

# SUSTAINABLE ETHICAL ECOSYSTEM FOR E-COMMERCE NETWORKS

Kiranmai J.\*, R. K. Mishra\*\*

**Abstract** Ethics in management refers to the principles and values that guide decision-making and behaviour in organisations. It involves considering the moral implications of actions, policies and decisions and ensuring that they align with societal and organisational norms and values. Ethics are principles of life and business is run by people. The paper aims to investigate the various factors influencing consumer trust and privacy on e-commerce system and identify different ethical factors that affect consumer perceptions towards e-commerce adoption. The paper further highlights on the various aspects that enhance deeper understanding on values, trust and ethics for business sustainability while providing fair trade and sourcing for citizens and stakeholders. In this process, the article tries to study the meaning, need for ethical code in business, Indian ethos and ethical values, effective ethical practices, emergence of global e-commerce business, legal framework, etc., and provide conclusions.

**Keywords** Ethics, Ecosystem, E-Commerce

## INTRODUCTION

In the 21<sup>st</sup> century, e-commerce has grown in importance as a part of customers' daily lives. In recent years, e-commerce has expanded its range of services, and customers have embraced these new offerings into their daily routines. Consumer trust in e-commerce is an example of an ethical challenge that combines technology with personal, community and social factors. Customers who are both horizontally individualistic and collectivist are more likely to be conscious of the ethics of e-sellers. Customers are more likely to make repeat purchases for the retailers when they have a positive opinion of the ethics of those vendors (Lu et al., 2015).

An e-commerce is short for Electronic Commerce. It refers to the activity of buying and selling products or services over the internet. With the help of the internet, people can buy and sell virtually everything, like books, electronics, apparel, software, furniture, etc. E-commerce provides a platform for people to buy or sell whatever they want, whenever they want.

Brick-and-mortar stores dominated the market before the advent of e-commerce. Retail establishments that have at least one physical presence are known as brick and mortar stores. The customer and the seller must engage in active,

face-to-face communication when purchasing and selling products. Although it is still present, e-commerce is rapidly displacing traditional brick-and-mortar commerce. From an evolutionary perspective, the majority of physical establishments are evolving into online retailers. Hence necessitating the creation of an online presence and the online transfer of essential company functions.

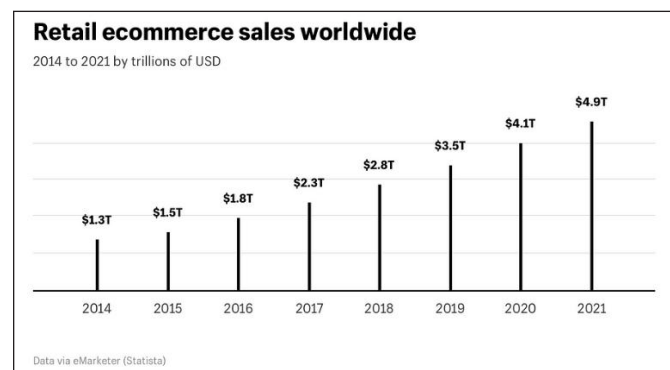
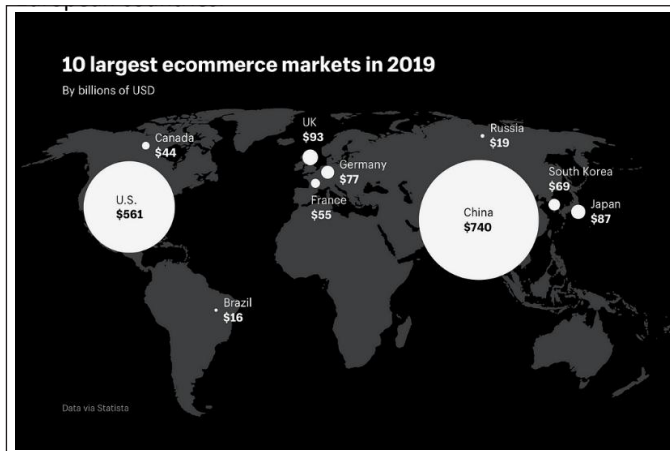


Fig. 1

The figure depicts the top ten largest e-commerce markets in 2019. China stands first with a business of \$ 740 billion, USA \$ 561 billion, UK \$ 93billion, Japan \$ 87 billion and other European countries.

\* Assistant Professor, Institute of Public Enterprise, OU Campus, Hyderabad, Telangana, India. Email: kiranmai@ipeindia.org

\*\* President, Management and Social Science Research Center, Hyderabad, Telangana, India.  
Email: ramkumarmishra@gmail.com



Source: <https://www.business.com/articles/10-of-the-largest-e-commerce-markets-in-the-world-b/>

**Fig. 2**

After the Internet revolution, the accessibility of mobile has increased leading to increase in online business opportunities. Thus, many people were benefited from the majority of online services, including e-commerce. Currently, e-commerce has become mainstream in people's daily lives with profound benefits. The increased digital payments have also supported the growth of the market. As of now, about 22% of the world shops online. The retail e-commerce sales have reached \$5 trillion in 2021.

## Trends in E-Commerce Market in the Year 2023

The following are the major trends in e-commerce that attracted potential market share. The technology and growth in business has the opportunity grow as the business has established in this domain and the technology has been fuelled with virtual reality. In this process, ethical codes among businesses along with the codes is important. The following are the major trends that were identified in e-commerce in the present times.

*Technology and Business Growth:* India has changed over the past few years and embraced technology widely. Our technologically advanced world is demonstrated by the rapid advancements in devices, software, and virtual reality. In just a few years, we have gone from having no internet to having 5G. Technology is driving a modern corporate transformation that could be the foundation of contemporary shopping. One technology that can revitalize e-commerce companies is virtual reality (VR). It is one of the developments that is expected to draw more users to e-commerce platform investments.

*E-Commerce Growth via Social Media:* The future of buying and selling products and services is social media. It has the potential to emerge as one of the primary and exclusive places where consumers purchase in the near future. Through social commerce, social media platforms act as a digital storefront for brands, enabling users to complete their whole shopping journey—from product discovery and research to payment—all on the platform. Businesses can make a ton of money with this e-commerce trend in the upcoming years if social media apps have flawless functionality, like rating, user reviews, and suggestion systems.

*Showrooming:* Purchasing online or off, a customer's contentment is paramount. Additionally, companies can create experience stores where customers can come to view things before making an online purchase in order to foster the growth of e-commerce. The customer brand may get linked as a result of this e-commerce trend, and visual convenience will reach its pinnacle. It is advantageous because, after visiting the showrooms or stores, buyers can take advantage of discounts and have faith in the services provided by the business platform.

*Shop Online and Collect Offline:* This e-commerce trend has been present in the industry for some time. Another advantage for customers who use the click-and-collect service is that there are rarely or never any additional delivery fees. Companies gain from improved customer service, extra product sales, and efficient return management. Businesses can witness incredible growth in the e-commerce market and smooth purchase as a result of this trend.

*Quick Deliveries:* According to quick e-commerce, customers can anticipate receiving their orders for goods within six hours or a day. This trend has the potential to position India among the top e-commerce markets, alongside other developing nations like China, etc. E-commerce businesses might develop overall by receiving more orders as a result of quick deliveries. One of the most important factors in driving online business growth is optimising ease. If an e-commerce company's logistics are faster than those of its competitors, this trend has the potential to boost the company's reputation.

It is foreseen that with these trends, Indian e-commerce is anchored to get highlighted in the media positively and grow swiftly.

## Importance of Ethics in E-Commerce

The growing global reach and impact of enterprises, along with India's growing economy, have made ethics in business an increasingly crucial problem. In order to uphold stakeholder trust and encourage ethical behaviour,

Indian firms encounter a distinct mix of opportunities and problems. Among the difficulties corporations encounter in not implementing ethics are:

- *Corruption:* Bribery, kickbacks and fraud are examples of unethical business practises that continue to erode the trust of the business community in India, where corruption is still a major problem.
- *Regulation:* It's challenging to create a clear ethical framework in India because the regulatory landscape is still developing, and businesses frequently have to deal with conflicting expectations from various agencies.
- *Cultural Variations:* India is a multicultural and culturally rich nation, and as such, there may be big variations in the ethical standards and attitudes of various areas and groups.

After overcoming these obstacles, a large number of corporations have made great strides towards encouraging moral behavior and creating an ethical culture. These include creating codes of conduct and ethics, offering ethics education, promoting accountability and transparency, putting anti-corruption mechanisms into place and periodically adhering completely to the law.

The business plays a pivotal role in promoting ethical behavior and building a culture of ethics that benefits not only the companies themselves, but also their employees, customers and the wider society. E-commerce revolves around data. That's because this collected information explains how customers shop, what they look for in an online experience and any potential pain points involved in the process. The following are important reasons for the increased e-commerce business:

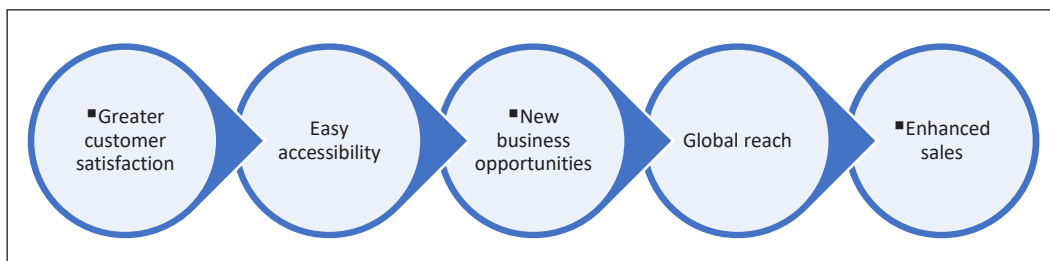


Fig. 3

The term “ethical e-commerce” describes the constructive changes made in response to problems with greenwashing, marketing manipulation and unsustainable business practises. A movement known as ethical commerce seeks to return humans to the centre of trade. In situations where companies are struggling to persuade customers to purchase their goods regardless of need, ethical commerce takes into account the “who,” “what” and most crucially, “why” behind product sales. It seeks to comprehend and serve customers by giving them memorable, positive experiences while keeping in mind how increasing corporate efficiency can benefit both the environment and the final customer.

According to research, 66% of consumers are prepared to pay extra for environmentally friendly items, and 70% of consumers desire to consume more responsibly. People still want to shop, but they are becoming more and more concerned with how their purchases may affect the environment and other people. Green business practises, person-first policies and sustainability are the three pillars of ethical commerce. By using different strategies, companies in the e-commerce industry can become more informed and begin to go forward in this field.

## Effective Ethical Management Practices

Establishing trust with stakeholders, boosting staff morale and enhancing the organisation's reputation are all possible with ethical management practises. However, a lack of ethics in management can have detrimental effects on the organisation's reputation in addition to causing a loss of confidence and legal repercussions. In addition to delving deeply into environmental, social and economic challenges, ethics also serves as a counterbalance for societal change. The essential characteristics or traits that characterise moral behaviour and decision-making are known as the characteristics of ethics. Universality, objectivity, morality, consistency, accountability, impartiality and the ability to adjust in the face of new information or changing conditions are some shared traits of ethics.

These qualities aid in characterising ethics and offer a foundation for moral decision-making. Individuals and organisations can make moral decisions that align with their beliefs and advance the welfare of others by comprehending and putting these concepts into practise.

## Ethical Dimensions for Business Decision-Making

The ethical standards and ideals that direct people's and organisations' conduct in the business sector are referred to as business ethics. Decisions and actions in domains including marketing, finance, operations and human resources are guided by these concepts. Honesty and integrity, justice and fairness, accountability and duty, respect for others, confidentiality and stakeholder data privacy are a few fundamental business ethics concepts. The idea of ethics pertains to both business and individual work and social lives. The ethical conduct of societies is characterised by the integration of good aspects in both personal and professional domains. Sensitivity to ethical issues is necessary for making moral decisions. The ethical dilemma is self-inflicted that rise due to contradictions among one and other, moral perceptions and imperatives, conflicts and ideologies, differences in value systems and diversity. The individuals should make decision on what is right and wrong for self and for organisation.

To uphold moral standards and stay out of trouble with the law, corporations are expected to follow certain laws and regulations. Furthermore, a lot of organisations have their own codes of ethics that provide further standards for moral conduct on top of what the law mandates. Trust and ethics are the two key components of a successful business deal. It seeks to identify pertinent trust-related elements and develop an understanding of how these affect prospective buyers' decisions to engage with vendors. The influence of trust is highly significant for e-commerce customers. More business transactions result from higher levels of trust (Bhattacharjee, 2002). While causes of unpleasant occurrences have a negative influence on consumer mind, strategies to uphold trust are beneficial in creating a good frame of mind among consumers (Chen et al., 2013). Increased internet traffic and the complexity of companies in tracking the traffic have made privacy a vital issue in e-commerce. This has influenced a number of studies addressing internet privacy from the context of customers, companies and governments as well as the interactions among them.

The laws and rules that control moral behaviour in organisations are referred to as the legal framework of ethics. Depending on the nation and jurisdiction, these rules and regulations may cover a variety of topics, including labour laws, consumer protection, anti-corruption legislation, discrimination laws, data privacy and environmental protection laws.

### Case 1 : Amazon Global E-Commerce Success Story

The worldwide e-commerce behemoth Amazon started a digital transformation path that completely changed the retail sector. Amazon revolutionised online purchasing by utilising technology, data analytics and artificial intelligence. By introducing services like tailored suggestions, quick delivery and one-click ordering, they raised the bar for customer convenience. Furthermore, Amazon used sophisticated algorithms to optimize its logistics network, resulting in effective inventory control and quick order fulfilment.

Amazon's digital revolution has transformed logistics and e-commerce, but it also brings up moral questions. The business is under investigation for its labor policies, data privacy, and the environmental effects of its delivery operations. For Amazon, striking a balance between efficiency and convenience and moral obligations is a constant problem.

## GROWTH OF E-COMMERCE IN INDIA

In recent years, smartphone and internet usage has increased significantly in India. The "Digital India" campaign played a major role in the 830 million internet connections that existed in 2021. 97% of all internet connections were wireless, and 55% of all connections were made in urban areas. Additionally, the number of smartphones has increased significantly; by 2026, One billion are expected to be in use. This has helped India's digital economy, which is expected to reach \$1 trillion USD in value by 2030. The rapid rise in internet users and smartphone use, coupled with rising affluence, has contributed to the growth of India's e-commerce sector. India's e-commerce sector has transformed the nation's business practises and created new opportunities for direct-to-consumer, consumer-to-business and consumer-to-consumer transactions. The e-commerce sector in India has transformed the nation's business practises and created new avenues for business-to-business (B2B), direct-to-consumer (D2C), consumer-to-business (C2B) and consumer-to-consumer (C2C) transactions. Important markets have experienced tremendous growth in recent years, including D2C and B2B. The D2C market in India is expected to reach US\$60 billion by FY27. The e-commerce market is expected to expand from 46.2 US dollars to 188 US dollars in 2025 and US\$ 350 billion by 2030, as shown in Chart 1.



Source: <https://www.ibef.org/industry/e-commerce>

**Fig. 4**

India's social commerce market might reach US\$ 16–20 billion by FY25, with a 55–60% compound annual growth rate. It is projected that the e-commerce market in India will grow from US\$ 111 billion in 2024 to US\$ 200 billion in 2026. In the last three years, India has added 125 million online buyers, and by 2025, 80 million more are anticipated. By 2030, the goal of India's business-to-business (B2B) internet marketplace is to reach US\$ 200 billion. India's market is expanding at a rapid rate thanks to a number of government policy assistance measures. The government permitted 100% FDI in business-to-business e-commerce. This indicates that a system of automatic routing has been developed to reach and market. This has contributed to the rise in investments in this industry.

### Case Study 2: Ethical Code of Conduct: Netflix

Originally a DVD rental service, Netflix revolutionised the way people consume entertainment by realising the possibilities of digital streaming. Netflix made the switch from physical media to a streaming service that requires a membership through a calculated digital makeover. Netflix changed content suggestions by utilising machine learning algorithms and data analytics, offering millions of users worldwide individualised viewing experiences. Due to this upheaval, the entertainment sector was forced to reconsider established broadcast and cable television business structures. The digital revolution that Netflix has brought about in the entertainment sector creates moral concerns around content filtering and data protection. Discussions over user activity tracking and privacy rights are sparked by the company's use of data analytics to personalize suggestions. For Netflix, maintaining openness and protecting user privacy are essential moral issues.

### Ethical Code of Conduct of Netflix

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Full, fair, accurate, timely and understandable disclosure in reports and documents that a registrant files with, or submits to, the Securities and Exchange Commission and in other public communications made by the Company;
- Compliance with applicable governmental laws, rules and regulations;
- The prompt internal reporting to an appropriate person or persons identified in this Code of violations of this Code; and
- Accountability for adherence to this Code.

Source: [http://q4live.s22.clientfiles.s3-website-us-east-1.amazonaws.com/959853165/files/doc\\_downloads/governance\\_docs/73.pdf](http://q4live.s22.clientfiles.s3-website-us-east-1.amazonaws.com/959853165/files/doc_downloads/governance_docs/73.pdf)

### Indian Ethos and Ethics

India's rich cultural and spiritual legacy is the foundation of its ethos and ethics. India has a rich history of moral and philosophical thought, and the ethical framework of the nation is still shaped by its customs and beliefs. Among the fundamental tenets of Indian ethos and ethics are:

- *Dharmic Principles*: A key component of Indian ethos is the idea of dharma, which refers to a person's moral and ethical duties. Every person has a dharma that is defined by their caste, stage of life and gender. Upholding one's dharma is seen as a moral duty.
- *Ahimsa*: A fundamental component of Indian ethos is the idea of non-violence, or ahimsa. Respect for elders: Indian culture places a strong emphasis on respect for elders, who are seen as sources of wisdom and guidance. This respect is reflected in the importance placed on filial piety, or the duty of children to honor and obey their parents.
- *Hospitality*: Indian culture is known for its hospitality, and the tradition of welcoming guests and treating them with generosity and respect is considered an important aspect of ethical behavior.
- *Family Values*: Family is a central aspect of Indian ethos, and the values of loyalty, duty and respect for elders are considered important for maintaining family harmony.

## Financial Dimension towards E-Commerce

The financial aspect of e-commerce is particularly important since it helps businesses integrate their financial systems to manage revenues and sales as well as monitor daily sales and do regular financial checks. E-commerce facilitates the management of financial transactions by integrating secure payment gateways, controlling various payment methods and guaranteeing precise transaction documentation in financial systems. The company finds it simple to comply with tax laws. Financial aspects include monitoring and controlling taxes for the company as well as clients according to local tax regulations. E-commerce facilitates the analysis and classification of these costs for improved financial planning. E-commerce businesses must pay for marketing, inventory, shipping and other operating expenditures.

Financial reports for e-commerce businesses must be timely and reliable. Reports that offer insights into profitability, key performance indicators (KPIs) and other financial metrics are made easier with the use of financial dimensions. Handling chargebacks presents a significant difficulty for small businesses, as it can have an effect on their financial stability. Chargebacks can be effectively tracked and resolved with the aid of financial dimensions. Ensuring the security of financial transactions requires both data security and compliance. To safeguard sensitive financial data, this entails putting encryption and other security measures in place. Companies that manage the financial sector are required to adhere to ethical standards at all levels.

### Exhibit 1: Code of Consumer Ethics of E-Commerce of a Global B2B Company

#### *Purpose and Scope*

- The Code sets out the general principles and sets out the minimum rules of professional ethics and ethical conduct that must be observed by consumers towards businesses.
- It applies to transactions in the context of contracts for the sale of goods or services concluded between consumers and suppliers for remuneration entirely online, ie by electronic means remotely without the need for the simultaneous physical presence of both parties (B2C transactions).

- The Code refers to rules of self-regulation of companies operating in e-commerce aimed at consumers and is in force without prejudice to EU and Greek legislation on e-commerce and consumer protection, which in no case replaces.

Source: <https://freestyle.com.gr/en/code-of-consumer-ethics-of-e-commerce/#:~:text=Businesses%20shall%20ensure%20that%20the,provisions%20of%20data%20protection%20law.>

## Sustainable E-Commerce

Sustainable e-commerce is on the rise. Adopting practices that minimise harmful impacts on the environment can benefit businesses, as well as inject growth into your brand awareness. It's also important to note that the trend toward more sustainable e-commerce is on the rise. How this is playing out in practice differs across companies – but it can involve redesigning business models, transportation, logistics and packaging.

Shipping solutions that are friendly to the environment are quite popular with customers. Shipping companies DHL Go Green, DPD Total Zero and GLS Think Green are already leading the way in this area. Reducing, reusing and recycling are key components of a growing consumer trend that emphasises sustainable and eco-friendly packaging. Less packaging is preferable. Still, a lot of online retailers use single-use plastics to overpack their sent goods, which is unnecessary. Each and every one of these packaging materials ends up in a landfill, or worse, in streams or other sensitive environments. Many conscientious corporations are promoting ethical business practises by adhering to the People First, Not Profit First principle. Therefore, e-commerce businesses struggle with ambivalence while one half spearheads the ethical trend and the other half stands by and waits for the revolution. It is crucial for companies to prioritise the user, often known as the consumer. However, e-commerce has an impact on a larger network of individuals than just those who purchase items. According to studies, 40% of claims made by “green businesses” are false. Greenwashing is the practise of making exaggerated claims about how ethically their business practises are run or making statements for which there is insufficient supporting data. Regrettably, greenwashing is also growing more prevalent as a result of growing customer demand and the movement towards ethical company practises. How then do you spot greenwashing when it occurs? A few warning signs include generalisations about sustainability without providing details, depending on packaging techniques to

convey the image of a moral brand (such as using blue and green colours and images of animals and the environment), and using phrases that are not subject to legal restrictions (such as “natural” processes).

Sustainable business practices, which rely on decision-making based on defined company values; a People-first policy that prioritises the support, care and attention of people over profit margins in both direct and indirect forms; Green business strategies involve communicating actions, proof and progress milestones in a transparent manner to foster community, trust and brand value.

The Indian e-commerce market is rapidly evolving as one of the most vibrant sectors in the country. India’s young demographic profile, increasing internet and smartphone penetration, a growing consumer base, budding start-up ecosystem, rising investments in the e-commerce sector are a few of the driving forces behind the boom in the sector. Additionally, Government initiatives such as Digital India and a favourable FDI policy are also contributing to the rapid growth of the sector. Indian e-commerce had recorded a compound annual growth rate (CAGR) of 25% between 2016 and 2019 to reach a market size of INR 2.9 trillion. The pace is expected to grow over the next three years as India is projected to overtake the US as the second largest e-commerce market by 2026.

## CONCLUSION

In summary, the movement towards ethical business practices is not going away, despite how quickly it is growing. However, consumers are now more adept at telling who is sincere and who is not, even though in the past it was easy to trick audiences into believing greenwashing techniques. Businesses don’t have to choose between profit and ethics when they prepare ahead. If planning and implementation are well-thought-out and supported, the two can still work together.

Investing in ethical e-commerce is an investment in the future of your company, the future of your workers and the future of the environment. Nobody anticipates an instant success. However, they do demand sincere efforts and positive moves in the right direction.

E-commerce is heavily reliant on ethics, which affect many facets of company operations, customer interactions and general industry norms. Truthfulness and openness in their interactions with clients are given top priority by ethical e-commerce companies. The unique nature of an e-commerce transaction necessitates the need for a consumer protection framework specific to the sector. While there is an

existing consumer protection framework in place as per the Consumer Protection Act 1986 (Consumer Protection Act, 1986), there is a need for a framework that is applicable industrywide, as consumer and business interests cannot be compartmentalised. A flexible policy framework must be adopted where new business models can evolve, fair trade is promoted and a level playing field for e-commerce is created.

Building trust requires truthful marketing, transparent pricing and precise product information. The smooth and safe functioning of internet enterprises depends on the integration of financial and e-commerce aspects. In order to guarantee compliance, maximise performance and assist in making strategic decisions, it entails monitoring and controlling a variety of financial factors. One of the most important ethical considerations is respecting and preserving consumer data. E-commerce companies need to take reasonable care with sensitive personal and financial data, according to data protection regulations and putting strong security measures in place. Pricing goods and services fairly and competitively is a key component of ethical e-commerce. Pricing tricks and price gouging are examples of unethical practices. E-commerce companies should compete fairly, abstaining from strategies that hurt rivals or distort markets. An atmosphere of healthy competition is fostered by ethical behavior in business. Ethical online retailers make certain that the goods they offer are true to their descriptions and uphold high standards of quality. It is unethical to mislead buyers about the features or quality of a product. Exceptional customer service is a moral requirement. Ensuring a pleasant customer experience involves swiftly responding to client requests, resolving problems and enabling returns or refunds. Ethical online retailers adhere to national and international legal regulations. This covers adherence to data protection rules, consumer protection laws and other pertinent laws. A key component of ethical e-commerce is taking local communities’ effects into account when conducting business. This entails being a responsible corporate citizen, sponsoring neighbourhood projects and giving to social causes. Businesses that practice ethical e-commerce aim to ensure that their goods and services are usable by a wide range of clients, including those with disabilities. Openness in consumer databases and financial management. This involves allowing for different client needs and maintaining accessible websites. E-commerce companies may improve their reputation, foster trust and support the long-term viability of the sector by giving ethical issues top priority in these areas. Customers gain from ethical behaviours, but they also foster a positive, sustainable and responsible business environment.

## REFERENCES

- Bhattacharjee, A. (2002). Individual trust in online firms: Scale development and initial test. *Journal of Management Information Systems*, 19(1), 211-241.
- Chen, M. Y., & Teng, C. I. (2013). A comprehensive model of the effects of online store image on purchase intention in an e-commerce environment. *Electronic Commerce Research*, 13, 1-23.
- <https://retail.economictimes.indiatimes.com/news/e-commerce/e-tailing/2023-a-peek-into-indias-evolving-e-commerce-market/96684905>
- Kracher, B., & Corritore, C. L. (2004). Is there a special e-commerce ethics? *Business Ethics Quarterly*, 14(1), 71-94.
- Lu, Q., & Liu, N. (2015). Effects of e-commerce channel entry in a two-echelon supply chain: A comparative analysis of single-and dual-channel distribution systems. *International Journal of Production Economics*, 165, 100-111.
- Purwaningsih, P. M., Siwiyanti, L., & Nursiva, H. (2022). The importance of applying business ethics in e-commerce. *Nusantara Science and Technology Proceedings*, 38-46.
- Sharma, G., & Lijuan, W. (2014). Ethical perspectives on e-commerce: An empirical investigation. *Internet Research*, 24(4), 414-435.
- The Consumer Protection Act, 2019, NO. 35 OF 2019, Ministry of Law and Justice, Government of India.