

INNOVATION MEETS REGULATION: CONSUMER PROTECTION DIMENSIONS OF FUTURISTIC DIGITAL STARTUPS UNDER CPA, 2019

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Abstract:

India's consumer marketplaces have changed due to the rapid growth of forward-thinking digital businesses. The efficiency, accessibility, and relief of consumer life have all been improved by fintech applications, educational services, health care technology solutions, e-commerce platforms, and platform-based digital intermediaries. However, this technological advancement has also led to complex consumer protection challenges, including deceptive advertising, unfair trade practices, algorithmic discrimination, data manipulation, and privacy infringement. an ineffective grievance redressal procedure and a lack of openness. With the passage of the Consumer Protection Act, 2019, which also addresses new issues with the digital marketplace, India's consumer protection laws were modified. This study employs a mixed technique approach and a descriptive research design. Secondary data was simultaneously presented in journals and legal provisions.

Keywords: *Consumer Protection Act 2019, Digital startups, E-commerce regulations, Consumer rights*

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Introduction:

As a result of digital transformation, India's economic environment has changed. The rise of digital businesses has changed service delivery techniques and marketing strategies and customer participation. Consumers now have access to banking services, medical visits, educational programs, and online shopping. Even if these advancements increase efficiency and accessibility, knowledge asymmetry and technical complexity expose them. The majority of accepted consumer protection laws were created for actual transactions and tangible indexes. On the other hand, digital marketplaces are impacted by automated algorithms, artificial intelligence, and cross-border data flow. In response to these changing circumstances, the Consumer Protection Act, 2019 replaced the previous 1986 Act with provisions for e-commerce, product responsibility, unfair contracts, and the creation of the Central Consumer Protection Authority (CCPA).

1. Statement of the Problem:

Laws have been improved, however there are still many mistakes in digital consumer protection. Predatory pricing methods, undisclosed fees, false reviews, delayed refunds, and incorrect data sharing are commonplace for customers. Algorithm-based pricing and targeted advertising are the root causes of transparency problems. Additionally, cross-border transactions make it more difficult to enforce jurisdiction. It is crucial to evaluate if the Consumer Protection Act of 2019 resolves these problems of the digital era without impeding advancement.

2. Significance of the Study:

This research is essential because it helps us comprehend the relationship between technological innovation and regulatory control. It evaluates if the 2019 Consumer Protection Act guarantees accountability, equity, and openness in online marketplaces. The result gives consumers, business owners, and legislators a clearer understanding of their rights and obligations in their digital environment.

3. Limitations of the Study:

The survey only included 61 respondents from the KDMC region, which might not accurately reflect the situation nationwide. Time and money constraints made it impossible to gather more thorough data. Furthermore, the rapid advancement of technology may lead to new external challenges that fall under the purview of this enquiry.

Objectives of the Study:

1. To assess the level of consumer awareness about the Consumer Protection Act, 2019 among digital service users.
2. To examine the extent of compliance by digital startups with e-commerce disclosure norms under CPA, 2019.
3. To identify the nature and frequency of unfair trade practices and misleading advertisements experienced by consumers on digital platforms.
4. To analyze the relationship between digital service usage frequency and consumer awareness of protection rights

Review of Literature:

Particularly in light of the existing Indian legislative environment, the convergence of digital innovation and consumer protection has assumed vital significance as an area of empirical enquiry. The Government of India passed the Consumer Protection Act, 2019, an unprecedented piece of legislation intended to close the regulatory gaps left by its predecessor in light of the current state of digital commerce (Government of India, 2019). According to Kumar's (2020) critical evaluation of the current state of consumer protection, the existing legal framework was "structurally not equipped to handle the asymmetric information framework, data-based business models, and cross-border transactions that characterise the contemporary digital startups."

The researcher's analysis shows that although the Consumer Protection Act, 2019 has sparked paradigm shifts by incorporating cutting-edge innovations like the regulation of e-commerce, the formulation of direct selling guidelines, and the creation of the Central Consumer Protection Authority (CCPA), the legislative situation is

still not ideal. This highlights the fact that the legislative intent behind the Consumer Protection Act, 2019, while significant, is more aspirational with regard to futuristic digital startups.

In a groundbreaking analysis of algorithmic accountability in the context of Indian consumer law, Verma (2023) shows how AI recommendation engines, pricing algorithms, and decision-making used by digital startups because irreversible harm to consumers under the Consumer Protection Act, 2019. Thus, the literature reveals a threefold comprehensive research gap.

First off, empirical research on the operational compliance or non-compliance of Indian digital startups with the Consumer Protection Act, 2019 in the context of settings mediated by algorithms is lacking in the literature. Second, studies that have mapped the legal and definitional gaps in the Consumer Protection Act of 2019 in the context of futuristic startup models are not presented in the literature. Thirdly, the main contribution of the suggested analysis—the prescriptive framework that strikes a compromise between the necessity to safeguard startup innovations in the context of the Consumer Protection Act, 2019—is not presented in the literature. Refereed academic publications like Kumar (2020), Sharma (20121), Singh (2022), and Verma (2023) as well as Central Consumer Protection Authority (CCPA) regulations will serve as secondary sources of data. The normative basis for this research will be produced by the doctrinal method of research, which will allow the researcher to examine the current legal framework and its applicability to new business models that have emerged in response to technological advancements, such as algorithmic business, block chain technology, and artificial intelligence. While previous studies (Sharma 2021; Kumar 2020) focus on traditional e-commerce and the applicability of the Consumer Protection Act, 2019, Verma's (2023) study partially but not fully addresses algorithmic responsibility. While previous studies (Sharma 2021; Kumar 2020) focus on traditional e-commerce and the applicability of the Consumer Protection Act, 2019, Verma's (2023) study partially but not fully addresses algorithmic responsibility. By examining whether the Consumer Protection Act of 2019 is structurally prepared to handle these next-generation developments, the study aims to close this gap.

Research Methodology:

The study uses a mixed method approach in conjunction with a descriptive research design. Structured questionnaires were used to gather primary data from 60 respondents who were chosen by simple random sampling. Government reports, legal texts, and scholarly journals were the sources of secondary data. ANOVA was used for data analysis in order to test hypotheses and assess the connections between consumer perceptions and regulatory restrictions. For the purposes of this study, a doctrinal and analytical research methodology will be used to evaluate the Consumer Protection Act of 2019 through statutory analysis and legal interpretation of the major source of law.

Data Analysis and Interpretation:

1. Hypothesis of the Study:

H0: There is no significant relationship between e-commerce rules under CPA, 2019 and accountability of digital startups.

H1: There is a significant relationship between e-commerce rules under CPA, 2019 and accountability of digital startups.

Source of Variations	SS	df	MS	F	P- value	Fcrit
Gender (Rows)	4.12	1	4.12	4.85	0.031	4.02
Perceptions/Awareness (Columns)	12.45	1	12.45	14.65	0.0002	4.02
Interactions	1.08	1	1.08	1.27	0.264	4.02
Error (Within)	100.3	118	0.85			
Total	118	121				

Source: Primary data collected through Google forms questionnaires.

a. The P-value for Gender is 0.031, which is less than the standard significance level of 0.05. This suggests that there is a statistically significant difference in how males and females perceive the accountability of digital startups.

So, as per given study we have accepted H1 and rejected the H0.

H0: CPA, 2019 provisions do not significantly address unfair trade practices and data misuse.

H1: CPA, 2019 provisions significantly address unfair trade practices and data misuse.

Source of variations	SS	df	MS	F	P-value	Fcrit
Gender (Rows)	3.85	1	3.85	4.3	0.04	3.93
Response Category (Columns)	18.24	4	4.56	5.1	0.0008	2.45
Interactions	1.42	4	0.36	0.4	0.808	2.45
Within (Error)	98.6	110	0.9			
Total	122.1	119				

Source: Primary data collected through Google forms questionnaires .

b. The P-value for Gender is 0.040, which is below the 0.05 threshold. This indicates that gender significantly influences how respondents perceive whether online platforms avoid unfair practices.

So, as per given study we have accepted H1 and rejected the H0.

Challenges:

According to the CPA, 2019, the quick expansion of digital businesses has posed serious problems for consumer protection. The complexity of digital transactions, algorithm-based decision-making, and platform-driven marketplaces frequently exceeds the capabilities of traditional processes. Compared to traditional markets, it is more challenging to provide accountability and transparency in these fast-paced, technology-driven firms.

Consumers are also vulnerable to things like information asymmetry, hidden terms, deceptive internet promotions, and inadequate grievance redressal mechanisms. In order to prevent compliance from becoming a burden that hinders startup growth and technological advancement, regulators must strike a balance between the need to foster innovation and robust consumer protections.

Remedies:

1. The Inadequacy of Traditional Consumer Protection Mechanisms:

Modernising and digitising the current legislative framework under the Consumer Protection Act, 2019 is important in order to solve the shortcomings of traditional consumer protection measures in the context of digital transactions and algorithmic decision-making. To effectively monitor and resolve disputes resulting from algorithm-based decisions, platform-driven markets, and automated systems, regulatory bodies, especially the Central Consumer Protection Authority (CCPA), must be equipped with specialised technical knowledge and digital enforcement tools. In addition to requiring algorithmic openness for digital platforms, the creation of specialised Digital Consumer Protection Cells would give consumers a better knowledge of how decisions that impact them are made.

2. Solutions to Consumer Vulnerability in Digital Markets:

Stricter disclosure and transparency requirements must be placed on digital startups and e-commerce platforms due to the vulnerability of consumers in digital markets. To reduce information asymmetry, businesses should be compelled to make their pricing, data usage rules, terms and conditions, and algorithmic profiling procedures easily understandable and available. In accordance with the terms of the Consumer Protection (E-Commerce) Rules, 2020, regulatory actions should include severe fines for deceptive internet marketing and dark patterns that influence customer behaviour.

3. Remedies for Balancing Innovation with Regulation:

Adopting a proportionate, risk-based regulatory strategy that is suited to the characteristics and size of digital startups is necessary to strike a suitable balance between consumer protection and the promotion of innovation. Without sacrificing consumers' fundamental rights, the regulatory framework under the Consumer Protection Act, 2019 should include tiered compliance mechanisms that subject early-stage startups and micro-enterprises to less stringent regulations than established digital platforms. In order to identify consumer concerns prior to full-scale market deployment, regulatory sandboxes may be implemented to enable up-and-coming entrepreneurs to test novel goods and services in a controlled setting under regulatory authorities' oversight.

Conclusion:

The Consumer Protection Act, 2019 is a crucial step in protecting consumer interests in India's digital economy. While it successfully promotes accountability and regulatory clarity, effective enforcement and consistent growth are necessary to preserve the balance between innovation and consumer welfare.

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