



Management

EMERGING TRENDS IN TRADING OF GOODS AND SERVICES- E COMMERCE: TECHNICAL AND LEGAL ISSUES

Dr. Shamsuddin *¹

*¹ Assistant Professor, Amity University Rajasthan, Jaipur, INDIA



DOI: <https://doi.org/10.29121/granthaalayah.v4.i10.2016.2482>

ABSTRACT

E-commerce is business communication through electronic resources, including the internet, televisions, telephones, and computers. By the rapid growth of e-commerce we can assume that it may be the fast growing way to complete business transactions. In e-commerce any person can perches goods from any place without keeping the time constraint i.e. business hours. It is a win-win situation for the consumer and the product/service provider. The various advantages E-Commerce offers to customers as well as the service providers. In this article the concept of e-commerce, advantage and disadvantage, legal and technical safety and security issues is well explained.

Keywords:

E-commerce, E-Contract, Digital signature, Internet, ATM, Debit Cart, EFT.

Cite This Article: Dr. Shamsuddin, “EMERGING TRENDS IN TRADING OF GOODS AND SERVICES- E COMMERCE: TECHNICAL AND LEGAL ISSUES” International Journal of Research - Granthaalayah, Vol. 4, No. 10 (2016): 1-7.

1. INTRODUCTION

Electronic commerce is a type of business model that enables an individual or firm to conduct business over an electronic network, typically the internet. Electronic commerce deals with four of the major market segments i.e. Consumer to business, business to consumer, business to business and consumer to consumer. It is a more advanced form of purchasing goods through an online catalog. Almost any product or service can be offered via e-commerce, from groceries, books, furniture, music, plane tickets to financial services. It has allowed firms to establish a market presence, or to enhance an existing market position, by providing a cheaper and more efficient distribution chain for their products or services.¹ By employing concept of e-commerce a firm can successfully target customers. Generally the mass retailer has physical stores as well as online store where the customer can buy everything. When customers purchase goods online

¹ Electronic Commerce (ecommerce) Definition | Investopedia . Available on -
<http://www.investopedia.com/terms/e/ecommerce.asp#ixzz4IScj1BW6>

that will be convenient for them as options are available for selection in the form of different varieties. There is no time restraint for online trading as it can be done at any time of 24 hours in a day, seven days in a week. No doubt e-commerce offers a wider scope of products online but there are some boundaries for providing services such as limited customer service, no instant gratification or response to customers, no ability for customers to touch the goods or articles before purchasing. If customer wants to buy a television and he is shopping online, there is no employee available 24 hours with whom the customers can enquire about the features of a television which would best meet the needs of the customer. After submitting an order he has to wait for shipping of the goods as well as online images don't always tell the whole story about an item. Ecommerce transactions can be dissatisfying when the product has been received by the consumer and which is not acceding to the expectations.²

2. HISTORY OF E-COMMERCE

In 1960 the concept of e-commerce was emerged. Those were the days when companies generally used Electronic Data Interchange (EDI) to share business documents with other companies. In 1979, the American National Standards Institute developed a universal standard for businesses to share documents through electronic networks. After that it becomes familiar among people to share their documents at individual level in the era of 1980s. Some e-commerce websites came into picture in year 1990, after that they revolutionized the e-commerce industry. Consumers can now purchase endless amounts of items through e-commerce.³ By using of a variety of applications i.e. email, online catalogs, shopping carts, electronic data interchange, file transfer protocol, and web services it became very popular among the people. The e-commerce market continues to grow by online sales totaled \$341.7 billion in 2015 (14.6% increase over 2014). E-commerce conducted using mobile devices and social media is on the rise as well. In 2015, approximately 30% of all U.S. e-commerce activities of internet retailer is accounted through mobiles and 5% of all online spending was via most refereed social media i.e. Facebook, Pinterest and Twitter.⁴ In India the fast growing e-commerce sector is expected to touch Rs 50,400 crore in sales by 2015-16 excluding tickets and online sales which very high in compare to the data of 2012-13, around Rs 13,900 crore, it shows the an annual growth clip of 50-55%. A recent report by Japanese bank Nomura forecast Indian ecommerce to be worth \$43 billion in five years and online retails contains nearly \$23 billion over there. The principal protagonists in the sector have raised abundant amounts of cash in 2014. Flipkart is performing and getting exciting growth in online retail sector. Despite the exciting growth, the e-commerce sector is still just 0.5% of the overall retail industry, indicating the large headroom it has to grow.⁵ The rise of e-commerce forces IT personnel to move beyond infrastructure design and maintenance and consider numerous customer-facing aspects such as privacy and security of data of consumer. When developing IT systems and applications to accommodate e-commerce activities, it shall be

² Electronic Commerce (ecommerce) Definition- Investopedia . Available e on
<http://www.investopedia.com/terms/e/ecommerce.asp#ixzz4ISdMHFWI>

³ e-commerce (electronic commerce or EC). Free Guide. Available on -
<http://searchcio.techtarget.com/definition/e-commerce>

⁴U.S. Commerce Department. e-commerce (electronic commerce or EC). Free Guide. Available on -
<http://searchcio.techtarget.com/definition/e-commerce>

⁵ The Economic Times . (30th Jan 2015). E-commerce to be policed by up to nine government agencies including RBI, Home Ministry, Finance Ministry. Available on - http://articles.economictimes.indiatimes.com/2015-01-30/news/58625464_1_ecommerce-industry-finance-ministry-traditional-retailers

mandate the regulatory compliance of data governance, personally certain information privacy rules and information protection protocols must be measured.

3. GOVERNMENT REGULATIONS FOR E-COMMERCE

In the United States, there are some primary agencies i.e. the Federal Trade Commission (FTC) and the Payment Card Industry (PCI), Security Standards Council, which regulate e-commerce activities. The FTC monitors activities such as online advertising, customer privacy and content marketing, while the PCI Council develops standards and rules for proper handling and storage of consumer's financial data. On 30th January 2015, the department of consumer affairs has mooted the proposal for final consideration of the high powered committee of secretaries (CoS) that could bring e-commerce under the purview of up to nine government agencies and regulatory bodies, including RBI, home ministry, the department of revenue in the finance ministry, and ministry of corporate affairs.⁶

4. FEATURES OF E-COMMERCE

E- Commerce enables customer's non cash payment by using of credit cards, debit cards, smart cards, electronic fund transfer via bank's website and other modes of electronics payment. The services of e-commerce are available every time in day and night for the entire year. In the e-commerce products can be advertised easily among the customer who helps the better marketing management of products or services. It gives the option to order for purchasing any product anytime, anywhere. This feature increase the sales as there is no dependence remains to buy a product. It also provides various pre and post sales assistance to provide better services to customers. In e-commerce, inventory management of products becomes automated. Reports get generated instantly when required. Product inventory management becomes very efficient and easy to maintain. Therefore we can say that it provides ways for faster, efficient, reliable communication with customers and partners.

5. COMPARISON BETWEEN E-COMMERCE AND TRADITIONAL COMMERCE

When we talk about the effectiveness of e-commerce in compare with the traditional commerce we find that⁷ -

- 1) Traditional commerce have heavy dependency on information exchange from person to person but e- commerce by information sharing become easy via electronic communication channels, it makes little dependency on person to person information exchange.
- 2) In traditional commerce manual intervention is required for every communication or transaction but in case of e-commerce electronic system automatically handles every transaction. Manual intervention is not much required.

⁶ The Economic Times . (30th Jan 2015). E-commerce to be policed by up to nine government agencies including RBI, Home Ministry, Finance Ministry. Available on - http://articles.economictimes.indiatimes.com/2015-01-30/news/58625464_1_ecommerce-industry-finance-ministry-traditional-retailers

⁷ TUTORIALSPOINTS-SIMPLYEASYLEARNING. E-Commerce- overview. Available on- http://www.tutorialspoint.com/e_commerce/e_commerce_disadvantages.htm

- 3) It is difficult to establish and maintain standard practices in traditional commerce but in e-commerce a homogeneous strategy can be easily recognized and preserve .
- 4) Communications of business depends upon personal skills in traditional commerce but in e-commerce there is no human interference
- 5) There is absence of a uniform platform in traditional commerce as it depends on personal communications but in e-commerce, website provides a platform where all information is available at one place to customers.

E-COMMERCE - BUSINESS MODELS

E-Commerce business models can generally categorized in four categories i.e. Business - to - Business, Business - to - Consumer, Consumer - to - Consumer, and Consumer - to - Business. The important features of the e-commerce business model are as follows-

Business - to - Business: Here the seller sells its product to an intermediary who then sells the product to the final customer. For instance, a trader places an order from a company's website and after receiving the consignment, sells the end product to customers who comes to buy the product at trader’s retail channel.

Business - to - Consumer: Under this model company sells its product directly to a customer. A customer can view products publicized on the website of the company. The customer can choose a product and order the same. Company website will send a notification to the business organization via email and organization will send the shipment to the customer.

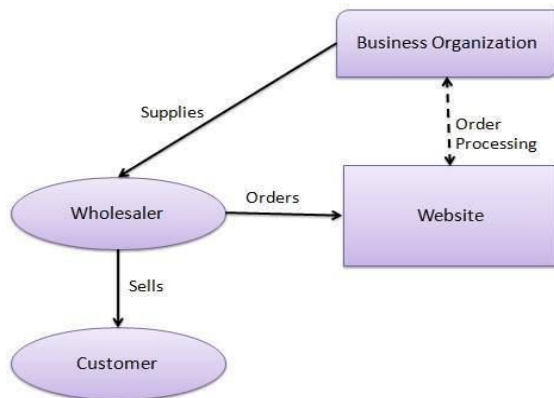


Figure 1: Business - to - Business

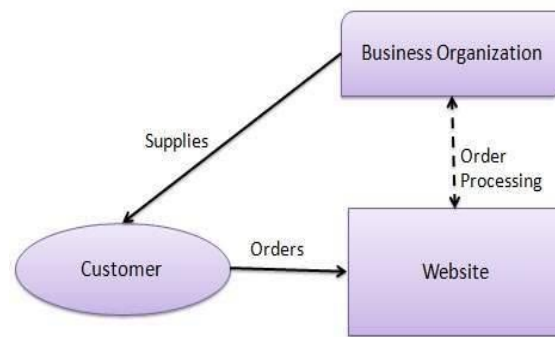


Figure 2: Business - to – Consumer

Consumer - to - Consumer: It helps consumer to sell their assets like housing property, cars, motorcycles etc. or rent a room by publishing their information on the website. Website may or may not charge the consumer for its services. Another consumer may opt to buy the product of the first customer by viewing the advertisement on the website.

Consumer - to - Business: In this model, a consumer approaches website showing multiple business organizations for a particular service. Consumer places an estimate of amount he/she

wants to spend for a particular service. For example, comparison of interest rates of personal loan/ car loan provided by various banks via website. Business organization who fulfills the consumer's requirement within specified budget approaches the customer and provides its services.

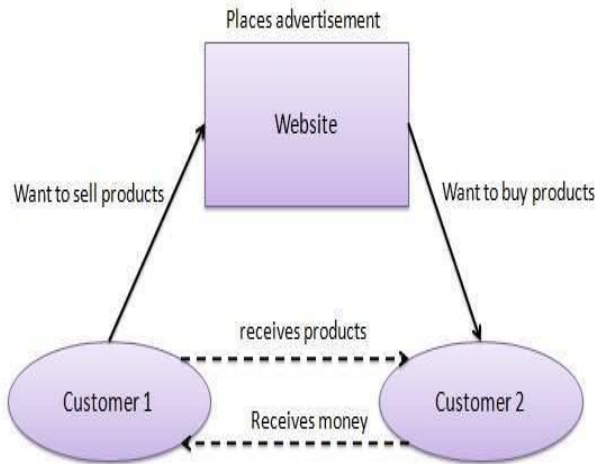


Figure 3: Consumer - to - Consumer

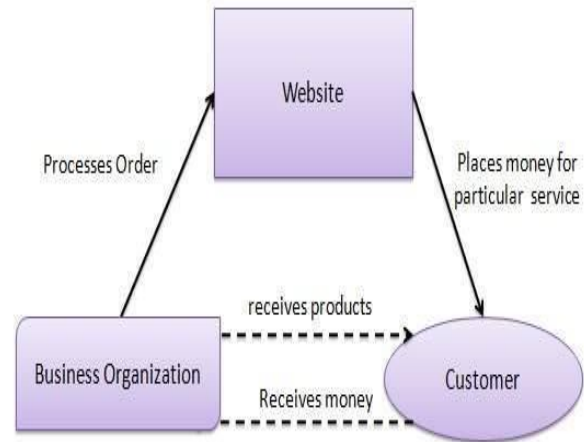


Figure 4: Consumer - to - Business

6. E-COMMERCE - PAYMENT SYSTEMS

Electronic payment system is used in e-commerce sites for paperless monetary transactions. It has revolutionized the business dispensation by reducing paper work and transaction costs. It is user friendly and less time consuming that helps business organization to expand its market growth. The electronic payments may be by plastic money i.e. Credit Card, Debit Card, Smart Card under Electronic Fund Transfer system. Credit card is one of most frequent way of electronic payment. It is a small plastic card with a unique number attached with an account. It has also a magnetic strip entrenched in it which is used to read credit card via card readers. When a customer purchases a product via credit card, the issuer bank of credit card pays the bills on behalf of the customer and the customer has a certain time period after which he can pay the credit card bill to the bank. Debit card, is also a small plastic card with a unique number mapped with the bank account number. It is required to have a bank account before getting a debit card from the bank. There are some difference between debit card and credit card. When payment is made through debit card the amount will immediately deducted from card holder's bank account therefore it pre requisites that there must be sufficient fund in card holder's bank account for completion of the transaction but this prerequisite is not applicable in case of credit cards. Smart card is looks like credit card / debit card. It has a small microprocessor chip fixed in it which has the capacity to store customers work related personal information. A specified PIN is required for using the card. Such cards are highly secure as they stores information in encrypted format and are less costly. Mondex and Visa Cash cards are very popular examples of smart cards. Electronic Fund Transfer is also a very popular electronic payment method to transfer money from one bank account to another bank account. There is no requirement to be same bank for both the account holders, it may the accounts are in same bank or in different banks. ATM is also popular for fund transfer. Now a day, internet based EFT is getting popularity where customer uses website provided by the bank. Customer logs to the bank's website and registers another

bank account and then places a request to transfer certain amount to that account. Customer's bank transfers amount to other account if it is in same bank otherwise transfer request is forwarded to Automated Clearing House to transfer amount to other account and amount is deducted from customer's account. Once amount is transferred to other account, customer is notified of the fund transfer by the bank.

7. E-COMMERCE - SECURITY SYSTEMS

Security is a necessary part of any transaction that takes place over the internet. Customer will go down their faith in e-business if its security is compromised. Encryption is a very efficient and practical way to keep the data being transmitted over the network. Sender of the information encrypts the data using a secret code and specified receiver only can decrypt the data using the same or different secret code. Digital signature ensures the authenticity of the information. Security certificate is also used in security system which is a unique digital id used to verify identity of an individual website or user.

Secure Electronic Transaction

It is a secure protocol developed by MasterCard and Visa in collaboration. It is the best security protocol which have the components i.e. Card Holder's Digital Wallet Software, Merchant Software, Payment Gateway Server Software & Certificate Authority Software. Card Holder's Digital Wallet Software allows card holder to make secure purchases online via point and click interface. Merchant Software helps merchants to communicate with potential customers and financial institutions in secure manner. Payment Gateway Server Software provides automatic and standard payment process. It supports the process for merchant's certificate request. Certificate Authority Software is used by financial institutions to issue digital certificates to card holders and merchants and to enable them to register their account agreements for secure electronic commerce.

8. E-COMMERCE – LEGAL ISSUES

The Information Technology Act-2000 deals the some e commerce related issues like digital signature, electronic contract etc. This Act empowers the Controller of Certifying Authority to regulate licensed Certifying Authority (CA) in India. Certifying Authority is a authority to whom a person can make an application for the issue of a Digital Signature Certificate. When a digital signature certificate is provided by the certifying authority it can be used in e-contract. The special feature of digital signature is that the digital signature is looks different in every contract, it will not be identical in all contract. Therefore digital signature will be valid for e-contract only when the signatory has the digital signature certificate which is provided by the Certifying Authority as according to the provisions of Information Technology Act 2000. By the Information Technology Amendment Act 2008, the provision related to digital signature is also applied for electronic signature.

Whenever any electronic contract is being made by two parties the Contract Act 1872 is also applicable to handle the issues. All the salient principles of a valid contract is applicable to every electronic contracts. A consumer can access the website to know particulars of any items, it is

considered an invitation to offer. To make a valid e contract it is required that a valid offer has been made by customer through email, which has been duly accepted by the service provider/trader. There must be some legal consideration when such contract is being made. Consent must be given freely without the effect of coercion, misrepresentation, undue influence etc. Than a valid e-contract will be constitute between the parties which can be enforced by law.

9. CONCLUSION

In case of commerce, an open transaction played a very recognizable role between two parties. i.e. buyer and seller. For trade to take place, one person will sell and another person will purchase and these two must share a basic considerate of how the transaction is generally supposed to be in course. E commerce is buying and selling of goods by online. The different e-commerce web sites can simply make products available to be bought by customers as well as these sites must also hold up their commerce transaction. These websites communicate to the target customers to trust them for purchasing any goods and during e-commerce various legal and technical issues arise like valid e-contract for enforcement, digital signature, safety and security, non-disclosure of information about the customers to others. All these issues are regulated and dissolved as according to the provisions of the IPC, IT ACT and the Contract Act 1872 and rule as incidental thereto.

10. REFERENCE

- [1] TUTORIALSPOINTS-SIMPLYEASYLEARNING. *E-Commerce- overview. Available on-
http://www.tutorialspoint.com/e_commerce/e_commerce_disadvantages.htm*
- [2] *The Economic Times. (30th Jan 2015). E-commerce to be policed by up to nine government agencies including RBI, Home Ministry, Finance Ministry. Available on-
http://articles.economictimes.indiatimes.com/2015-01-30/news/58625464_1_ecommerce-industry-finance-ministry-traditional-retailers*
- [3] *Indian Online Sellers. Ecommerce to be regulated by various government bodies. Available on-
<http://indianonlineseller.com/2015/01/ecommerce-to-be-regulated-by-various-government-bodies/>*
- [4] *Business Standards. (4th Jan 2015). Regulating e-commerce: Complaints and regulations along with big leap forward. Available on-
http://www.business-standard.com/article/opinion/regulating-e-commerce-complaints-and-regulations-along-with-big-leap-forward-115010400699_1.html*
- [5] *Khuran. A. (July 2016). 36 Advantages and Disadvantages of Ecommerce. Available on-
<https://www.thebalance.com/ecommerce-pros-and-cons-1141609>*
- [6] *Sinha. D. K. (2015). Advantages and Disadvantages of E-Commerce – Discussed!. Available on-
<http://www.yourarticlelibrary.com/business/advantages-and-disadvantages-of-e-commerce-discussed/41223/>*
- [7] *Nagpal. R. (2012). E-Commerce- Legal Issues. Asian School of Cyber Law.*