

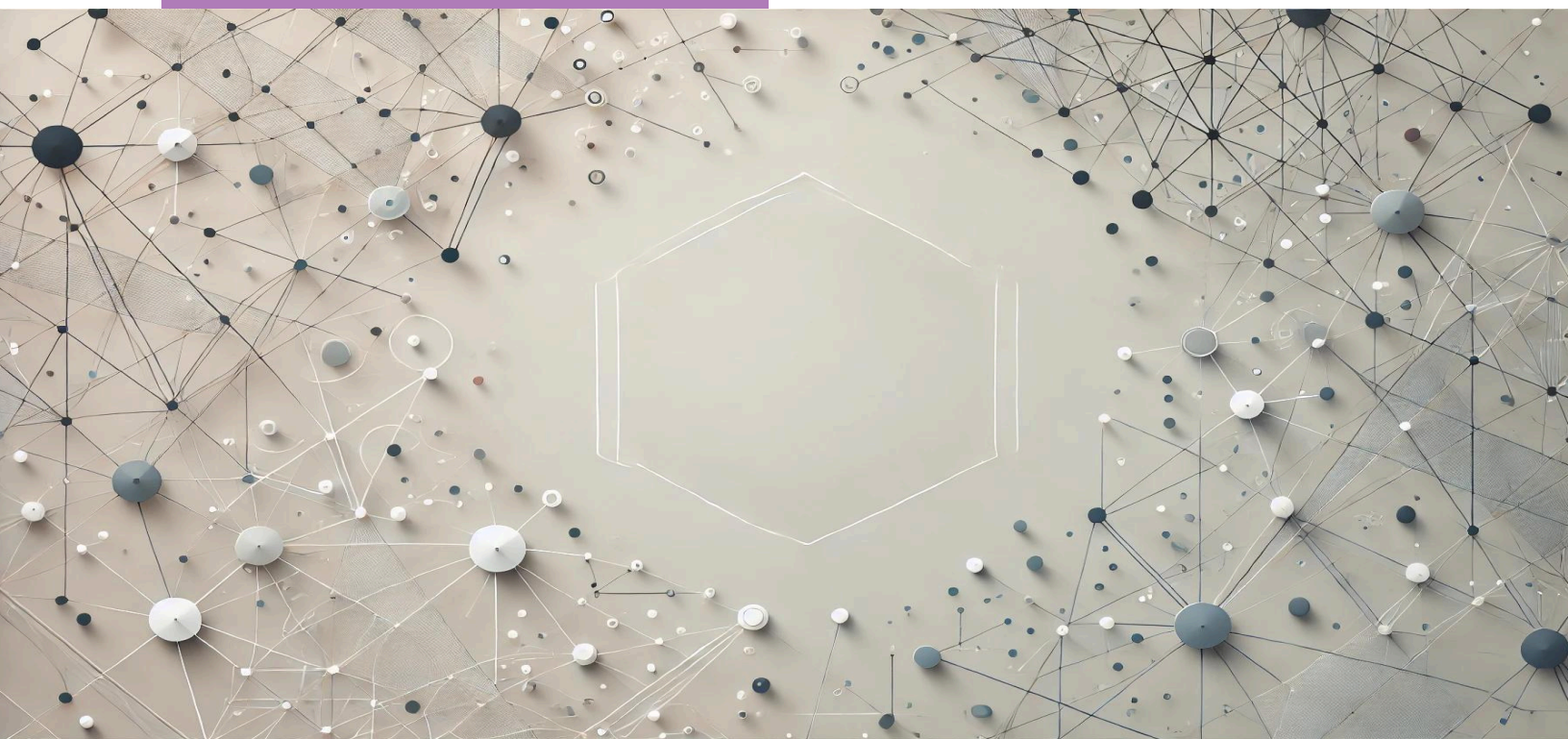


India's E-Commerce Evolution: *Strengthening Self-Regulation for Global Leadership*

Position Paper

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Position Paper

Abstract

India's e-commerce sector is undergoing rapid expansion, projected to become one of the world's largest digital marketplaces by 2030. However, this unprecedented growth is accompanied by emerging challenges, including consumer fraud, data privacy concerns, and unfair trade practices. In response, the Bureau of Indian Standards (BIS) has introduced the Draft Standard, *E-Commerce - Principles and Guidelines for Self-Governance*, aimed at fostering a transparent, ethical, and accountable digital commerce ecosystem.

This paper critically evaluates the proposed self-regulatory framework, assessing its impact on consumer protection, fair competition, data security, AI governance, and emerging e-commerce models such as blockchain and social commerce. Through a comparative analysis with global best practices, the paper highlights key strengths, gaps, and enforcement challenges within the guidelines. It proposes a set of actionable policy recommendations, including risk-based AI audits, enhanced consumer dispute resolution, standardised pricing transparency, and environmental responsibility measures, to ensure that India's digital commerce ecosystem remains trustworthy, inclusive, and globally competitive.

By integrating progressive self-regulation with robust oversight mechanisms, India has the potential to set a global benchmark for digital market governance. A well-structured self-regulatory approach will boost consumer confidence, drive investment, and position India as a leader in shaping the future of fair and sustainable e-commerce.

1. Introduction

1.1. India's E-Commerce Boom: Driving Economic Growth, and Digital Transformation

E-commerce has emerged as a transformative force in India's digital landscape, significantly shaping the nation's economic trajectory (Sharma, 2024). Fuelled by increasing internet penetration, rising smartphone usage, affordable data prices, and increasing purchasing power, e-commerce is revolutionising the retail landscape (Sharma, 2024). India's internet economy is projected to reach \$1 trillion by 2030, underscoring the vast opportunities for businesses and consumers (Chandnani, 2024). The e-commerce market is projected to rise from ₹12.2 trillion (\$147.3 billion) in 2024 to ₹24.1 trillion (\$292.3 billion) by 2028 (Kumar, 2024). This growth is facilitated by expanded internet access, with the number of internet connections in India standing at 895 million in June 2023 and a smartphone base expected to cross 1.1 billion by 2025. Rural India is expected to lead this growth as rural-centric e-commerce rises (Kumar, 2024). It is projected to be the third largest by 2030 (Sharma, 2024). The growth in the e-commerce sector can boost employment, increase revenues from export, increase tax collection, and provide better products. The e-commerce sector generates over 16 million jobs in marketing, management, customer service, warehouse logistics, and delivery (Kumar, 2024).

1.2. Regulatory Gaps and Emerging Risks in India's Digital Commerce

Despite the promising prospects, the rapid expansion of e-commerce in India also brings forth significant challenges. These include consumer fraud, data privacy concerns, and unfair trade practices (Poonam & Saini, 2024). Issues such as counterfeit products and a lack of transparency in e-commerce transactions erode consumer trust and hinder the sustainable growth of the sector. The need for standardised regulations and effective enforcement mechanisms becomes crucial to address these concerns and ensure a fair and ethical e-commerce ecosystem (R & H, 2022).

1.3. Charting a Path for Fair, Transparent, and Global-Ready E-Commerce

India is at a critical juncture in its e-commerce evolution - poised to become one of the largest digital marketplaces in the world. However, for India to not just grow but lead globally, it must set a gold standard in self-regulation. For e-commerce self-regulation to succeed, it must be a choice-driven system where entities actively choose the specific constraints and governance mechanisms they commit to, while an inclusive governance system can legitimise those chosen standards and ensure

they are upheld, mitigating skepticism about its effectiveness. The proposed guidelines offer a unique opportunity to balance innovation with consumer protection, ensuring that businesses thrive while maintaining trust, transparency, and accountability. By integrating best practices from global e-commerce leaders and addressing emerging challenges like AI, blockchain, and sustainability, these recommendations lay the foundation for India to shape the future of digital commerce - not just within its borders, but on the global stage.

2. Building a Trustworthy Digital Marketplace: India's Proposed E-Commerce Self-Governance Framework

In response, the Bureau of Indian Standards (BIS) introduced the Draft Standard, *E-Commerce - Principles and Guidelines for Self-Governance*, aiming to establish a framework for ethical and responsible e-commerce practices. The guidelines are structured around three key stages of e-commerce transactions: Pre-Transaction, Contract Formation, and Post-Transaction. Each stage addresses specific issues to ensure fair, transparent, and ethical practices in e-commerce operations. Additionally, General Principles for the governance of transactions has been included.

2.1. Pre-Transaction Principles

This stage focuses on ensuring transparency, accessibility, and consumer protection before a transaction is finalised. Key issues addressed include:

1. **Registration and KYC:** Sellers must provide detailed information (e.g., legal entity name, contact details, financial information) to establish their identity. E-commerce platforms must conduct Know Your Customer (KYC) checks for all business partners, including third-party sellers, and publish a checklist of KYC procedures.
2. **Product Listing:** Products must be listed with detailed information (e.g., product title, seller details, identification number, images/videos) to help consumers assess utility, features, and cost. Sellers must ensure that counterfeit, fraudulent, or illegal products are not listed or sold.
3. **Disclosure of Relevant Information:** Platforms must provide clear and accessible information about products, prices, privacy policies, terms and conditions, cancellation/return policies, and seller details. Specific details such as country of origin, environmental impact, and safety warnings must be disclosed.
4. **Product Comparison and Search Functionality:** Platforms must enable consumers to compare products based on features, prices, and other criteria. A search function must allow consumers to find products by name, category, or keyword.
5. **Placement of Disclosures:** Disclosures must be provided in a phased manner, relevant to the consumer's decision-making stage, and displayed prominently on the platform.

6. **Identification of E-Commerce Entity:** Platforms must clearly display information about the legal operating entity, contact details, and grievance redressal mechanisms to ensure transparency and accountability.

2.2. Contract Formation Principles

This stage ensures that consumers are fully informed and provide explicit consent before finalising a transaction. Key issues addressed include:

1. **Express Informed Consent:** Consumers must provide explicit consent for purchases, and platforms cannot use pre-ticked checkboxes or automatic consent mechanisms.
2. **Transaction Review:** Consumers must have the opportunity to review all transaction-related information (e.g., product details, price breakdown, delivery charges) before confirming the purchase.
3. **Reversal Processes and Policy:** Platforms must have clear and transparent policies for cancellations, returns, replacements, and refunds, with all charges and time limits disclosed upfront.
4. **Transaction Record:** Platforms must maintain accurate and durable records of all transactions and allow consumers to access and retain copies of their records.
5. **Payment Principles:** Platforms must offer a variety of secure payment methods (e.g., credit/debit cards, e-wallets) and disclose all associated costs (e.g., processing charges). Payment transactions must be protected through encryption, two-factor authentication, and compliance with data protection laws.
6. **Recurring Charges and Subscriptions:** Platforms must provide full disclosure of recurring charges, subscription terms, and an easy process for consumers to opt out or cancel subscriptions.
7. **Refund in Case of Cash on Delivery (CoD):** Platforms must ensure that refunds for CoD transactions are processed in a manner chosen by the consumer.

2.3. Post-Transaction Principles

This stage focuses on ensuring consumer satisfaction and resolving disputes after a transaction is completed. Key issues addressed include:

1. **Merchantability:** Platforms must facilitate easy returns, exchanges, or refunds for goods that do not meet the disclosed purpose or are defective. Clear timelines for refunds, replacements, or exchanges must be disclosed to consumers.
2. **Dispute Redressal:** Platforms must ensure that consumer grievances and disputes are resolved in accordance with the Consumer Protection Act, 2019.
3. **Notification of Delivery:** Consumers must be notified of delivery through multiple channels (e.g., SMS, email) and provided with tracking information.

2.4. General Principles

The guidelines emphasise ethical and consumer-focused operations, and they include general principles to which e-commerce platforms should adhere.

1. **Prohibition on sale of banned products:** E-commerce platforms must ensure that sellers do not sell banned goods by conducting thorough KYC checks and actively monitoring product listings. Clear reporting procedures should be in place for violations of these rules.
2. **Compliance with data protection laws:** Platforms must ensure that personal data is used only for transaction-related purposes and take measures to prevent the misuse of customer data.
3. **Express consent for non-transactional communication:** All non-transactional communications (e.g., marketing messages) must have categorical consumer consent, with options to opt out of such communications.
4. **Treat all sellers equally and adopt fair business practices:** Preferential treatment cannot be extended to a seller or service provider. E-commerce marketplace platforms cannot classify sellers or buyers into categories unless there is a reasonable, transparent, and non-arbitrary parameter for it.
5. **Adopt measures to prevent counterfeiting:** Platforms should provide mechanisms for rights owners and consumers to report counterfeit products and they must have systems in place to investigate such violations.
6. **Avoid making misleading claims:** Platforms should avoid making misleading claims about product quality and disclose their relationship with sellers when advertising products.
7. **Adopt fair and transparent practices:** Platforms must not coerce consumers into transactions or bundle unrelated services, ensuring consumer choice remains paramount.
8. **Clear advertisements:** Advertisements must be clearly marked and distinguishable from other content to prevent consumer confusion.
9. **Fair and correct representations:** Sellers must provide accurate descriptions and content for their products, with e-commerce platforms regularly reviewing compliance.
10. **Authenticity of consumer reviews and ratings:** Platforms should uphold standards to ensure that consumer reviews and ratings are authentic and reliable.

While these guidelines represent a step forward in standardising the sector, they also reveal critical gaps and ambiguities that could undermine their effectiveness. This analysis critically examines the proposed Draft Indian Standard, *E-Commerce - Principles and Guidelines for Self-Governance*, highlighting their strengths, drawbacks, and loopholes. By evaluating themes such as consumer protection, inclusivity, data security, and adaptability to emerging technologies, the study identifies areas for improvement and proposes actionable recommendations.

3. The Need for a Stronger Self-Regulatory Framework

The proposed E-commerce Self-Governance Principles and Guidelines aim to address several critical issues in the Indian e-commerce sector, which has grown exponentially but remains plagued by challenges related to consumer protection, data privacy, transparency, and fair business practices. The key problems these guidelines seek to address include:

1. **Lack of Consumer Protection:** Many e-commerce platforms fail to provide clear and transparent information about pricing, return policies, and grievance redressal mechanisms. This lack of transparency often leads to consumer exploitation, especially in cases of misleading discounts, hidden charges, or ambiguous return policies.
2. **Data Privacy and Security:** With the increasing digitisation of transactions, there is a growing risk of data breaches, misuse of personal data, and inadequate security measures. Consumers often lack control over how their data is collected, processed, and shared, leading to privacy violations.
3. **Unfair Business Practices:** Some e-commerce platforms engage in unfair practices such as favoring their own sub-brands, manipulating product visibility through fake reviews, or using AI-generated images to mislead consumers. These practices distort market competition and harm both consumers and smaller sellers.
4. **Accessibility and Inclusivity:** Marginalised groups, particularly in rural areas, often face challenges in accessing e-commerce services due to language barriers, lack of awareness, and inadequate grievance redressal mechanisms in regional languages.
5. **Emerging E-commerce Models:** The guidelines primarily focus on traditional B2C (business-to-consumer) models, leaving emerging models like C2C (consumer-to-consumer), social commerce, and blockchain-based transactions largely unregulated. This creates a regulatory gap that could lead to misuse or exploitation.
6. **Lack of Enforcement Mechanisms:** The absence of a robust enforcement authority or mandatory third-party audits makes it easier for e-commerce platforms to loosely interpret self-regulatory principles, undermining the effectiveness of the guidelines.

Why are these issues important?

1. **Consumer Trust:** Addressing the aforementioned issues is crucial for building and maintaining consumer trust in the e-commerce sector. Without trust, the growth of the sector could be stunted.
2. **Market Fairness:** Fair business practices ensure a level playing field for all sellers, promoting healthy competition and innovation.
3. **Data Security:** Protecting consumer data is essential in an era where data breaches can lead to significant financial and reputational damage.

4. **Inclusivity:** Ensuring that e-commerce services are accessible to all, including marginalised groups, is vital for equitable economic growth.

Consequences of not addressing these issues:

1. **Consumer Exploitation:** Without clear guidelines, consumers may continue to face hidden charges, misleading discounts, and poor grievance redressal.
2. **Data Breaches:** Inadequate data protection measures could lead to widespread data breaches, compromising consumer privacy and security.
3. **Market Distortion:** Unfair practices like fake reviews and preferential treatment of sub-brands could distort market competition, harming smaller sellers and reducing consumer choice.
4. **Regulatory Gaps:** Emerging e-commerce models could operate in a regulatory vacuum, leading to potential misuse and exploitation.
5. **Erosion of Trust:** Failure to address these issues could erode consumer trust in the e-commerce sector, hindering its growth and adoption.

4. Key Policy Question, and Research Approach

4.1. Central Policy Question

How effective are the E-commerce Self-Governance Guidelines in addressing key challenges in the Indian e-commerce sector, particularly in terms of consumer protection, data privacy, transparency, and fair business practices?

4.2. Research Objectives and Approach

1. **Analyse the Policy Content:** Examine the provisions of the E-commerce Self-Governance Guidelines to assess their comprehensiveness and relevance in addressing the identified challenges.
2. **Assess Stakeholder Perspectives:** Evaluate the perspectives of key stakeholders, including consumers, e-commerce platforms, regulators, and civil society, to understand the practical implications of the guidelines.
3. **Evaluate Potential Impacts:** Assess the potential impacts of the guidelines on consumer protection, data privacy, market fairness, and inclusivity, particularly for marginalised groups.
4. **Identify Gaps and Loopholes:** Highlight gaps and loopholes in the guidelines, such as the lack of enforcement mechanisms, inadequate provisions for emerging e-commerce models, and insufficient safeguards for data privacy.
5. **Provide Recommendations:** Offer actionable recommendations to strengthen the guidelines, ensuring they are more effective in addressing the challenges faced by the Indian e-commerce sector.

By addressing these objectives, the paper aims to provide a comprehensive evaluation of the E-commerce Self-Governance Guidelines and contribute to the ongoing discourse on regulating the e-commerce sector in India.

5. Evaluating Proposed E-Commerce Self-Regulation Framework: Strengths, Gaps, and Ambiguities

The analysis of India's E-commerce Self-Regulation Guidelines reveals a multifaceted framework with strengths, weaknesses, and ambiguities that influence consumer protection, adaptability to new business models, enforcement, and ethical considerations. The table below presents the strengths, weaknesses and ambiguities involved in each stage. By categorising the analysis into strengths, weaknesses, and ambiguities across pre-transaction, contract formation, post-transaction, and general principles, the table offers a clear and systematic breakdown of the guidelines' effectiveness. This approach allows stakeholders to identify areas of robust consumer protection, recognise gaps in enforcement, and highlight unresolved ambiguities that could hinder implementation.

5.1. Analysis of Proposed Pre-Transaction Principles

5.1.1. Strengths

1. Comprehensive Seller Verification
 - a. Mandates vigorous KYC for sellers, ensuring accountability and reducing fraudulent activities.
 - b. Public checklist of KYC procedures promotes transparency.
2. Detailed Product Listing Requirements
 - a. Requires sellers to provide clear product descriptions, images, country of origin, and seller details.
 - b. Enforces proper product categorisation, preventing misleading listings.
3. Consumer-Friendly Disclosures
 - a. Pricing transparency: Breakdown of all price components (taxes, shipping, etc.).
 - b. Returns, refunds, and exchange policies must be clearly stated upfront.
 - c. Environmental impact disclosure is a progressive step toward sustainability.
4. Anti-Counterfeiting Measures
 - a. Mandates mechanisms for reporting counterfeit goods.
 - b. Platforms must investigate and respond within specific timelines.
5. Consumer Data Protection and Privacy
 - a. Restricts the use of personal data only for disclosed purposes.
 - b. Protects consumers from unsolicited communications.

5.1.2. Gaps

1. Vague Due Diligence Requirements
 - a. While sellers must undergo KYC, no specific guidelines on periodic re-evaluation exist.
 - b. No requirement for third-party audits to verify seller authenticity.
2. Enforcement of Transparency Measures
 - a. No clear penalty mechanism for non-compliance with transparency rules (e.g., hidden charges, misleading product descriptions).
3. Geographic Limitations Not Clearly Addressed
 - a. Platforms must disclose geographic limitations for product availability, but no guidelines on jurisdictional compliance (e.g., GST variations across states).

5.1.3. Ambiguities

1. Scope of Prohibited Listings
 - a. Requires platforms to prevent listing of counterfeit, fraudulent, or illegal goods but doesn't clarify who determines legality.
 - b. No list of specific restricted product categories.
2. Rating and Review Transparency
 - a. Mandates IS 19000:2022 compliance for reviews, but lacks enforcement guidelines.
 - b. Platforms could manipulate review rankings unless explicit rules prevent removal or suppression of negative reviews.

5.2. Analysis of Proposed Contract Formation Principles

5.2.1. Strengths

1. Express Informed Consent
 - a. Prohibits pre-ticked checkboxes, ensuring customers actively agree to purchases.
 - b. Mandates clear consent for subscriptions and recurring payments.
2. Transparent Transaction Review
 - a. Consumers must be able to review and modify order details before confirming payment.
 - b. Pricing breakdown includes all components (taxes, shipping, refund charges, etc.).
3. Defined Reversal Processes (Returns, Cancellations, Refunds)
 - a. Ensures easy-to-access refund and return policies.
 - b. Platforms must clearly disclose any refund charges.
4. Secure Payment Processing
 - a. Ensures compliance with anti-money laundering laws and payment security protocols.

- b. Platforms hosting their own payment services must disclose relationships and potential conflicts of interest.

5.2.2. Gaps

1. No Explicit Time Frame for Refunds
 - a. Guidelines say refunds must be processed transparently, but no deadline is set (e.g., “within 7 days” rule).
2. Gaps in Payment Processing Disclosures
 - a. Requires disclosure of processing fees, but silent on refund processing charges (which some platforms impose unfairly).
 - b. No mandatory multi-factor authentication (MFA) requirement for high-value transactions.

5.2.3. Ambiguities

1. Vague Enforcement of Subscription Rules
 - a. Platforms must inform users about changes in subscription terms, but no clarity on user rights if terms change mid-subscription.
 - b. What qualifies as “express consent” for subscription changes remains undefined.
2. Partial Refunds and Replacement Policies
 - a. While reversal processes are mentioned, there is no standardised framework for partial refunds or replacements.
 - b. Platforms may arbitrarily reject claims, leaving consumers with limited recourse.

5.3. Analysis of Proposed Post-Transaction Principles

5.3.1. Strengths

1. Robust Merchantability Standards
 - a. Ensures goods meet advertised descriptions and quality claims.
 - b. Platforms must facilitate refunds/ replacements for defective items.
2. Consumer Dispute Redressal Alignment with Law
 - a. Complies with the Consumer Protection Act, 2019.
 - b. Requires timely notifications and resolution of consumer complaints.
3. Delivery Tracking and Notifications
 - a. Platforms must notify consumers about delivery status via multiple channels (SMS, email).
 - b. Supports real-time tracking for logistics partners.

5.3.2. Gaps

1. No Clear Recourse for Fake or Counterfeit Products
 - a. Consumers can report counterfeits, but platform liability is unclear.
 - b. Does not specify who covers refund costs in case of fraud.
2. Lack of Penalties for Poor Redressal Mechanisms
 - a. No explicit consequences for platforms failing to resolve disputes.
 - b. Absence of third-party arbitration requirements for unresolved complaints.

5.3.3. Ambiguities

1. Unclear Role of Platforms in Ensuring Merchant Accountability
 - a. Guidelines state platforms must help resolve disputes, but do not define their liability if a seller defaults.
 - b. No compulsory escrow system to hold funds until delivery is confirmed.
2. Hidden Charges in Refunds and Exchanges
 - a. Mandates refund transparency, but does not explicitly prohibit restocking fees or return shipping charges.
 - b. Lacks clear policies on whether refund amounts should include original shipping costs.

5.4. Analysis of Proposed General Principles and Practices

5.4.1. Strengths

1. Prohibits Preferential Treatment on Marketplaces
 - a. Platforms cannot favor affiliated sellers or manipulate rankings.
 - b. Must provide equal access to logistics, payments, and fulfillment services.
2. Strong Data Protection Commitments
 - a. Limits data use to only what consumers explicitly consent to.
 - b. Mandates compliance with applicable data privacy laws.
3. Bans Unfair Trade Practices and Forced Bundling
 - a. Consumers must freely choose individual products/services without coercion.
 - b. Prevents predatory pricing and hidden fees.

5.4.2. Gaps

1. No Accountability for Dark Patterns
 - a. Platforms often use deceptive UX/UI tactics (e.g., auto-renewal traps, misleading countdown timers).
 - b. No penalties for engagement manipulation (fake scarcity, fake discounts).

5.4.3. Ambiguities

1. Loopholes in Platform-Owned Private Labels
 - a. While platforms cannot directly own sellers, they can still push preferred private labels.
 - b. No clear rules against algorithmic bias favoring in-house brands.

The analysis reveals that India's E-commerce Self-Regulation Guidelines have several strengths, particularly in promoting transparency, consumer protection, and ethical practices. Key strengths include comprehensive seller verification, detailed product listing requirements, and robust data protection measures. However, the framework also exhibits significant weaknesses, such as vague due diligence requirements, lack of clear penalties for non-compliance, and gaps in addressing geographic and jurisdictional complexities. Ambiguities further complicate implementation, particularly around the scope of prohibited listings, enforcement of subscription rules, and platform accountability in dispute resolution. While the guidelines lay a strong foundation for self-regulation, their effectiveness is undermined by insufficient enforcement mechanisms and unresolved legal and operational uncertainties. Addressing these gaps is critical to ensuring a fair, transparent, and consumer-friendly e-commerce ecosystem in India.

6. Impact of E-Commerce Self-Regulation: Perspectives from Consumers, Businesses, and Regulators

6.1. Impact on Consumers

Consumers are the primary beneficiaries of the guidelines, which emphasise transparency, product safety, and grievance redressal. **Key positives include:**

1. **Enhanced Transparency:** Clear price breakups (e.g., taxes, shipping costs) and environmental impact disclosures help consumers make informed decisions. For instance, a consumer comparing two similar products can easily identify which one has a lower environmental footprint, promoting sustainable purchasing behavior.
2. **Informed Consent, and Trust:** The prohibition of pre-ticked checkboxes ensures that consumers actively agree to purchases, reducing the risk of accidental subscriptions or unwanted charges.
3. **Data Protection, and Consumer Rights:** Personal data can only be used for stated purposes, preventing misuse and limiting unsolicited marketing communications.

However, **several drawbacks and loopholes undermine these benefits:**

1. **Unclear Return, and Refund Policies:** For example, a consumer purchasing a high-value electronic item may face hidden return shipping fees, leading to dissatisfaction and financial loss.
2. **Risk of Deceptive Practices:** Platforms may falsely vouch for seller authenticity, as seen in cases where counterfeit products are sold under the guise of "platform-certified" sellers. Additionally, fake ratings and reviews can manipulate consumer perception, such as artificially inflating the popularity of low-quality products.

Scenario: Price Manipulation Through Drip Pricing - A consumer finds a flight ticket advertised at an attractive price but, during checkout, mandatory service fees and baggage charges inflate the total cost. The final price is significantly higher than the initial quote, yet the platform argues that all costs were "disclosed." The guidelines mandate transparency, but they do not cap unfair pricing tactics, leaving consumers vulnerable.

6.2. Impact on E-Commerce Platforms

For e-commerce platforms, the guidelines offer flexibility and a competitive advantage by fostering consumer trust through transparency and standardised practices. **Key positives include:**

1. **Competitive Differentiation:** Clear policies on returns, pricing, and product listings improve consumer trust, leading to higher retention rates.
2. **Flexibility in Business Models:** Platforms can adapt to diverse models (B2C, B2B, C2C) while ensuring basic consumer protections.
3. **Operational Efficiency:** Standardised data protection measures reduce legal disputes, and direct platform-seller accountability minimises the need for full regulatory oversight.

However, **challenges and loopholes persist:**

1. **High Compliance Burden:** Smaller platforms, such as niche marketplaces, may struggle with the infrastructure costs of implementing logistics tracking and grievance mechanisms.
2. **Reputational Risks from Regulatory Gaps:** For instance, a platform offering fake discounts during a festive sale could face backlash if consumers discover the prices were artificially inflated before the sale.
3. **Lack of Third-Party Verification:** Without external audits, platforms may inconsistently enforce seller verification, leading to fraudulent sellers slipping through the cracks.

Scenario: A small e-commerce platform specialising in handmade goods faces difficulties complying with detailed product listing requirements, as it lacks the resources to verify every seller's authenticity. This could lead to reputational damage if a fraudulent seller exploits the platform.

6.3. Impact on Regulatory Bodies

Regulatory bodies play a supervisory role in ensuring the guidelines align with consumer protection and market fairness goals. **Key positives include:**

1. **Aligns with Consumer Protection Goals:** The guidelines provide a structured approach to price transparency, data protection, and dispute resolution.
2. **Encourages Market-Driven Compliance:** Platforms can self-regulate without rigid government mandates, allowing for adaptability to emerging technologies like AI-driven commerce.
3. **Facilitates Industry-Wide Standardisation:** Uniform seller verification and transaction security measures promote consistency across platforms.

However, **enforcement challenges and loopholes remain:**

1. **Challenges in Enforcement:** Regulatory bodies lack the authority to intervene directly in disputes, as platforms interpret rules flexibly. For example, a consumer complaint about a misleading product description may go unresolved due to inconsistent enforcement.
2. **Loopholes in AI, and Emerging Tech Oversight:** Without clear AI transparency requirements, platforms could use algorithms to manipulate search rankings, favoring high-margin products over consumer preferences.
3. **Inadequate Redressal for High-Value Transactions:** A regulatory body may struggle to mediate a dispute involving a luxury car purchase, as the guidelines lack binding arbitration processes.

Scenario: A regulatory body receives multiple complaints about a platform using dark patterns (e.g., fake countdown timers) to pressure consumers into making purchases. However, the absence of specific penalties limits the body's ability to take action.

6.4. Broader Industry Considerations

The guidelines also address broader industry concerns, such as packaging norms, AI-driven commerce, and market fairness. **Key considerations include:**

1. **Packaging Norms, and Safety:** While consumers benefit from safer packaging, platforms face increased costs, and regulatory bodies must address environmental impact concerns.
2. **Lack of Penalties for Misleading Practices:** Consumers remain vulnerable to deceptive advertising, such as fake discounts, while platforms risk long-term reputational damage.
3. **Regulation of AI-Generated Content:** Unchecked AI usage, such as automated product descriptions or biased search rankings, could erode consumer trust.
4. **Potential Bias in Self-Regulation:** Platforms may prioritise profits over fair marketplace policies, leading to biased product recommendations.

Scenario: A platform uses AI to generate misleading product descriptions for a popular electronic gadget, exaggerating its features. Consumers purchase the product based on false information, leading to widespread dissatisfaction and complaints. However, the lack of clear AI regulations leaves regulatory bodies unable to hold the platform accountable.

7. Bridging the Gaps: Strengthening Self-Regulation Through Strategic Reforms

The Draft Indian Principles and Guidelines for Self-Regulation in E-Commerce establish a consumer-centric, transparency-driven approach to governing online marketplaces. However, gaps in enforcement, adaptability to new business models, and technological oversight highlight areas for improvement. This section outlines key themes to enhance consumer protection, adaptability, enforcement, data security, and ethical considerations in the evolving e-commerce landscape.

7.1. Upholding Consumer Protection and Transparency: Bridging the Gap Between Principle and Practice

A core objective of any effective e-commerce regulation is the safeguarding of consumer interests through transparent and fair practices. The current self-regulatory guidelines emphasise clear pricing structures, accessible return policies, and effective dispute resolution mechanisms. However, critical gaps persist that undermine consumer confidence:

1. **Persistent Ambiguity in Refund Policies:** Vague wording and a lack of standardised timelines for refunds create opportunities for platforms to delay or deny legitimate claims, frustrating consumers and eroding trust.
2. **The Deceptive Illusion of Discounts:** Misleading discount practices, such as inflated original prices or hidden conditions, continue to plague the e-commerce landscape, deceiving consumers and distorting the true value proposition.

Moving Forward: Clear, enforceable standards are needed to eliminate ambiguity in refund processing and prevent deceptive discounting practices. This includes establishing mandatory refund timelines and requiring transparent disclosure of the basis for discount calculations.

7.2. Enforcement and Accountability: The Missing Pillars of Effective Self-Regulation

While the self-regulatory guidelines outline essential principles, the absence of a robust enforcement mechanism casts a long shadow on their overall effectiveness. Without teeth, the credibility of the framework and the fairness of the marketplace are at risk. The challenge lies in designing an

enforcement system that promotes compliance without stifling innovation or imposing undue burdens on e-commerce entities.

Critical Challenges:

1. **Selective Implementation and Interpretation:** The lack of mandatory compliance allows platforms to cherry-pick which guidelines to follow, leading to inconsistencies and potential exploitation of consumers and smaller sellers.
2. **Profitability Over Protection - The Risk of Non-Compliance:** Without clear penalties for failing to adhere to the guidelines, platforms may prioritise short-term profitability over long-term consumer protection and ethical business practices.
3. **Limited Recourse for Consumers:** Ambiguity in dispute resolution processes and the lack of defined platform liability in cases of seller default leave consumers with inadequate avenues for redress, undermining their confidence in the e-commerce ecosystem.

The Imperative of Enforcement:

To ensure effective self-regulation, a clear and enforceable framework is essential, drawing upon the document's language and principles while avoiding over-regulation. This requires:

1. **Tiered Enforcement and Incentives:**
 - a. **Progressive Enforcement:** Implement a tiered enforcement approach, ranging from warnings and public disclosure to fines and suspension of platform benefits.
 - b. **"Seal of Approval" Programme:** Create a voluntary "Seal of Approval" program for e-commerce entities that demonstrate a strong commitment to self-regulation, allowing them to promote their ethical practices to consumers. This incentivises compliance and rewards responsible behavior.
2. **Targeted Regulation and Data-Driven Monitoring:**
 - a. **Focus on High-Risk Areas:** Prioritise enforcement efforts in areas where consumer harm is most likely, such as product authenticity (Section 4.2.2 (c) - Ensure that counterfeit, fraudulent or illegal products are not listed...), data privacy, and misleading advertising.
3. **Clear, Measurable Standards and Accessible Redressal:**
 - a. **Define Specific, Measurable Standards:** Avoid vague language and ambiguous requirements. Set clear, measurable standards that e-commerce entities can readily understand and implement. The definitions provided in Section 3 (Terminology) should be used as a foundation for these standards.
 - b. **Empower Consumers with Accessible Redressal:** Ensure consumers have easy access to effective dispute resolution mechanisms, such as online complaint portals and mediation services.

7.3. Data Security and Privacy: Safeguarding Consumer Information in the Digital Age

E-commerce platforms are custodians of vast amounts of sensitive consumer data, making data security, privacy, and consent management paramount concerns. The current guidelines need to be strengthened to address emerging threats and ensure responsible data handling practices.

Key Vulnerabilities:

1. **Inadequate Security Mandates:** The absence of a mandatory requirement for multi-factor authentication (MFA) for high-value transactions leaves consumers vulnerable to unauthorised access, fraud, and financial losses.
2. **Erosion of Consent:** Default Opt-Ins and Third-Party Tracking: The widespread practice of pre-selecting options for marketing emails, data sharing, and third-party tracking infringes on consumer privacy and exposes them to unwanted spam and potential data breaches.
3. **Cross-Border Data Transfer Ambiguities:** As global e-commerce transactions increase, the lack of clear guidance on the jurisdictional application of data protection laws creates uncertainty and potential loopholes for misuse of consumer data.

Prioritising Data Protection: Robust data protection measures are essential to building consumer trust in the e-commerce ecosystem. This includes mandating MFA for high-value transactions, requiring explicit opt-in consent for data sharing and marketing communications, and establishing clear rules governing cross-border data transfers.

7.4. Embracing Environmental and Ethical Considerations: Building a Sustainable E-Commerce Future

The self-regulatory guidelines acknowledge the importance of environmental disclosures, but fall short of mandating concrete measures for sustainability and responsible e-commerce practices. A stronger commitment to environmental and ethical considerations is crucial for creating a truly sustainable e-commerce future.

Unaddressed Challenges:

1. **The Plastic Packaging Crisis:** The continued reliance on excessive plastic packaging exacerbates environmental pollution and undermines sustainability efforts. Stronger mandates are needed to promote eco-friendly packaging alternatives and reduce plastic waste.
2. **The Ethical Implications of AI-Generated Content:** The unregulated use of AI-generated product descriptions and images raises concerns about misleading representations, intellectual property rights, and the potential for algorithmic bias.

3. **The Growing E-Waste Problem:** The increasing volume of returns and replacements in e-commerce contributes to a growing e-waste crisis. Clear strategies are needed to promote responsible disposal and recycling of electronic waste.

Towards Sustainable Practices: A comprehensive approach to environmental and ethical e-commerce requires mandatory packaging sustainability standards, regulations governing the use of AI-generated content, and robust e-waste management programs. By embracing these principles, e-commerce platforms can contribute to a more sustainable and responsible future.

8. Adapting to the Future: Key Challenges and Policy Imperatives in E-Commerce

E-commerce is rapidly evolving, driven by technological innovation and shifting consumer behaviors. However, this progress presents new challenges that require careful consideration and proactive solutions. This section explores three critical areas - AI-generated content, blockchain-based commerce, and social commerce – highlighting the opportunities and risks they pose to consumers and the overall e-commerce ecosystem.

8.1. AI-Generated Content and Recommendations: Balancing Innovation and Consumer Protection

Artificial intelligence is transforming e-commerce, automating tasks such as product descriptions, customer service interactions, pricing strategies, and personalised recommendations. While AI-powered automation offers significant benefits, particularly for smaller sellers, it also raises concerns about transparency, fairness, and the potential for consumer deception.

Key Challenges:

1. **Misleading AI-Generated Product Descriptions:**

- a. Sellers utilising AI tools to create automated product descriptions may exaggerate features, omit critical limitations, or fail to provide accurate information.
- b. This issue is particularly prevalent in industries such as fashion, electronics, and health products, where inaccurate descriptions can lead to unrealistic expectations, product safety risks, and potential harm.
- c. Smaller sellers benefit from the accessibility of AI-driven marketing tools, but without proper regulation, consumers may struggle to distinguish between AI-generated content and human-verified information.

2. **Biased or Manipulative AI Recommendations:**

- a. AI algorithms may prioritise products that yield higher profit margins for the platform or seller, rather than those that best meet the individual needs and preferences of the consumer.
- b. Consumers may be subtly "nudged" towards more expensive alternatives, platform-owned brands, or products with higher commission rates, raising concerns about competition and consumer choice.

3. Exploitative AI-Driven Dynamic Pricing:

- a. AI tools dynamically adjust prices based on factors such as user behavior, real-time demand fluctuations, and perceived willingness to pay.
- b. While dynamic pricing can, in principle, optimise supply and demand, it also carries the risk of penalising low-income consumers or exploiting vulnerable individuals, creating unfair and discriminatory pricing structures.

Addressing the Challenges:

1. **Transparency and Disclosure:** Require clear disclosure when product descriptions or recommendations are generated by AI, allowing consumers to make informed decisions.
2. **Fairness and Accountability:** Implement measures to prevent AI algorithms from prioritising profit over consumer needs, ensuring that recommendations are unbiased and relevant.
3. **Ethical Pricing Practices:** Develop guidelines to prevent AI-driven dynamic pricing from exploiting vulnerable consumers or creating discriminatory pricing structures.

8.2. Blockchain-Based Commerce: Navigating the Uncharted Waters of Decentralised Transactions

Blockchain technology offers the potential to revolutionise e-commerce through secure, decentralised transactions, enhanced supply chain tracking, smart contracts, and tokenised ownership models. However, it also introduces new regulatory challenges, particularly in the areas of contract enforcement, fraud prevention, and consumer rights.

Key Challenges:

1. Lack of Legal Recourse in Smart Contracts:
 - a. Unlike traditional contracts, smart contracts execute automatically based on pre-defined conditions, offering limited opportunities for negotiation or human intervention.
 - b. When disputes arise (e.g., product defects, unmet service agreements, or refund claims), consumers may find themselves without the traditional legal remedies available in conventional commerce.
2. Irreversibility of Transactions and Increased Risk of Fraud:

- a. Once recorded on the blockchain, transactions are typically irreversible, making refunds, chargebacks, and other consumer protections difficult or impossible to implement.
 - b. Fraudulent sellers can exploit this characteristic by creating temporary storefronts, completing sales, and disappearing before consumer complaints can be addressed.
3. Consumer Protection Vacuum:
 - a. The decentralised nature of blockchain-based commerce creates uncertainty regarding liability and responsibility. Who is accountable if a smart contract malfunctions, a product is defective, or a seller engages in fraudulent activity?
 - b. Platforms may attempt to disclaim responsibility, leaving consumers without a clear legal remedy and undermining trust in the system.

Addressing the Challenges:

1. **Hybrid Contract Models:** Explore the integration of traditional legal frameworks with smart contracts to provide consumers with recourse in case of disputes.
2. **Escrow and Dispute Resolution Mechanisms:** Implement smart contract-based escrow systems to hold funds until delivery is confirmed and integrate decentralised dispute resolution mechanisms to facilitate fair and transparent settlements.
3. **Regulatory Clarity:** Develop clear legal and regulatory frameworks that define the rights and responsibilities of consumers, sellers, and platforms in blockchain-based commerce.

8.3. Social Commerce: Bridging the Gap Between Social Interaction and Consumer Protection

Social commerce, encompassing sales through platforms such as Instagram, Facebook Marketplace, and WhatsApp, blurs the lines between influencer marketing, peer-to-peer transactions, and direct brand sales. The informal nature of many social commerce transactions introduces heightened risks of fraud, misrepresentation, and unfair advertising practices.

Key Challenges:

1. **Lack of Seller Verification and Due Diligence:**
 - a. Unlike established e-commerce marketplaces, many social commerce transactions occur informally, with limited or no background checks on sellers.
 - b. Consumers face an increased risk of dealing with fraudulent, unreliable, or unqualified vendors.
2. **Influencer Accountability and Transparency:**
 - a. Influencers often endorse products without adequate testing or disclosure of their financial relationships, leading to potentially misleading claims and consumer harm.
 - b. The absence of clear liability when consumers purchase products based on influencer promotions creates a significant consumer protection gap.

3. Limited Consumer Redressal Mechanisms:

- a. Many social commerce transactions lack the formal dispute resolution mechanisms available on traditional e-commerce platforms, making refunds, returns, and other forms of redress inconsistent and difficult to obtain.
- b. Informal transactions may lack essential documentation, such as receipts, making it challenging for consumers to assert their rights and seek legal remedies.

Addressing the Challenges:

1. **Platform Responsibility:** Require social commerce platforms to implement seller verification processes, promote transparency regarding influencer relationships, and provide robust dispute resolution mechanisms.
2. **Influencer Accountability:** Develop guidelines for influencer marketing that mandate clear disclosure of sponsored content, prohibit misleading claims, and establish liability for false endorsements.
3. **Consumer Education and Awareness:** Educate consumers about the risks associated with social commerce and empower them with the tools and knowledge to make informed purchasing decisions.

By proactively addressing these emerging challenges, we can harness the transformative potential of AI, blockchain, and social commerce while safeguarding consumer interests and promoting a fair, ethical, and sustainable e-commerce ecosystem for all.

9. A Roadmap for Effective E-Commerce Self-Regulation in India

To ensure a fair, transparent, and sustainable e-commerce ecosystem, the following recommendations are proposed, addressing critical gaps in existing self-regulation guidelines. These recommendations emphasise consumer protection, accountability, algorithmic fairness, and environmental responsibility.

9.1. Strengthening Consumer Protection and Trust

9.1.1. Enhance Return and Refund Policies

1. **Mandate Standardised Return Timelines and Eligibility Criteria:** Require platforms to establish clear, standardised return timelines for all product categories, with prominently displayed refund eligibility criteria at the time of purchase. This reduces ambiguity and empowers consumers to make informed decisions. Specify minimum return windows based on product type, such as 30 days for electronics and clothing, and 15 days for consumable goods.

- a. **Global Comparisons:** Amazon offers category-specific return policies, balancing flexibility with standardisation (Barker, 2024).
2. **Ensure Refunds Include Original Shipping Costs:** Prevent platforms from shifting financial burdens onto consumers by requiring that refunds include original shipping costs, unless the return is due to buyer's remorse. Exclude instances where the consumer changed their mind but include instances where there was product error.
 - a. **Global Comparisons:** The EU requires a refund of shipping costs for defective products, but not for buyer's remorse (Copes, 2023).

9.1.2. Combat Misleading Discounts and AI-Driven Pricing

1. **Ban Artificial Price Inflation:** Prohibit platforms and sellers from artificially inflating prices to create the illusion of substantial discounts, a deceptive practice that undermines consumer trust. While the Consumer Protection Act, 2019 addresses unfair trade practices and misleading advertisements, the self-regulatory framework can complement these laws by providing specific guidelines tailored to the e-commerce sector.
 - a. **Global Comparisons:** The UK's Consumer Protection from Unfair Trading Regulations explicitly prohibits fake discounts, serving as a model for how self-regulation can work alongside statutory laws to enhance consumer protection (Conway, 2021). Similarly, this framework can fill gaps in existing legislation by addressing e-commerce-specific issues like algorithmic pricing and dynamic discounting.
2. **Require Transparency in Dynamic Pricing:** Mandate transparency in algorithm-driven price fluctuations, ensuring that consumers understand the factors influencing price changes and that pricing remains fair across all consumer segments. Require that the algorithm include pricing and ensure there are no excessive markups based on personal behavioural pricing data.
 - a. **Global Comparisons:** California's Price Gouging Law requires companies to justify price increases during emergencies and prohibits excessive markups based on consumer data profiling. (LA County, Consumer and Business, n.d.)

9.1.3. Regulate AI-Powered Product Recommendations

1. **Mandate Disclosure of Ranking Criteria:**
 - a. **Require Broad Explanation of AI Ranking Factors:** Platforms should be mandated to provide a clear, broad explanation of the criteria used to rank products in search results and recommendations, without requiring full disclosure of proprietary algorithms. This ensures transparency for consumers while protecting the intellectual property and competitive advantage of platforms. For example, platforms could disclose general factors such as "customer ratings," "relevance," "popularity," and "sponsorship status" without revealing the specific weightage or proprietary logic behind their algorithms.

- b. **Transparent Labelling of Sponsored Listings:** Platforms must clearly label sponsored listings as "promoted" or "sponsored" to distinguish them from organic search results. This ensures consumers are aware of paid promotions and can make informed decisions.
- c. **Global Comparisons:** The EU's Digital Markets Act mandates ranking transparency but protects proprietary algorithms, providing a balanced approach that India can emulate (Willige, 2023). By adopting a similar standard, India can align with global best practices while fostering a competitive e-commerce ecosystem.

2. Prioritise Consumer Relevance Over Platform Profit:

- a. **Implementation Through Standardised Guidelines:** The Bureau of Indian Standards (BIS) can develop a set of guidelines or standards to ensure AI-driven recommendations prioritise consumer relevance, quality, and suitability over platform profit motives. These standards could include:
 - i. **Prohibition of Manipulative Practices:** The guidelines should explicitly prohibit practices that prioritise platform profit over consumer benefit, such as promoting low-quality products due to higher profit margins or undisclosed partnerships.
 - ii. **Third-Party Audits:** Platforms could be required to undergo periodic audits by independent third parties to ensure compliance with these standards.
- b. **Incentivising Ethical AI Practices:** The framework could include incentives for platforms that adopt ethical AI practices, such as public recognition or certification from regulatory bodies.
- c. **Global Comparisons:** The US Federal Trade Commission (FTC) guidelines prohibit manipulative AI-driven product suggestions that prioritise platform profit over consumer benefit (Crowell, 2023). India's framework can draw inspiration from these guidelines while tailoring them to the local context.

9.1.4. Enhance Consumer Dispute Redressal

- 1. **Introduce Mandatory Arbitration Mechanisms:** Mandate the availability of impartial arbitration mechanisms for unresolved disputes, providing consumers with an accessible and cost-effective means of seeking redress.
 - a. **Consumer-First Arbitration Rules:** Implement consumer-first arbitration rules that allow consumers to opt for legal action if they believe the arbitration process or outcome is unfair. This ensures that arbitration remains a voluntary and equitable option, rather than a compulsory barrier to justice. Platforms must clearly communicate this right to consumers at the outset of the dispute resolution process.
 - b. **Global Comparisons:** The US Federal Arbitration Act allows arbitration but has faced criticism for favouring corporations (Legal Information Institute, n.d.).
- 2. **Prioritise Resolution for High-Value Transactions:** Ensure that refunds and resolutions for high-value transactions receive priority handling, reflecting the greater financial impact on

consumers. Define "high-value" as exceeding a specific threshold (e.g. \$500) or dynamically based on category (e.g. lower threshold for electronics vs. groceries), mandate resolution within a specific timeline (e.g. 7-14 business days), and set penalties for non-compliance.

- a. **Global Comparisons:** EU Consumer Protection Laws mandate faster resolution for high-value disputes but require clear penalties for non-compliance (European Commission, 2023).

9.2. Expanding Regulation to Cover Emerging E-Commerce Models

9.2.1. Expand Guidelines to Cover C2C Transactions

1. **Mandate Verified Seller Identities:** Require verified seller identities on C2C platforms, reducing anonymity and increasing accountability for fraudulent activities. Implement a tiered verification system, with higher levels of verification for sellers exceeding specific transaction thresholds.
 - a. **Global Comparisons:** China's Taobao requires real-name verification, reducing fraud (Lizhi, 2025).
2. **Require Escrow-Based Payments for High-Value Transactions:** Implement mandatory escrow-based payment systems for high-value consumer-to-consumer (C2C) transactions (e.g., ₹10,000 and above). Under this system, funds are held in escrow and released to the seller only after the buyer confirms satisfactory receipt of the product. This protects consumers from fraud, particularly in cases of non-delivery or misrepresented goods.
 - a. **Balancing Seller Cash Flow:** To address concerns about delayed payments impacting seller cash flow, the escrow requirement should apply only to high-value transactions, where the risk of fraud is greater. For lower-value transactions, alternative safeguards, such as platform-managed buyer protection programs, can be implemented.
 - b. **Global Comparisons:** Escrow systems are widely used in global e-commerce platforms, such as eBay's managed payments system, which provides buyer protection while ensuring timely payouts to sellers (Mukeri, 2025).

9.2.2. Introduce Social Commerce Regulations

1. **Enforce Clear Disclosure Rules for Influencer Promotions:** Enforce clear disclosure rules for influencer marketing, ensuring that sponsored endorsements are clearly labelled, and that consumers understand the commercial nature of the content. Require a standardised disclosure format for all sponsored content that is immediately visible to consumers.
 - a. **Global Comparisons:** The US Federal Trade Commission (FTC) mandates clear "#sponsored" tags (Laird, 2023).
2. **Make Influencers Partially Liable for Fraudulent Endorsements:** Introduce a tiered liability system for influencers to hold them partially accountable for fraudulent or misleading product endorsements. This system should incentivise influencers to conduct due diligence before

promoting products while ensuring fairness and proportionality in enforcement. Tiered Liability System:

- a. **First Offence:** A formal warning and mandatory training on advertising standards and consumer protection laws.
 - b. **Repeat Offence:** A monetary penalty proportional to the influencer's earnings from the endorsement and the severity of the harm caused to consumers.
 - c. **Severe or Repeated Violations:** Temporary suspension from endorsing products or, in extreme cases, permanent bans for deliberate or egregious misconduct.
3. **Balancing Accountability and Fairness:** This system ensures that influencers are held accountable for their endorsements without imposing undue burdens. It also recognises that influencers may not always have the expertise to identify fraudulent products, particularly in cases where brands intentionally mislead them.
- a. **Global Comparisons:** No country fully enforces influencer liability, but Germany fines misleading influencers (Riedenstein, 2024).

9.2.3. Develop a Legal Framework for Blockchain Transactions

1. Introduce Hybrid Smart Contracts:

- a. Implement "hybrid" smart contracts that combine the immutability and transparency of blockchain technology with the flexibility to address disputes or unforeseen circumstances. These contracts would allow for modifications under clearly defined conditions, ensuring consumer protection without undermining the trust and integrity of blockchain-based transactions.
- b. Conditions for Modifications:
 - i. **Mutual Agreement:** Both parties (buyer and seller) must agree to the modification, ensuring that changes are consensual and fair.
 - ii. **Dispute Resolution Mechanism:** Modifications can be authorised by a neutral third-party arbitrator or a regulatory body in cases where disputes arise, such as non-delivery, misrepresentation, or product defects.
 - iii. **Predefined Triggers:** Smart contracts can include predefined conditions (e.g., delivery delays, quality issues) that automatically trigger a review or modification process.
- c. **Legal Clarity and Oversight:** Establish clear legal guidelines on who can authorise modifications and under what circumstances. This ensures that the intervention process is transparent, fair, and consistent, preserving trust in blockchain immutability while addressing real-world complexities.
- d. **Global Comparisons:** The European Union's Blockchain Observatory and Forum has explored the concept of "oracles" and hybrid smart contracts to enable flexibility in blockchain transactions. Similarly, the UK's Legal Statement on Cryptoassets and Smart Contracts provides a legal framework for enforcing and modifying smart

contracts. India can draw on these global examples to develop a robust and consumer-friendly framework (Köpman, n.d.) .

2. **Establish a Blockchain Arbitration System:** Create a decentralised blockchain arbitration system that leverages the transparency and efficiency of blockchain technology to resolve consumer complaints. Independent third-party mediators, selected through a decentralised process, would oversee disputes, ensuring fair and timely outcomes.
 - a. **Alignment with Legal Due Process:** To address regulatory concerns and ensure compliance with Indian law, the blockchain arbitration system must operate within the framework of existing legal standards. Critical disputes, such as those involving significant financial harm or complex legal issues, should be subject to regulatory oversight. This ensures that the system is not misused and maintains public trust.
 - b. **Key Features of the System:**
 - i. **Transparency and Immutability:** All arbitration proceedings and outcomes would be recorded on the blockchain, ensuring transparency and preventing tampering.
 - ii. **Regulatory Oversight:** Regulatory bodies would have the authority to review and intervene in critical disputes, ensuring compliance with consumer protection laws and legal due process.
 - iii. **Decentralised Mediator Selection:** Mediators would be selected through a decentralised, consensus-based process, reducing the risk of bias and enhancing trust in the system.
 - c. **Global Comparisons:** Switzerland's Crypto Valley supports blockchain arbitration, with platforms like Kleros providing decentralised dispute resolution (Swiss Arbitration Association, 2022).

9.3. Ensuring Algorithmic Fairness and Transparency

9.3.1. Mandate AI-Generated Content Disclosures

1. **Explicitly Label AI-Generated Content:** Platforms must explicitly label AI-generated descriptions, images, and chat interactions to ensure consumers know when they are engaging with an AI, protecting buyers from misleading claims. Labelling should be required for content that is entirely or substantially generated by AI, such as AI-written product descriptions, AI-created images, or AI-powered customer service chatbots. Minor AI-powered edits, such as grammar corrections, spelling checks, or formatting adjustments, do not require disclosure. This ensures that the labelling requirement is focused on content that could influence consumer decisions.
 - a. **Global Comparisons:** EU mandates labelling of deepfakes but not all AI-generated content (European Parliament, 2023).

2. **Require AI-Generated Reviews and Testimonials To Be Identified:** Ensure that AI-generated reviews and testimonials are clearly identified to prevent manipulative marketing and ensure that consumers can distinguish authentic feedback from fabricated endorsements.

9.3.2. Introduce Fairness Standards for AI-Driven Pricing and Recommendations

1. **Disclose Ranking Criteria for AI-Powered Product Recommendations:** Mandate clear disclosure of ranking criteria for AI-powered product recommendations, ensuring transparency and consumer understanding of why certain products appear first.
 - a. **Global Comparisons:** The EU Digital Markets Act (DMA) mandates that platforms disclose the main parameters influencing ranking algorithms for search and recommendations (Cabral et al., 2021).
2. **Ensure Price Fluctuations Remain Within Defined Ethical Parameters:** Ensure that price fluctuations driven by AI remain within defined ethical parameters, prohibiting excessive markup manipulations based on behavioral data and preventing discriminatory pricing practices. Setting upper and lower limits on price changes and monitoring potential discriminatory practices through third party audits.
 - a. Key Measures:
 - i. Justification for Extreme Price Hikes: Platforms and sellers must provide clear, data-driven justifications for significant price increases (e.g., exceeding a predefined percentage threshold). This ensures transparency and accountability in pricing decisions.
 - ii. Prohibition of Discriminatory Pricing: AI algorithms must be designed to avoid discriminatory pricing practices, such as charging different prices to consumers based on personal data like location, browsing history, or demographics.
 - b. **Global Comparisons:** California has anti-price-gouging laws during emergencies (State of California Department of Justice, n.d.).

9.3.3. Encourage Third-Party AI Audits

1. **Require Independent Audits of AI Decision-Making Systems:** Mandate independent audits of AI decision-making systems to prevent algorithmic bias and ensure fairness in product visibility, pricing models, and other high-risk applications. Audit results should be published in a manner that balances transparency with the protection of proprietary information.
 - a. Risk-Based Auditing Approach:
 - i. High-Risk AI Systems: Mandatory, in-depth audits for high-risk AI applications, such as those involved in financial transactions, price discrimination, or significant consumer impact. These audits should be conducted regularly to ensure ongoing compliance with fairness and ethical standards.

- ii. **Lower-Risk AI Systems:** Periodic audits for lower-risk applications, such as AI-powered product recommendations or minor pricing adjustments. This approach reduces compliance costs while maintaining oversight.
- b. Provide a summarised, non-sensitive report that focuses on key fairness metrics, such as bias detection, pricing transparency, and algorithmic accountability. This ensures transparency without exposing sensitive business information.
- c. **Global Comparisons:**
 - i. The EU AI Act proposes mandatory audits for high-risk AI systems. (European Parliament, 2023)
 - ii. New York City law mandates audits for AI hiring tools to prevent discrimination. (Wellhub Editorial Team, n.d.)
 - iii. The US National Institute of Standards and Technology (NIST) proposes AI risk assessments but does not require full public disclosure (Information Technology Laboratory, n.d.).

9.4. Promoting Environmental Responsibility

9.4.1. Enforce Sustainable Packaging Norms

1. **Require Eco-Friendly Packaging:** Require e-commerce companies to use biodegradable, recyclable, or reusable packaging, reducing environmental impact and promoting sustainable practices. Incentivise use of biodegradable materials and reusable packaging through tax breaks or subsidies.
 - a. **Global Comparisons:** France taxes non-recyclable packaging to encourage sustainability (Dubois et al., n.d.).
2. **Introduce Eco-Friendly Fulfillment Incentives:** Introduce eco-friendly fulfillment incentives, such as carbon offset programmes for large-scale deliveries, encouraging companies to mitigate their environmental footprint. Implement a system to reward e-commerce platforms which offset carbon emissions for large-scale deliveries.
 - a. **Global Comparisons:** France's Climate and Resilience Law requires e-commerce platforms to offer carbon footprint transparency and tax benefits for sustainable logistics (Grantham Institute, n.d.).

9.4.2. Address E-Waste from Returns and Replacements

1. **Encourage "Repair and Resell" Programmes:** Encourage "repair and resell" programmes instead of default replacements, reducing e-waste and promoting a circular economy. Provide incentives for platforms that offer certified refurbished electronics for resale and provide repair services.
2. **Mandate Disclosure of Repairability and Lifespan:** Mandate disclosure of repairability and lifespan of products at the time of sale, empowering consumers to make informed decisions

about product longevity and sustainability. Establish a standardised rating system for product repairability and lifespan and make these factors apparent to consumers.

- a. **Global Comparisons:** EU's Right to Repair Law mandates repairability of electronics (Khalid, 2024).

9.5. Establishing Oversight and Enforcement

9.5.1. Establish a Central E-Commerce Enforcement Authority

1. **Create Oversight:** Instead of creating a new regulatory body, integrate oversight into existing agencies like the Competition Commission of India (CCI) for anti-competitive practices and the Central Consumer Protection Authority (CCPA) for consumer grievances. This approach minimises bureaucratic inefficiencies while leveraging existing expertise and enforcement mechanisms. Additionally, a dedicated e-commerce advisory council within these agencies can facilitate stakeholder engagement and ensure adaptability to evolving market dynamics.
 - a. **Global Comparisons:** The UK's CMA regulates digital markets, but enforcement is slow (Davis Polk, 2024).
2. **Implement a Tiered Penalty System:** Implement a tiered penalty system for platforms that violate self-regulation principles, ranging from warnings and fines to suspension of operations. Base the tiered penalty system on the severity and frequency of violations, with escalating consequences for repeat offenders.
 - a. **Global Comparisons:** GDPR (General Data Protection Regulation) in the EU imposes a tiered penalty system, with fines scaling based on the severity of violations, reaching up to 4% of global revenue for major infractions (Intersoft Consulting, n.d.).

9.5.2. Mandate Third-Party Audits for Compliance

1. **Require Annual Independent Audits:** Require annual independent audits of major e-commerce platforms to assess compliance with self-regulation principles and identify areas for improvement.
 - a. **Global Comparisons:** GDPR mandates annual audits for big tech firms.
2. **Publish Compliance Reports:** Publish compliance reports accessible to both regulators and consumers, promoting transparency and accountability.
 - a. **Global Comparisons:** The EU Digital Services Act (DSA) mandates annual transparency reports from digital platforms, detailing enforcement actions and algorithmic accountability (European Union, n.d.).

10. Conclusion

The E-Commerce Self-Regulation Guidelines represent a forward-thinking step toward standardising India's e-commerce sector, aligning with the nation's aspirations to become a global e-commerce powerhouse. By fostering agility, innovation, and industry-driven accountability, this model strikes a balance between regulatory oversight and market dynamism. The guidelines address critical issues such as transparency, consumer protection, and informed consent, which are essential for building consumer trust and fostering fair competition. If implemented effectively, these principles will enhance consumer confidence, promote fair competition, and create a thriving digital marketplace. Moreover, a well-regulated e-commerce ecosystem will fuel economic expansion, attract global investments, and position India as a leader in the next era of digital trade.

However, the guidelines also reveal critical gaps, particularly in enforcement, adaptability to emerging e-commerce models, and data security. To enhance their effectiveness, it is crucial to establish a robust enforcement mechanism, expand the scope to include emerging e-commerce models, and introduce stricter data security measures. Additionally, addressing ethical concerns related to AI-generated content and environmental sustainability will be vital for ensuring a fair and ethical e-commerce ecosystem. By setting a precedent for responsible digital commerce, India has the opportunity to become a global role model, demonstrating that self-regulation, when backed by effective oversight, can drive both growth and consumer protection in the digital economy.

The e-commerce sector in India is poised for exponential growth, but its success hinges on the ability to balance innovation with consumer protection and ethical practices. By addressing the gaps in the current self-regulation framework, India can create a more transparent, inclusive, and sustainable e-commerce ecosystem that benefits all stakeholders - consumers, businesses, and regulators alike. This holistic approach will not only strengthen India's position as a global e-commerce leader but also ensure that the digital economy grows in a way that is equitable, ethical, and future-ready.

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