



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

The Impact Of Data Privacy Concerns On Consumer Trust In E-Commerce Platform

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Abstract

Privacy and Security of the consumer data has become one of the most significant issue in this technological advancement era and this became one of the threat in the growth of E-commerce Platforms. The rapid technological changes advanced by online platforms, virtual assistance, artificial intelligence etc. are changing the way we shop online. This shift in E-commerce has increases the risk of privacy issue of the consumers. Therefore by understanding the consequences of privacy concerns and how it can be prevented can help provide an effective solution. This research paper investigates about the effects on data privacy concerns over Consumer Trust and examines the relationship between data privacy, trust and security concerns with the adoption of E-commerce Platform. The result shows that there has an immense influence on the consumer's trust regarding data privacy and security concerns while using E-commerce Platform.

Keywords: Data Privacy Concerns, Consumer Trust, E-commerce, Risk

Introduction

'The right to privacy is a fundamental human right, essential to dignity and freedom of all individual'. With the advancement of technological era has triggered revolutionary changes in our lives. The widespread use of internet, growth of mobile phones has emerged various kinds transformation in our lives. One of the most significant change is people are preferring to purchase things from E-commerce Platform rather than offline stores. Despite these preference, due to data privacy concerns many people are not able to trust on the E-commerce platform as those platforms are asking for the accurate personal information such as date of birth, personal mobile number ,home telephone number and most importantly credit card information etc. from the Consumers. In this way, E-commerce has become as either a threat or a nuisance for many consumers. The Supreme Court ruled that Right to Privacy is 'intrinsic to life and personal liberty' and is inherently protected under Article 21 and as a part of the freedoms guaranteed by Part III of the Constitution. Therefore, protecting consumers' privacy has become one of the most important factors.¹

Rapid advancement in the technological era and advancement in information technology enable companies to collect, gather and exchange consumer data that can be used more accurately in future marketing. A typical internet marketing does not focus on short term marketing goal rather it focuses on the long term marketing relationship with its consumers. And this strategy will only become possible when they have Consumers' personal information, buying patterns, preferences. That is why these platforms asks information from their

¹ The Constitution of India, 1950, s. Article 21.

consumers whether voluntarily or involuntarily. And from here the privacy concerns arises in the mind of the consumers because there are various offences are rapidly happening in this technological era using the advancement of technology negatively, such as the risk of junk mail, identity theft, credit card scams and various types of cybercrimes etc. In this way, data privacy concern among the consumers' has become a significant obstacle in the growth of E-commerce Platform.

Literature Review

For getting a transparent idea about privacy, firstly, I have to thoroughly go through the Constitution of India where Right to Privacy is granted under Article 21A² definite legal definition is not written anywhere still some legal experts tried to define privacy as a human right enjoyed by every human being by virtue of his or her existence. It depends on no instrument or charter. Privacy can also extend to other aspects including bodily integrity, personal autonomy, informational self-determination, protection from state surveillance, dignity, confidentiality, compelled speech and freedom to dissent or move or think.

The Supreme Court in a landmark judgement unanimously ruled that 'privacy is a fundamental right and that right to privacy is protected as an intrinsic part of the right to life and personal liberty, as a part of freedoms guaranteed by part III of the Constitution'³. The bench also ruled that right to privacy is not absolute, there has some reasonable restrictions.

Now this right to Privacy is getting infringed by the E-commerce platforms by breaching the consumers' data privacy and as a result Consumer Trust is reducing towards this platform. Trust is the most important thing believing on which consumers are purchasing things without touching, smelling or taking the feel of the product. E-commerce is a novel form of commercial activity which now implicating more uncertainty and risk compare to traditional shopping.

After all this evolving threats and risks regarding data protection, Digital Personal Data Protection Act, 2023 came into existence. Under this act, various important provisions are there for safeguarding the data privacy of the consumers in the E-commerce Platform.⁴

Research Methodology

1. Data Collection

This paper makes an attempt to study based on the secondary data sources from articles, journals, literature review and various working place and various web sites. The research structure is a descriptive one looking into the requirements of the objectives of the study⁵.

2. Factors influencing Consumer Trust in E-commerce Platforms: A Regression Analysis

Consumer trust is the most important construct that has been studying in E-commerce literature. Trust is a mental conduct when consumers are confused about purchasing from E-commerce platforms. The most common reason that consumers are not purchasing from the E-commerce Platform is lack of trust. Now there are certain factors based on which consumers trust on that particular E-commerce Platform⁶. Those factors are:

- **Commodity Fetishism:** Commodity Fetish is an idea that people assign to value goods based on their symbolic meaning rather than their actual usefulness or trust. This means that people often buy things not because they need them but because they believe that owning them will make them happier or more successful⁷.
- **Brand Value:** Brand value is the process of creating a unique identity for a product or service that distinguishes it from the other brands. Brands plays the most important role in case of Consumer Trust because they create a sense of loyalty and identity among consumers over the years. Most of the consumer purchase products only by the brand names. Who is the brand-ambassador of that particular brand or the concept of giving advertisement also build's an emotional connection with the consumer.⁸

² The Constitution of India, 1950, s. Article 21A.

³ The Constitution of India, 1950.

⁴ Digital Data Protection Act, 2023 (Act No. 22 of 2023).

⁵ Rina Arum Prastyanti and Ridhima Sharma, "Establishing Consumer Trust Through Data Protection Law as a Competitive Advantage in Indonesia and India" 4 Journal of Human Rights, Culture and Legal System 354-390.

⁶ Supra 5.

⁷ Ibid.

⁸ Ibid.

- **Security:** Maintaining consumer data privacy in the is a burning problem among all the E-commerce platforms. This has become the most rising threat for the E-commerce platforms. For that reason they have to take necessary security measures for gaining consumer trust.⁹
- **Service Quality:** E-commerce platform's service quality is also a vital factor regarding customer satisfaction and long term development. Service quality provides a crucial strategic advantage to uplift their service quality standards.¹⁰
- **Customer Satisfaction:** Satisfaction is a kind of feeling which is felt by the consumer after comparing perceived performance of a product against its expected performance. The product service has to be link with the consumers' expectation which indicates consumer satisfaction.¹¹
- **Mass Consumption:** Mass Consumption refers to an idea that a large number of people are purchasing the same goods or product from that particular E-commerce platform. This also helps in gaining consumers' trust in a broader way.¹²

The Impact of Data Breaches on Consumer Trust and Loyalty

In recent years digital transformation has reformed the business landscape. With the advancement of e-commerce, social media, mobile applications, cloud based services, organizations showing a complex web of digital channels to engage their customer. Consumer can only use these digital channels when they enter their personal data so that the platforms can show specific things to the specific consumer and in this way creating target consumer base. However, this thing has also created a new breed of challenges, most notably in the form of cyber threats and vulnerabilities. As business digitize their operations and expand their online presence, they are creating a huge treasure of customer data and sensitive information. This treasure data has become a prime target to the cybercriminals. As a result, data breaches which harms consumer's Right to privacy and they face a persuasive and costly menace, with high profile incidents making headlines with alarming regulatory. These breaches not only result in financial losses due to regulatory fines and legal consequences but also gave an long lasting impact to a company's reputation and consumer trust¹³.

Consumer trust is the most crucial thing in E-commerce platforms which can't be overlooked. Trust forms the bedrock of consumer relationships. On the basis of trust the E-commerce platform has built. When a consumer is sharing their personal information in the E-commerce platform, they are doing so with the expectation that their valuable data will be handled with utmost care and safeguard against any potential threats. A single data breach can break this trust leaving a trail of dissatisfaction towards the organization. Furthermore, this data breach not only affect the consumer financially but also mentally and emotionally. The Consumer will face stress, anxiety and a sense of violation. This mental and emotional suffering will diminish the willingness to trust E-commerce platforms again. In this digital era, the dissatisfied consumer through social media and online reviews, can raise their amplified voice to torn a brand image and dissuade potential consumer from engaging with E-commerce platform. Thus, the impact of data breaches on consumer trust will reflect far beyond the digital realm, outreach the very core of an organization's existence.

The Role of Data Protection Regulations in Enhancing Consumer Trust

The expansion of internet matches the accelerated pace of technological progress. Globalization has become considerably much more expedient for us after the commencement of internet. The information and technology age has entirely transformed consumer behavior, both positively and negatively. Information technology, communication and marketing have all undergone a substantial change. Information technology, communication and marketing have all undergone substantial development. Consumer comfort has also some risks. At present data security and privacy protection is a considerable challenge.

By enabling E-commerce platform to collect, transmit and utilize consumer data for providing them products according to their choice, price and brand created new revenue streams for business. But neglecting this huge

⁹ Ibid.

¹⁰ Ibid.

¹¹ Ibid.

¹² Supra 11.

¹³ Ruwan Bandara, MarioFernando, Shahriar Akter, et.al., "Springer" Privacy Concerns in E-Commerce: A Taxonomy and a Future Research Agenda.

amount of consumer data resulting various severe repercussions. Consumer trust is declining for this insufficient protection of their data.¹⁴

The co-relation between privacy and personal data protection is a legal matter which significantly affects the fundamental right, Right to Privacy enshrined under Article 21A¹⁵ under the Indian Constitution and engenders substantial disputes. For solving all these disputes on 11 August, 2023, the President of India formally enacted the “Digital Personal Data Protection Bill” following its approval from both the houses of the Indian Parliament. This enactment builds a very significant and dedicated legal framework in India, establishing a significant milestone. This Act is India’s first-ever privacy Act aimed at protecting the personal data of citizens. It talks about the importance of the Data Protection Board of India, its key provisions and the rights and duties of both the individuals and organizations.

In this extremely increasing digital era, the Digital Personal Data Protection Act, 2023¹⁶ is a requisite stride in safeguarding individual privacy rights and prompting responsible data management practices. This groundbreaking legislation acknowledges the crucial need of the consumer’s personal data protection and aims to narrate a balance between individual’s privacy rights and organization’s legitimate data processing needs.

The primary purpose of this Act is to regulate the processing of digital personal data and respect individual’s right to protect their data while recognizing the necessity of processing and using such data for lawful purposes. The language used in this Act is simple and straightforward ensuring easy to understand for all. Last but not the least, the Act aims to establish a uniform legal framework to ensure digital personal data protection in India. And in this way, this Act gains the trust of the consumer and successfully ensuring them to lawfully protect their personal data.

Consumer perceptions of Data Privacy and Security in E-commerce

E-commerce beside its own major advantages brings some disadvantages too. These days most of the E-commerce platform are not focusing on the privacy, security and trust concerns of the consumers’, which is highly essential for the ongoing relationship between the consumers’ and the E-commerce organization. According to Pavel Durov “Privacy is not for sale, and human rights should not be compromised out of fear or greed”. Every individual has a right to retain their own tax, medical and other sensitive and personalized information and other government related documents. And these documents can not be revealed by the hospitals, doctors, financial institution, business organization or government agencies to any irrelevant third parties. According to Gary Kovacs “Privacy is not an option, and it should not be the price we accept for just getting the Internet”. But in this highly technological era trading with the personal data has become a saleable commodity, resulting a threatening situation for the consumers’.

Security is defined as the protection of data against any accidental or incidental disclosure of any unauthorized third parties. Security relates to the information revealed online such as credit card, debit card and other financial related information for purchasing products and taking services from the E-commerce platform. Privacy refers to the right of every individual and organization to decide when, how and what amount of information about them should be transmitted to others.¹⁷

Factors Affecting Consumer Perceptions of Privacy and Security

Most consumers were having differentiated perceptions in relation to E-commerce platforms security and privacy. Some consumer get afraid of sharing their personal information because in case their personal information can be revealed and they are very much concerned about the privacy policies the E-commerce platform follows and how effectively it works. In case of security related issues, consumer get concern about their money which was involved in the transaction and also about the card details, who saved it for time saving or easy transaction. On the other hand, despite this privacy and security issues some consumers went for online

¹⁴ Supra 6.

¹⁵ Supra 2.

¹⁶ Supra 4.

¹⁷ Mohammad Falahat, Yan-Yin Lee, et.al., “A Model for Consumer Trust in E-Commerce” 24 Asian Academy of Management Journal, Vol. 24, Supp. 2, 93–109, 2019.

transactions. Based on the abovementioned perspective of the consumer I will discuss the various factors that affect the consumer perceptions towards privacy and security in E-commerce platform.¹⁸

- **Technology and Security-** Most of the consumer did not show much interest towards the security is using in E-commerce platforms. In the log on page, security measures are mentioned there, which consumer do not read thoroughly and they accept all the terms and conditions. Also many consumer thinks that they have nothing to do with it and in this way they became trapped.¹⁹
- **Security Measures-** The log on page is accepted by most of the people but after that while giving password, most consumer knowing that how much crucial it is, don't follow the standard password format. Some consumer use same password which he/she has already given in the other sites and some will use easy and short password to remember easily. In this way, it gets easier for the cybercriminals to breach the data.²⁰
- **Reputation-** The reputation of the organization can be judged by the way they provide service to their consumers and also by maintaining the security of the site. The privacy and security of a company is ensured with its policies and long term practices. To maintain good relationships with their consumer, the E-commerce organizations should respond to consumers' question through various online platforms like e-mails, message, phone calls etc. Along with this, mistakes made by the organization has to be corrected as soon as possible
- **Availability and Reliability of the E-commerce Platform-** The availability and reliability of the E-commerce platform is the most crucial factors which determines the performance of that particular E-commerce platform. If the site is down for too long then the consumer will face problems from getting their products on time and also in case of placing an order, which will create a bad impact in the consumers' mind and they will also be worried about the security of that platform.
- **Presentation of the E-commerce Platform-** In case of online purchasing, consumer are not able to touch the product or feel the product. Only by visible representation of the product, they purchase it. For that reason platform site presentation has to be significant, like it should include geographical symbols that is easily understandable. Keeping in mind that many people are not familiar with those geographical symbols, they should also accompany the appropriate text with the geographical symbol which would be easily understandable by the consumers.²¹

Conclusion and Recommendations: Enhancing Consumer Trust through Data Privacy and Security

Throughout this research, we have come to this journey to explore the impact of data privacy concerns on consumer trust and E-commerce platform. We have embarked on a journey to explore the relationship between data privacy concern and trust among the consumer of the E-commerce platform. According to the present research, the result suggests that privacy and security concerns and trust beliefs towards the E-commerce platform has a significant effect on risk perceptions. Among these effects trust plays a very crucial role and trust had the largest effect followed by privacy and security. Our research has revealed several implications that hold profound implications for the E-commerce platform. We revealed that trust of the consumer plays the most crucial role in E-commerce platform. We experienced that trust is the currency upon which consumer relationships are formed and maintaining trust is the most important factor in this E-commerce platform. We also established that the measure taken by that platform for maintaining the data of the consumer and consumer experience are undoubtedly interconnected. The level of data maintaining measures the E-commerce platform has taken, directly influences how consumer interacts with that site. Our exploration of data breaches and their consequences shows that even a single data breach can violate consumer privacy and break their trust and damage the overall consumer experience. The interconnection shows the urgency that the E-commerce platforms have to upgrade their data privacy measures as a foundational element of their consumer-centric strategies. Now the Digital personal Data Protection Act, 2023 also came into force and so many useful provisions are there for protecting the privacy of the consumer data. Also there have various useful provisions not only for the consumer but also for the organizations, Which they both have to follow strictly.

¹⁸ Jay P. Kesan and Carol M. Hayes, "A Comprehensive Empirical Study of Data Privacy, Trust, and Consumer Autonomy" 91 Indiana Law Journal.

¹⁹ Ibid.

²⁰ Ibid.

²¹ Supra 20.

Finally, we will look into some suggestions that can help building the trust of the consumer regarding their privacy towards the E-commerce platform. Those are:

- **Increasing Consumer Control over Privacy:** One of the major responsibilities of the E-commerce platform is to maintain the data privacy of the consumer. When they enter into any E-commerce site and intend to do any transaction, it is important for them to look at the privacy statements of that site. That's why the privacy statements must be written in a easy and everyone's understandable language. Consumer can also have the ability to control over the collection of their personal information. They should also get a clear cut idea about how their data has been used by the E-commerce Platform.
- **Prioritize Security Measures:** E-commerce platforms' must level up their security protocols to cope up with the rapidly growing technological threats and to maintain the privacy they also have to take effective measures accordingly.
- **Cultivate and Maintain Trust:** Consumer trust is the most crucial factor. That's why the E-commerce platforms has to take proactive measure to build and sustain it. Attestation by the third parties on the maintenance of security and privacy levels, may be help enhance the trust of the consumer, rather than issued by the own agencies of E-commerce portal managements. Also the seal of the approval can be treated as a co-branding strategy of a web-based E-commerce portal aligning with the trusted third party which ultimately help in gaining consumer trust and confidence.
- **Ethical Data Practices:** The E-commerce platform's should collect data from the consumer responsibly and they have to use it only for business purpose. Compliance with data privacy regulation is non-negotiable.
- **Spreading Awareness:** The E-commerce platforms should take the responsibility to educate their consumer about the privacy measures of that platform along with how to protect their personal information.
- **Competitive Advantage Through Stronger Privacy Protection:** E-commerce platform should not underestimate the value of consumer data privacy as a competitive differentiator. They need to increase their efforts towards privacy concerns according to the advancement of technology. Highlighting privacy measures they can attract and retain consumers who prioritize privacy and safety at first and for most choice.
- **Comply with the Provisions of The Digital Personal Data Protection Act, 2023:** Most importantly the consumer and the E-commerce platform has to maintain the provisions of this Act strictly. If any of them does not comply with the provisions then they have to face legal consequences.

Limitation and Future Research Direction:

As we are concluding this study, it is important to analyze that the data privacy concerns in consumer trust in E-commerce platform will continue to evolve. We recognize a number of limitations in our study. This research is based on the secondary data sources and there is no primary data sources. This research made a key contribution for theory development. By going through this research consumer will get a clear cut idea about the inner thoughts of the consumer and what are the needful measures they have to take for gaining the trust of the consumer and how they can successfully implement those measures in their system. Along with this the consumer will get an idea about the whole thing. This research is also elaborately not focused on the keen technological matters which is necessary for protecting consumer data safely.

There are several avenues for future research that can further enhance our understanding and show a path to the E-commerce platform in adapting these changes:

- **Technological Advancement:** Research about the emerging technologies in these technological advancement era like AI, Blockchain etc. and how these technologies can be used for enhancing security and privacy of the consumer is a promising area of exploration.
- **Cross-Organization Comparisons:** Comparative study between how various E-commerce platform handling these data privacy concern among the consumers can provide valuable insights which will help how these platform handle these challenges can foster innovation.
- **Survey based Research:** Various kinds of survey can be conducted among the consumer for exploring consumer knowledge about how digital data is collected and their opinion about the collection of their personal data and how these data are being used can be another promising area of exploration.

The impact of data privacy concerns on consumer trust in E-commerce platforms is a dynamic field which asks for continuous attention and adaptation. By observing the implications of these research and exploring future directions the E-commerce platforms can better navigate this complex scenario while providing their consumer with secure privacy protections and satisfying digital interactions.

