, data protection, and intellectual property are important. Implement best practices for contract management and dispute resolution. Beware of unauthorized resellers and follow the law in all your transactions.

Dealing with Cybersecurity Threats and Data Breaches:

In online shopping, keeping data safe from hackers is super important. Using strong security measures,



encrypting data, and checking things regularly can help prevent breaches. If a breach happens, acting fast is key to limit damage and follow the law. Taking steps to protect against cyber attacks builds trust with customers and keeps everything legal when people buy online.

Resolving Disputes in E-Commerce Operations:

In online business, mediation and arbitration are ways to solve problems without going to court. They're faster and cheaper than legal battles. It keeps things running smoothly and keeps relationships good. For e-commerce, having clear ways to settle disputes is crucial. It stops problems from causing big delays or legal troubles. Instead, it keeps everything moving and everyone happy.

Conclusion:

The e-commerce industry's rapid growth not only reflects the public's growing acceptance of it but has also brought to the fore concerns that the country's legal system has been dealing with. The laws for e-commerce are quite uncondensed of statutes as there is no specific codified law. The companies will need to look at such a perspective of the particular situation for which the laws are to be considered. To succeed in this field, e-commerce enterprises must have a thorough awareness of the legal regime and the potential challenges that an e-commerce business may encounter, as well as appropriate risk management measures. Moreover, the growing focus on data protection and privacy laws, particularly the forthcoming Personal Data Protection Bill, mirrors global trends but also presents its own set of challenges for multinational companies. The emphasis on data localization and stricter data security protocols

requires significant investments in local data infrastructure, compliance teams, and secure data management practices. In the long run, this could lead to increased operational costs but will also foster greater consumer trust and security within the Indian digital economy.

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