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The Role of Online Dispute Resolution Mechanism in Resolution of E-Commerce Disputes in India

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ABSTRACT

The exponential rise in e-commerce in India has fundamentally transformed the consumer landscape, prompting the need for efficient, scalable, and cost-effective mechanisms for dispute resolution. With over 800 million internet users and an e-commerce sector projected to reach USD 200 billion by 2026, disputes related to defective products, delayed deliveries, refund failures, and data breaches have become increasingly common. Traditional litigation mechanisms, with their procedural delays and costs, are ill-equipped to handle the high volume and low-value nature of these grievances. In this context, Online Dispute Resolution (ODR) has emerged as a viable alternative, leveraging technology to facilitate resolution through arbitration, mediation, and negotiation conducted entirely online. India has made considerable strides in institutionalizing ODR. Initiatives such as the E-Daakhil portal under the Consumer Protection Act, 2019, allow consumers to file complaints digitally. Private platforms like Sama and Presolv360 have facilitated over 30,000 cases with a success rate exceeding 65%, reflecting the increasing trust in ODR services. The NITI Aayog's 2020 policy paper advocating ODR's adoption and the support of the Supreme Court's E-Committee have further bolstered its integration into the legal framework. However, challenges such as inconsistent regulatory standards, limited digital literacy in rural areas, and concerns over data privacy persist. This paper critically examines the legal and infrastructural ecosystem supporting ODR in India and evaluates its role in resolving e-commerce disputes. It highlights comparative international

practices and emphasizes the need for a standalone statute, third-party neutrality, and AI-enabled tools for future scalability. The findings suggest that with the right regulatory, infrastructural, and technological investments, ODR can significantly enhance consumer protection, reduce the burden on traditional courts, and build a more trustworthy digital marketplace. Thus, ODR is not merely a tool for dispute resolution but a cornerstone for digital justice in India's e-commerce future.

KEYWORDS

Online Dispute Resolution, E-commerce, Consumer Protection, Digital Justice, India

INTRODUCTION

The advent of digital technology and widespread internet penetration has dramatically transformed the way business is conducted in India. Among the most significant outcomes of this transformation is the exponential growth of e-commerce. With the rise of online marketplaces such as Amazon, Flipkart, and Snapdeal, coupled with the proliferation of fintech and digital payment systems, Indian consumers now enjoy unprecedented convenience in shopping and transacting online. According to the Indian Brand Equity Foundation (2023), the Indian e-commerce market is expected to reach USD 350 billion by 2030, marking it as one of the fastest-growing digital economies globally.

However, this rapid digital expansion has also led to a rise in disputes and grievances. Common issues include defective or counterfeit products, delayed or failed deliveries, refund complications, payment gateway errors, and privacy concerns. Traditional legal mechanisms, while robust, are often not equipped to handle the volume, low value, and technical nature of these disputes efficiently. The formal court process is time-consuming, expensive, and often intimidating for average consumers, especially when the monetary stakes are low.

In response to these limitations, ODR has emerged as a promising mechanism. ODR refers to the use of information and communication technologies to resolve disputes outside the traditional courtroom setting. It encompasses a variety of methods such as online arbitration, mediation, and negotiation, often facilitated by digital platforms. ODR offers a flexible, user-friendly, and cost-effective alternative to litigation, making it particularly suited to resolving e-commerce-related conflicts.

India has taken significant strides in adopting and

institutionalizing ODR mechanisms. The Consumer Protection Act, 2019, has provisions encouraging online complaint filing and digital redressal of grievances. NITI Aayog's policy push for ODR and the creation of platforms like E-Daakhil, Sama, and Presolv360 are efforts toward mainstreaming digital justice. Yet, despite these initiatives, several challenges persist, including digital illiteracy, lack of legal awareness, concerns about enforceability, and the absence of a uniform regulatory framework.

This paper explores the role of ODR in the resolution of e-commerce disputes in India by examining its current legal framework, implementation challenges, and potential for future growth. Through a critical analysis of policy initiatives, case studies, and stakeholder roles, it aims to highlight the importance of a robust ODR infrastructure in promoting consumer trust and ensuring justice in the digital economy.

UNDERSTANDING ONLINE DISPUTE RESOLUTION

ODR is transforming the way disputes are resolved by integrating technology with traditional mechanisms of Alternative Dispute Resolution (ADR). It enables parties to settle conflicts outside of the courtroom using tools such as video conferencing, secure chat systems, emails, and AI-powered platforms. As of 2024, with over 880 million internet users in India (TRAI), ODR has emerged as an essential model for expanding access to justice, particularly in the context of more than 50 million pending cases in Indian courts.

- ODR includes methods such as online arbitration, where a neutral third party delivers a binding decision digitally; online mediation, where a mediator facilitates settlement via virtual communication; and automated negotiation, where AI tools assist in resolving standardised disputes with minimal human intervention.
- It significantly reduces the time taken to resolve disputes. While traditional litigation may take several years, ODR cases are often concluded within 30 days, as per the NITI Aayog's 2022 ODR Handbook.
- ODR enhances accessibility, especially for the 65% of India's population residing in rural or semi-urban areas, by eliminating the need to travel long distances to courts.
- It is cost-effective, cutting legal and administrative expenses by up to 70%, making it particularly suited for resolving low-value and high-volume cases such as consumer complaints and digital payment disputes.

- The process ensures a high level of transparency. Digital records, audit trails, and timestamped communication reduce the scope for procedural lapses or manipulation.
- Confidentiality is well protected. Robust cybersecurity and data protection measures, including compliance with the Digital Personal Data Protection Act, 2023, ensure that sensitive case information remains secure.
- ODR also promotes consistency and fairness. Automated processes ensure that similar cases receive similar treatment, and decisions are documented and accessible for scrutiny.

In this evolving digital landscape, ODR is not just a convenient alternative but a necessary evolution, aiming to make justice more inclusive, efficient, and responsive to the demands of a modern society.

NATURE OF E-COMMERCE DISPUTES IN INDIA

The rapid expansion of e-commerce has transformed the retail landscape globally and in India, offering convenience and accessibility to millions of consumers. However, this growth has also introduced a unique set of challenges that often lead to disputes. According to the Ministry of Commerce and Industry, India's e-commerce market is expected to reach USD 200 billion by 2026, driven largely by increasing internet penetration and mobile usage. With this increase in transactions, there has been a proportionate rise in consumer grievances, necessitating a robust and scalable dispute resolution framework.

One of the most common issues in e-commerce pertains to product discrepancies. Consumers frequently report receiving items that do not match the description provided on the seller's platform or are damaged upon delivery. The Department of Consumer Affairs noted that in 2023, more than 20% of consumer complaints received through the National Consumer Helpline related to such quality and condition issues. Delivery problems are another recurring challenge. These include non-delivery of ordered items, delays extending beyond the promised delivery window, and damages occurring during transit. With over 8 million packages delivered daily in India (as per a 2023 RedSeer report), even a 1% error rate translates to 80,000 potential disputes every day.

Payment and refund-related grievances form another significant category. Consumers often face delays in refunds or unauthorized charges on their accounts. According to the Reserve Bank of India's annual report, digital transaction complaints constituted nearly 35% of all grievances registered with the RBI Ombudsman.

in 2022–23. This underscores the growing concern around financial integrity in e-commerce operations. Data privacy breaches and misuse of personal information also represent serious issues. With increased data sharing across platforms, consumers face the risk of their personal and financial information being exposed or misused. The Data Security Council of India (DSCI) highlighted in its 2023 survey that 61% of consumers were apprehensive about sharing personal data with online platforms, reflecting widespread concern about digital trust.

Jurisdictional challenges add further complexity. Given the cross-border nature of many e-commerce transactions, identifying the appropriate legal forum for dispute resolution becomes problematic. This is especially true for international purchases made on global platforms like Amazon or AliExpress, where sellers are based in different legal jurisdictions. The lack of clarity in applicable laws and forums often discourages consumers from pursuing legal action, particularly for low-value claims. Traditional litigation mechanisms are ill-equipped to address these concerns efficiently. Most consumer disputes in the e-commerce domain involve relatively small monetary amounts and would not justify the time and expense associated with formal legal proceedings. As per a NITI Aayog report on ODR, the average value of digital consumer disputes is under ₹5,000, making litigation a disproportionate response.

ODR thus emerges as a highly pragmatic and effective solution. It provides a scalable, efficient, and cost-effective mechanism to resolve disputes without the need for physical presence or prolonged court processes. Through digital mediation, arbitration, or automated negotiation platforms, parties can reach amicable resolutions quickly and conveniently. As the e-commerce ecosystem continues to expand, ODR represents not just an alternative, but a necessary evolution in ensuring consumer protection and trust in the digital marketplace.

LEGAL AND INSTITUTIONAL FRAMEWORK FOR ODR IN INDIA

- The Information Technology Act, 2000 grants legal recognition to electronic records and digital signatures, providing a foundational legal framework for the functioning of ODR platforms and processes.
- The Consumer Protection Act, 2019 introduces explicit provisions to govern e-commerce platforms and empowers the Central Consumer Protection Authority (CCPA) to oversee and regulate digital consumer grievances, further enabling ODR adoption.

- The NITI Aayog's ODR Policy Plan (2020), developed in partnership with Agami and Omidyar Network India, outlines strategic actions to mainstream ODR by building trust, efficiency, and scalability in digital dispute resolution systems.
- The E-Daakhil portal, launched by the Department of Consumer Affairs, allows consumers to register complaints online and participate in hearings virtually, significantly enhancing the accessibility of ODR services.
- The Supreme Court's E-Committee has been actively promoting digital transformation of judicial processes, and several High Courts have piloted ODR tools for resolving minor disputes, especially during the pandemic.
- The inclusion of ODR-friendly provisions in Indian legislation has encouraged institutional collaborations between the judiciary, legal tech startups, and regulatory bodies to improve efficiency and reduce court backlog.
- The rising digital literacy and internet penetration in India—now at over 55% nationwide as of 2024—have further supported the growth of ODR platforms by widening user access and participation.
- Public-private partnerships, such as those between banks and legal tech firms (e.g., Axis Bank & Presolv360), demonstrate the effectiveness of ODR in financial and commercial dispute redressal with improved turnaround times.
- The Digital Personal Data Protection Act, 2023 adds a critical layer of trust to ODR by establishing robust data security and privacy protocols for online communication and digital submissions.
- Continuous government support, along with judicial endorsements and civil society engagement, signal a progressive shift towards institutionalizing ODR as an integral part of India's justice delivery ecosystem.

APPLICATION OF ODR IN E-COMMERCE DISPUTES

1. Major e-commerce companies like Amazon and Flipkart offer internal grievance redress mechanisms. These can be improved by integrating neutral third-party ODR services.
2. Platforms like Sama, Presolv360, and CADRE provide mediation and arbitration services tailored for consumer disputes. For instance, Sama has handled over 30,000 cases with a success rate of over 65%.
3. AI-driven bots assist in standardizing claim processing and settlement offers. Video conferencing and document uploads facilitate seamless communication.
4. Under the Arbitration and Conciliation Act, 1996, arbitral awards from recognized ODR providers are legally binding and enforceable.

5. State Legal Services Authorities (SLSAs) in several Indian states have started incorporating ODR mechanisms into Lok Adalats, particularly during online mega Lok Adalat drives, increasing the volume of settled cases without court intervention.
6. The Digital India programme has significantly accelerated internet infrastructure expansion, with over 800 million internet users in India as of 2024, thereby increasing the potential reach and accessibility of ODR platforms.
7. Private sector insurance and telecom companies are now exploring integration with ODR providers to manage recurring consumer complaints more efficiently and cost-effectively, reducing operational burden and litigation expenses.
8. Judicial Data Grid and AI dashboards, being piloted by the Indian judiciary, have the potential to be integrated with ODR systems to track real-time dispute resolution metrics and enhance transparency in outcomes.
9. Cross-border ODR mechanisms are under discussion at international forums like UNCITRAL, offering models that India can adopt for cross-jurisdictional e-commerce disputes, a growing challenge with globalized digital trade.
10. ODR integration into legal education is being increasingly emphasized, with law schools introducing dedicated modules and clinics for practical exposure to ODR tools, preparing future legal professionals for digital dispute resolution environments.
11. Real-time language translation and accessibility tools embedded in ODR platforms have improved inclusivity, enabling participation from users across diverse linguistic and socio-economic backgrounds—critical in a multilingual nation like India.

CASE STUDIES

As the digital economy continues to expand, ODR has emerged as a vital tool for ensuring timely and accessible justice in e-commerce and consumer-related conflicts. From resolving traffic challans to managing financial disputes, ODR platforms have been increasingly adopted by governments, financial institutions, and private enterprises around the world. The following case studies illustrate successful national and international implementations of ODR, demonstrating its practical benefits and transformative impact on modern dispute resolution. Some of the most important case studies are hereby studied as follows:

1. Sama and Delhi Police: E-Challan Resolution Pilot

Sama partnered with the Delhi Police to pilot an ODR system for resolving traffic challan disputes online. This initiative demonstrated significant efficiency, with many

disputes resolved within a few days, reducing the burden on physical courts and enhancing citizen satisfaction.

2. Axis Bank and Presolv360: Credit Dispute Management

Axis Bank collaborated with Presolv360 to handle credit-related disputes through ODR mechanisms. This partnership led to a reduction in turnaround time and increased consumer satisfaction by providing a streamlined, digital platform for dispute resolution.

3. E-Daakhil Portal: Enhancing Consumer Complaint Filing

The E-Daakhil portal, launched by the Indian government, has facilitated the online filing of consumer complaints. As of January 2023, over 35,898 complaints were filed through this platform, enhancing access to justice during and post the COVID-19 pandemic.

4. SMART ODR Portal: Securities Market Dispute Resolution

The Securities Market Approach for Resolution Through ODR (SMART ODR) portal harnesses online conciliation and arbitration for resolving disputes in the securities market. This initiative has streamlined the resolution process, making it more efficient and accessible for investors.

5. eBRAM in Hong Kong: Cross-Border E-Commerce Disputes

The Electronic Business Related Arbitration and Mediation (eBRAM) platform in Hong Kong offers ODR services for cross-border e-commerce disputes. It provides a neutral, efficient, and cost-effective forum for resolving international commercial conflicts.

6. Modria: Global E-Commerce Dispute Resolution

Modria, an ODR platform, has been utilized globally to resolve e-commerce disputes. It offers scalable solutions for businesses to handle high volumes of consumer complaints efficiently, enhancing customer satisfaction and trust.

7. FairClaims: Small Business Dispute Resolution in the USA

FairClaims provides an ODR platform tailored for small businesses in the United States to resolve disputes quickly and affordably. By offering video-based arbitration and mediation, it reduces the need for lengthy legal proceedings.

8. Virtual Courts in India: Online Adjudication of Cases

India's Virtual Court system enables the online adjudication of cases, including traffic and transport challans. This system has been piloted to facilitate the resolution of cases without the need for physical court appearances, enhancing efficiency.

9. Consumer Financial Protection Bureau (CFPB): Online Complaint Handling

The CFPB in the United States has implemented an online system for handling consumer complaints. In 2023, it received over 1.3 million complaints, with more than 81% related to credit or consumer reporting, showcasing the scale and effectiveness of digital dispute resolution mechanisms.

10. UNCITRAL's iGLIP Report: Global ODR Developments

The United Nations Commission on International Trade Law (UNCITRAL) has recognized various ODR implementations worldwide. Its iGLIP report highlights different ODR realities, including e-commerce platforms providing dispute resolution services, emphasizing the global shift towards digital dispute resolution.

CHALLENGES FACING ODR IN INDIA

Despite its promising potential, the adoption of ODR in India and globally continues to face several critical and evolving challenges:

- **Digital Divide:** As of 2023, India's internet penetration stands at around 52%, but rural internet access remains at a stark 37%, with digital literacy below 25% in several states. This disparity significantly limits ODR's accessibility for millions in non-urban regions who lack reliable connectivity or digital familiarity.
- **Lack of Unified Legal Framework:** The absence of a centralized regulatory body or comprehensive legislation for ODR in India results in fragmented standards and practices. Unlike the EU, which adopted the Online Dispute Resolution Regulation (No. 524/2013), India still operates with scattered rules under different forums, leading to inconsistent enforcement and procedural ambiguity.
- **Awareness and Trust Deficit:** A 2022 NITI Aayog survey revealed that over 60% of small business owners and consumers were unaware that ODR decisions can have binding legal effects, especially when voluntarily entered

into by parties. This undermines user confidence and restricts wider participation.

- **Cybersecurity and Data Privacy Concerns:** With rising cybercrimes—India recorded over 65,000 cybercrime cases in 2022 alone—concerns about data breaches, unauthorized access, and misuse of personal information on digital platforms are growing. The absence of robust and standardized cybersecurity protocols deters users from engaging in digital dispute mechanisms.
- **Perceived Partiality and Platform Bias:** When ODR platforms are hosted or managed by businesses involved in the dispute, users often perceive a conflict of interest. The need for institutional independence and third-party neutrality is becoming increasingly urgent to uphold fairness and credibility.

These challenges underscore the importance of infrastructural investment, regulatory clarity, digital awareness campaigns, and strict cybersecurity enforcement to ensure the long-term sustainability and fairness of ODR systems.

RECOMMENDATIONS

1. A dedicated statute should be enacted to clearly define the standards, procedures, and enforceability of ODR outcomes, ensuring uniformity and legal certainty.
2. A central regulatory authority must be established to certify and monitor ODR platforms, ensuring adherence to principles of fairness, transparency, and data security.
3. ODR should be made a mandatory first step for resolving specific types of disputes—such as low-value consumer and e-commerce disputes—to help reduce judicial backlog.
4. Public-private partnerships should be encouraged to co-develop scalable and inclusive ODR infrastructure, especially for underserved rural and semi-urban areas.
5. Nationwide awareness and training campaigns should be conducted to educate legal practitioners, consumers, and government authorities about the benefits and functionalities of ODR systems.
6. Seamless integration of ODR with existing judicial frameworks, such as e-Courts and national legal service portals, should be implemented to streamline the dispute resolution process.

7. ODR platforms must be designed to be inclusive, offering multi-lingual interfaces and accessibility features for people with disabilities to ensure equitable participation.
8. Financial and policy incentives, such as subsidies or tax relief, should be provided to encourage both businesses and consumers to adopt ODR practices.
9. Robust cybersecurity measures and strict adherence to India's data protection laws must be ensured to protect user data and instill trust in the digital dispute resolution process.
10. India should engage with international best practices, standards, and frameworks on ODR to enable effective cross-border dispute resolution and position itself as a global leader in digital justice.

CONCLUSION

As the digital economy continues its exponential growth, the future of dispute resolution lies undeniably in the seamless integration of technology and justice. ODR is not merely an alternative—it is rapidly becoming the cornerstone of next-generation legal systems. In the coming years, we can anticipate the use of AI-driven negotiators, blockchain-based evidence validation, and real-time multilingual resolution platforms that transcend geographical and jurisdictional barriers. For India to lead this transformation, it must move beyond incremental reforms and adopt a strategic, tech-first legal infrastructure that is inclusive, secure, and scalable. Institutionalizing ODR through legislative clarity, public-private innovation, and judicial endorsement will not only democratize access to justice but also catalyze the evolution of a trust-rich digital commerce ecosystem. With the right investments and vision, India is poised to redefine global benchmarks in digital dispute resolution, turning today's challenges into tomorrow's opportunities.

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