

ACCOUNTING AND LEGAL ISSUES OF E-COMMERCE IN CORPORATE SECTOR

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ABSTRACT

Electronic commerce is a powerful concept and process that has fundamentally changed the current of human life. Electronic commerce is one of the main criteria of revolution of Information Technology and communication in the field of economy. This style of trading due to the enormous benefits for human has spread rapidly.

E-commerce initiated during the 1970's. It provides multiple benefits to the consumers in form of availability of goods at lower cost, wider choice and saves time. The general category of e-commerce can be broken down into two parts: E- merchandise: E-finance. It involves conducting business using modern communication instruments: telephone, fax, e-payment, money transfer systems, e-data interchange and the Internet. Online businesses like financial services, travel, entertainment, and groceries are all likely to grow. Forces influencing the distribution of global e-commerce and its forms include economic factors, political factors, cultural factors and supranational institutions. It raises key challenges that are being faced by consumers relating to e-commerce viz., Ethical issues, Perceptions of risk in e-service encounters, challenges for e-commerce education.

Electronic commerce, or e-commerce, which exactly means business trading through the Internet, has been around the globe since mid-90s. However, until the recent few years, e-commerce is getting more and more attention from entrepreneur and consumers, both local and international. One of the main reasons is due to the highly successful operations of some well-known names on the Internet, such as eBay, Yahoo and Dell. The sales revenue these companies show in their annual reports are without doubt, one of the biggest factors why e-commerce is important in the commercial market nowadays

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Keywords- e-commerce, legal issues, e-payment, e-finance, internet, e-business and e-technology

INTRODUCTION:

Internet fraud and its sophistication have grown even faster than the Internet itself. There is a chance of a crime over the internet when buyers and sellers do not know each other and cannot even see each other. During the first few years of e-commerce, the public witnessed many frauds committed over the internet. With the globalization trends all over the world it is difficult for any nation big or small, developed or developing, to remain isolated from what is happening around. Financial sector in general and banking industry in particular is the largest spender and beneficiary from information technology. Furthermore, when electronic contracts involve parties in different countries, questions arise in terms of which country's law applies, if the transaction is subject to taxation, if the contract is legally enforceable, what dispute resolution form applies, and so on.

Researcher describe in detail about legal issues in Accounting & E-commerce/ E- Banking. Researcher describes at first about E-Commerce/E-Banking and thereafter legal issues in Accounting & E-commerce. In recent years, the banking industry around the world has been undergoing a quick transformation. The deepening of information technology has facilitated better tracking and fulfillment of commitments, multiple delivery channels for online customers. Information technology and the communications networking systems have revolutionized the working of banks and financial entities all over the world.

E-businesses are growing as businesses recognize the benefits of digital supply-chain management. Financial information must be shared digitally between buyers, suppliers, financial institutions, and regulatory agencies. Security of these operations is becoming an increasing concern in order to prevent fraud and theft. One way to increase security is through "collaboration with internal departments over intranets and with trading partners over extranets" (Gundavelli 2001). The three types of financial data

security that it is necessary to have are authentication, authorization, and confidentiality. Authentication allows only certain people the access to information. Authorization allows only authorized people to make changes to information. Confidentiality keeps information encrypted so that only the owners can decipher their information. The security needs of a business are constantly changing because of new user needs and hackers. Being proactive is the best defense for keeping the business and its customers' information secure (Gundavelli, 2001).

MEANING OF E-COMMERCE

E-Commerce is the ability of a company to have a dynamic presence on the Internet which allowed the company to conduct its business electronically, in essence having an electronic shop. Products can be advertised, sold and paid for all electronically without the need for it to be processed by a human being. Due to the vastness of the internet advertising and the website can be exposed to hundreds of people around the world for almost nil cost and with information being able to be changed almost instantly the site can always be kept up to date with all the latest products to match with consumers demands.

The biggest advantage of E-Commerce is the ability to provide secure shopping transactions via the internet and coupled with almost instant verification and validation of credit card transactions. This has caused E-Commerce sites to explode as they cost much less than a store front in a town and has the ability to serve many more customers.

THE IMPORTANCE OF E-COMMERCE

This study was made to look in to the e-commerce and its effect on the accounting information system in the Islamic banks and this comes from the importance of the accounting information system and its great role in developing banks and its contribution banks growth more effectively through the value that this system adds to facilitate the banks mission and with the extension of the informational revolution and the technical, technological development the operations procedures have become more accurate and rapid on one hand and less cost and effort on the other hand which necessarily contributed to turn the traditional commerce system into the e-commerce system.

OBJECTIVES OF E-COMMERCE

The research questions of this study relate to the factors that influence the adoption and implementation of ecommerce in developing countries with particular reference to the Indian banking industry. The specific questions to be examined are:

1. What factors determine the likelihood of adoption of ecommerce in Indian banks?
 - a. To understand the ecommerce adoption behaviour of banks and the factors that could drive or inhibit the wide adoption and use of electronic commerce in the Indian Banking Industry,
 - b. To study and compare significant difference in male and female account professionals regarding extent of use of company e-commerce applications
 - c. To study and compare significant difference in male and female account professionals regarding their attitude towards impact of electronic commerce on the development of AISs within the client company
 - d. To study and compare significant difference in male and female account professionals regarding their attitude towards the challenges facing the tax system in light of the development of electronic commerce and proliferation.
 - e. To study and compare significant difference in male and female account professionals regarding their attitude towards the legal issues about e-commerce.

ACCOUNTING ISSUES

The growth of e-commerce has not changed the existence of professional guidelines, reporting requirements and the mentality of the business world. A CMA who is involved in ecommerce must know how traditional business knowledge applies to the new economy. One item to consider is the strategic value of your product or service. Whether the company is virtual or semi-virtual will determine the strategies needed to market the product or service. If the nature of the product or service is electronic like AOL and Ebay the organization is virtual. These companies should focus on strategies that are related to product/service offering and customer care, marketing and asset management. Semi-virtual companies are those that use ecommerce to enhance the value offered to its customers by providing the same product or service over the Internet. Strategies for semi-virtual companies would involve the enhancement of customer care, delivery,

marketing, and asset management. Another consideration is the issue of appropriate infrastructure. Traditional companies will already have experience in this, which includes customer service and timely delivery. Virtual companies must be able to meet customers' expectations regarding infrastructure. E-commerce technology also allows companies to track customers' choices by following their clicking patterns.

This information and technology can help accountants by providing meaningful details that allow the true cost of products to be found. Advertising expenses can be matched directly with the product sold. Intellectual capital is now the most commonly discussed issue as companies determine how knowledge and expertise can be valued on the financial statements and determine future benefits to be derived. This concern is very important to management accountants because it allows them to understand the impact of intellectual capital, contributes to proactive management, and increases the value of external reports (Kupiec 2000).

The newest battle that has arisen from e-commerce is the issue of taxation. Do current taxation laws apply to Internet sites? Are the buyers subject to the taxes where they live or where the business is located? These are just a couple of the questions that governments around the world are trying to answer. Most governments support tax free zones or simplified taxes that follow a single tax regime. Governments that rely on sales tax, like local and state governments, are worried that Internet shopping without a sales tax will hurt physical store locations and reduce the sales tax amounts they take in. There still is no definite answer as to what should take place. Governments of many different countries must agree on a similar plan in order to fully solve the problem (Horn 2003).

The widespread use of the Internet has fueled record economic growth and productivity gains because of the readily accessible, free flow of information. With information-sharing technology, companies are able to respond faster in the economy. Communication has improved with the common network. However, there had not been a common language available to share application data. That has changed with the presence of extensible markup language (XML). XML is instantly recognized by the sender and the receiver and is more manageable than electronic data interchange (EDI). "Tags" identify each data element and can also

be interpreted by people. XML is flexible, easy to implement, and implementation is free. XML significantly improves the efficiency and accuracy of information exchange because humans are not needed to intercept, translate, and transcribe information. XML is now part of a new business strategy that will allow the free flow of information within and between companies (Livermore 2002). Productivity and growth will continue to increase as more people recognize the benefits of XML.

LEGAL ISSUES

The concern for trust is an important consideration customer's face before they decide to buy a product or service over the internet. Laws and regulations concerning competition and legal business sales have been popping up since e-businesses have become more prominent. The main trust barrier to using e-marketplaces according to a survey conducted by Abbiati (2003) is the protection of sensitive customer and supplier transactions. Also of concern to the respondents is a lack of clear information on the terms and conditions of a contract and the uncertainties relating to settling disputes and online payments. Before a potential customer will purchase a product or service, companies must ensure there are adequate safeguards that protect their confidential information. Currently, a "trust gap" exists between what users want and what marketplace operators' provide. Respondents felt that each business should be responsible for developing its own code of conduct concerning security and contracts. They felt codes of conduct were more effective in improving trust and confidence than additional legislation. The author points out that the best way to lower buyer risks is to conduct a full legal audit that determines if the e-marketplace business safeguards information, complies with laws, and follows its code of conduct (Abbiati 2003).

MAIN LEGAL ISSUES

Electronic contracting

Traditionally, a contract comes into being if an offer is unequivocally accepted and a clear intent to create a legal relation exists. The contract, with all its provisions, is mutually agreed upon, usually by either signature or 'shake of hands'. In e-commerce, both offer and acceptance can be communicated via electronic means. Electronic contracting raises many legal questions, including whether an electronic contract is legally binding and to what extent, or whether it can be used as evidence in the event of dispute.

Electronic signature/Digital signature

The United Nations Commission on International Trade Law (UNCITRAL) describes the functions of the traditionally handwritten signature as follows: a signature is to identify a person, to provide certainty as to the personal involvement of that person in the act of signing, and to associate that person with the content of a document. 'Electronic signature' or 'e-signature' refers to any method to 'sign' an electronic document. Examples are the name of the sender typed at the end of a document, a secret code, a PIN, an image of a handwritten signature, etc. A 'digital signature' is a type of electronic signature that involves the use of public key cryptography or infrastructure (PKI), meaning that messages are encrypted with a specific key and can only be decrypted with a second specific key. Digital signatures are more secure than electronic signatures. E-signatures raise several questions, such as whether e- signatures comply with traditional requirements of a signature and whether and under what circumstances they should be trusted.

Electronic Payment and security thereof

A key requirement for electronic commerce is the development of secure and efficient electronic payment systems. Electronic payment systems come in many forms including digital checks, debit cards, credit cards, and stored value cards (SVC). With new technologies, it is increasingly common that payment takes place using a transmission medium not under the control of the financial system. It therefore is necessary to take steps to ensure the security of the messages sent along such a medium. The usual security features for electronic payment systems are privacy (protection from eavesdropping), authenticity (identification and message integrity), and non-repudiation (prevention of later denying having performed a transaction).

Dispute resolution

With the modern communication technologies, commercial relationships know no borders and geographic location of the contracting parties is often dispersed. This raises the question of where and how disputes are resolved, especially when buyer and seller are physically distant. Three possibilities are available to resolve a dispute: court, arbitration or alternative dispute resolution (ADR) (i.e. negotiation, or mediation). The two latter are generally preferred because of their greater effectiveness and speed. The issue of dispute resolution is extremely important as the dispute mechanism offered will largely influence the attitudes of

merchants and consumers at large, and is therefore a main determinant of the future development of electronic commerce and the international supply chain at large.

Jurisdiction and applicable law

A main characteristic of e-commerce is its independence of geographical boundaries. Whereas this unarguably has many economic advantages, it makes it difficult to determine the jurisdiction. With this respect, e-commerce poses two difficulties: The first is the choice of the forum; the second is the choice of the law. Once the forum is chosen, the judge has to determine which law should be applied. This is a major issue when a commercial dispute arises between two contracting parties of a cross-border electronic contract. Has the merchant created a virtual storefront in the buyer's jurisdiction to make a sale, or has the purchaser virtually traveled to the seller's jurisdiction to make a purchase? In cross-border disputes, the eventual inability for national jurisdictions to enforce foreign judgments may be an additional complication.

Consumer protection

The success of e-commerce depends on the safe and attractive environment provided to consumers. Consumers' personal information should be kept private and protected, payments should be secured, the choice of law and jurisdiction should be clear for the user. Especially in business-to-consumer (B2C) e-commerce, it is sometimes difficult for consumers to establish the reliability of the contract partner or the quality of the product/service offered. Minimum standards should be adhered to so that the risk of e-accessibility of information, merchant contact information, marketing practices (e.g. avoiding misleading representations), disclosure of features, terms and conditions, price, cancellation, refund policies, opportunity to review, language, record of the transaction, security, privacy, self-regulatory programmes, dispute resolution and effective enforcement. In order to ensure that these requirements are respected by all parties and that an effective legal framework exists to settle eventual disputes, specific regulations and laws providing safe environment for electronic transactions should be issued.

Cybercrime

The openness of the Internet, the lack of identification and the low level of users' understanding of security give rise to cybercrimes. Cybercrimes can be described as criminal acts in which computers are a tool, a target or a place of criminal activity. Examples include software piracy, economic espionage, online trafficking (ID theft, credit and debit cards) or traditional crimes which have turned to use modern ICT, such as child pornography or online gambling. In many countries, criminal law does not address

cybercrimes. To meet the threat of electronic crimes, countries have to create a positive environment including laws, policies, technical standards, law enforcement and cybercrime reporting. International standards as well as international cooperation are necessary to address the global extent of cybercrime.

Intellectual property rights

With the development of the Internet and digital technology, works of intellectual property are being digitized at an incredible pace. While it is straightforward to protect 'physical' works with patent and copyright laws, the nature of digital technology encourages copying of digitized intellectual property works, virtually instantaneously, without perceptible degradation in quality. Moreover, Internet users are now accustomed to have access to information and content free of charge. Material protected by copyright law and all related rights are subject to electronic commerce and therefore copyright and patent laws have to be adapted to new ICTs.

Taxation

The main issue of taxing e-commerce is about the jurisdiction. Which governmental entity shall have the authority to tax a transaction that spans several jurisdictions? The goal of a comprehensive e-commerce taxation policy framework is two-fold: to avoid either double-taxation or non-taxation and to avoid disparate treatment of offline versus online transactions.

Harmonization

For e-commerce to be efficient a certain interoperability of systems through the world must exist, including legal systems. For instance, mutual recognition of electronic data messages and digital signatures is necessary for cross-border e-commerce. Many countries have drafted or issued laws concerning e-commerce, however these regulations are often limited to the domestic environment and do not take into account - or fully address - the issues that may result from cross-border electronic commerce. International cooperation should therefore be encouraged. A step forward in that direction is the Model Laws issued by UNCITRAL.

CONCLUSION

Electronic commerce had a statistically significant influence on the accounting information systems development of Indian firms. The results also showed statistically significant between electronic commerce and reliability of the accounting information systems in Indian firms, the Impact of electronic commerce has enhanced the reliability which represents one of the qualitative characteristics of accounting information by improving the ability to deal with the data for most companies, reduce errors, verification of data, security and protection. Electronic commerce had a statistically significant influence for ability to reduce cost, improve operational performance of Indian companies through accounting information systems. The use of Electronic commerce in the accounting information systems for Indian companies contributed to the improvement of services provided to the clients. Electronic commerce had contributed to increase efficiency and effectiveness of accounting information systems in Indian companies.

The inputs of the accounting information system are so easy after using e-commerce, this leads to restoring it easily and being described with the feature of the appropriate timing, regarding the time we need in installing and restoring it again, these inputs are also authenticated, this feature is very important in the banking field. Using e-commerce has reduced errors greatly, in the process of accounting data input and the credit goes back to the interior auditing and surveillance system. We do not miss that the data cost was less than its benefit, but when the e-commerce emerged the cost of this data is very little, this means that there is a positive effect between using e-commerce and the inputs of the accounting information systems in the Indian banks. Using e-commerce provided accurate, flawless and fast financial data processing, which is the second stage in any systems and it has decreased the number of employees working on closing deals and also decreased the cost of financial data and information and increased the speed and accuracy in restoring stored information.

RECOMMENDATIONS

Belief in the management of various sectors in the State to Importance of electronic commerce, and to engage in this area is no longer an option Only economically but a necessity that should be met and that the delay in the implementation of integrated strategies of electronic commerce itself lead only to economic marginalization in a global economy of increasing the volume of electronic transactions, but to a further

deterioration Economic competitiveness due to declining share of exports of Arab countries export the world.

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