



**INTERNATIONAL JOURNAL OF HUMAN RIGHTS LAW REVIEW**

*An International Open Access Double Blind Peer Reviewed, Referred Journal*

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Volume 4 | Issue 3 | 2025

Art. 52

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## **Recommended Citation**

Sajid Ahamed R and Jyotirmoy Banerjee, *The Impact of Artificial Intelligence and Emerging Technologies on Consumer Rights and Protection in India*, 4 IJHRLR 760-769 (2025).

Available at [www.humanrightlawreview.in/archives/](http://www.humanrightlawreview.in/archives/).

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# The Impact of Artificial Intelligence and Emerging Technologies on Consumer Rights and Protection in India

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**Manuscript Received**  
25 May 2025

**Manuscript Accepted**  
28 May 2025

**Manuscript Published**  
04 June 2025

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## ABSTRACT

*The rapid proliferation of AI and emerging technologies has brought a fundamental change to India's consumer landscape with innovation and convenience, not without dangers to the established regime of consumer rights. This paper critically examines the multi-dimensional impact of AI upon consumer rights, more so with regard to data privacy, algorithmic bias, product liability in respect of AI-driven products, misleading advertisements-"AI washing"-and the ability of present mechanisms to resolve disputes. Through study underlines the Consumer Protection Act, 2019 and the Digital Personal Data Protection Act, 2023, the paper performs a legal and policy research with respect to India's present preparedness for AI-specific consumer issues. The paper identifies the key gaps and ambiguities related to accountability for AI-based harm, need for greater transparency in AI decision-making, and the adequacy of redressal mechanisms for highly technical AI-related grievances. To nurture a level playing field and trusted AI marketplace in India, the paper advances a mix of strategies including legislative adjustments, an increase in regulatory powers in the hands of the Central Consumer Protection Authority (CCPA), focused consumer education, and fostering ethical AI development.*

## KEYWORDS

*Artificial Intelligence, Data privacy, Rights of a consumer, awareness of consumer protection of 2019; central consumer protection authorities.*

## INTRODUCTION

Consumer experiences in India are being drastically changed by the incorporation of artificial intelligence (AI) and other cutting-edge technologies into daily life. AI is becoming more and more present in everything from chatbots and autonomous systems to tailored suggestions on e-commerce platforms. This technological revolution presents new challenges to traditional consumer protection paradigms, even as it offers great convenience and propels the growth of the digital economy.

AI's unique complexities are too complex for traditional legal frameworks, which were created for a pre-digital or early-digital commercial environment. Concerns such as responsibility for algorithmic mistakes, widespread data collection, the possibility of discriminatory results from biased AI, and separating truthful statements from dishonest "AI washing" are becoming crucial. The foundation of consumer and data protection in India is comprised of the Digital Personal Data Protection Act, 2023 (DPDPA 2023) and the Consumer Protection Act, 2019 (CPA 2019). This study carefully looks at how these tools, along with other pertinent laws, address the new issues that artificial intelligence is bringing about.

The study will specifically look into how AI affects the fundamental rights of consumers—safety, information, choice, and redress. It will examine the difficulties in determining who is responsible for harm caused by AI, the moral requirement of algorithmic transparency, and the need for strong data governance in an ecosystem driven by AI. The purpose of the paper is to give a succinct analysis of how AI affects consumer protection in India and to make practical suggestions for bolstering the legal and regulatory framework for a digital environment that is focused on the needs of the consumer.

## ACQUIRING KNOWLEDGE ABOUT ARTIFICIAL INTELLIGENCE AND ITS CONSUMER ASPECTS

Any technology that makes it possible for a machine to mimic some features of human intelligence is known as artificial intelligence (AI). Natural language processing, robotics, computer vision, and machine learning are examples of core expertise.

There are countless applications available to customers:

- Retail and e-commerce: personalized product recommendations, dynamic pricing, and automated customer support.

- Financial services: credit rating, fraud detection, and individual financial guidance.
- Health: diagnosis using AI.
- Transportation: autonomous cars.
- IoT and smart homes: devices driven by AI that gather user data.

These applications offer increased customisation and efficiency, but they also pose new hazards that could jeopardize current consumer protection regulations.

### **INDIA'S LEGAL STRUCTURE ON THE PROTECTION OF CITIZENS AND DATA PRIVACY**

India's legislation on the protection of consumers in the digital age is within CPA 2019 and DPDPA 2023.

#### ***The Consumer Protection Act of 2019 (CPA 2019)***

The change in Consumer Protection Act of 2019 CPA 2019 includes the protection of services and e-commerce activities as well. The most relevant portions related to the effect of AI are:

- "Online transactions" and the 'E-Cover' extension.
- "Product liability" Introduces product liability with sections 84 through 86, which permits the public to pursue legal action against the manufacturer, provider, or vendor regarding the harm caused by a defective product (even if it is AI powered) or shoddy service. This is very significant for AI powered products because "defect" has a different meaning altogether.
- Misleading Advertisements & Unfair Trade Practices: This section prohibits unfair trade practices (Section 2(47)) and allows the Central Consumer Protection Authority (CCPA) to manage and punish deceptive advertisements (Section 2(1)(rg)). This is equally important regarding mitigation of the impacts of "AI washing" and claims AI frauds.
- Central Consumer Protection Authority (CCPA): Consumers are at risk due to the nature of their attention, and thus requires more immediate attention at CCPA, which has been established with great extent of authority in safeguarding consumer rights like consumer investigations, recalls, penalties, marking it an important arm for AI-related consumer grievances.
- E-Commerce Rules, 2020: Include disclosure mandates and prohibitions against unfair practices of trade as relevant

responsibilities to AI retail business, imposing particular obligations on e-commerce entities.

- Consumer Dispute Redressal Commissions (CDRCs): This is a three-tiered quasi-judicial mechanism for volumetric redressal. It remains to be seen how these tribunals cope with the challenges of AI's technical intricacies.

### ***The Digital Personal Data Protection Act, 2023 (DPDPA 2023)***

The DPDPA is India's most extensive data protection law and it has far-reaching consequences on the processing of personal data, especially data critically important for AI technology. It has the following guiding principles:

- Consent-Centric Policy: Requires processing of personal data only upon receiving explicit notice and consent, save for a few exceptions. This is extremely important for AI that depends on vast datasets.
- Entitlements of Data Principals: Provides individuals with access, correction, deletion, erasure, and redress of grievance rights (Chapters II, III). This enables consumers to control their data fed into AI, enabling them to use sophisticated technologies powered by AI.
- Responsibilities of Data Fiduciaries: Relates to data custodians and imposes obligations such as exercising data minimization, accuracy, retention, confidentiality, and notifying breaches (Chapter IV).
- India Data Protection Board: A tribunal set up to administer the DPDPA while imposing penal clauses.

The rules and interpretations accompanying the laws need to provide clearer guidelines to address complexities with AI, such as algorithmic biases stemming from AI datasets, or the risks of re-identification that come with anonymized data used in AI training.

### **EFFECT OF AI ON DIFFERENT CONSUMER RIGHTS AND THE CHALLENGES**

That Follow AI affects multiple dimensions of basic consumer rights directly

#### ***Right to Transparency and Information***

- AI "black boxes" make it impossible for consumers to comprehend how certain decisions are made, as in credit and insurance; this creates information asymmetry which

undermines the right to be informed. Consumers can similarly be misled through “AI Washing” where their right to accurate information is violated by exaggerated claims made about AI’s capabilities. Charge discrimination without AI-driven, transparent algorithms can change pricing structures.

- The CPA’s prohibition of misleading advertisements and unfair trade practices within sections 2(47) and 2(1)(rg) can curb AI washing. Principles of consent alongside transparency under the DPDPA are significant. There is difficulty proving intent to deceive or intent to employ subtle AI manipulations, though. Guidelines on AI advertising by the CCPA can enforce policy on abuse of AI advertising ethics.

### ***Product Liability and the Right to Safety***

- *Problem:* Due to algorithmic flaws, skewed data, or unexpected interactions, AI-driven products (such as driverless cars and medical diagnostics) may be harmful. It is difficult to assign culpability (developer, manufacturer, or service provider). Although “defective products” are covered in CPA 2019 (Sections 84–86), it can be challenging to define a “defect” in an AI system (such as a biased algorithm) and demonstrate negligence in autonomous AI operations.
- *Remedies:* Claims for product liability may be made by customers. To assign fault and define the standard of care for AI systems, legal interpretations are necessary. When AI products endanger public safety, the CCPA has the authority to step in.

### ***Autonomy and the Right to Choose***

- *Problem:* AI-driven “dark patterns” and highly tailored suggestions have the potential to subtly influence customer decisions, undermining their sense of autonomy. An AI that maximizes engagement could expose users to harmful content or encourage excessive consumption. AI-amplified dark patterns lead users to make unforeseen choices (e.g., hidden subscriptions).
- *Solutions:* The goal of the CPA 2019 is to stop unfair trade practices. These concerns are particularly covered in the Guidelines for Prevention and Regulation of Dark Patterns, 2023, which also pertain to manipulative techniques powered by AI. Detection and evidence of subtle AI

manipulation, however, continue to be major enforcement challenges.

### ***Data Security and Privacy***

- *Difficulty:* AI systems need a lot of personal information, which raises questions about misuse, illegal surveillance, profiling, and privacy violations. It is possible to re-identify even anonymized data used for AI training. Cyberattacks find large datasets for AI models to be appealing targets.
- *Remedies:* Consent, purpose limitation, and data security are all emphasized in the DPDPA's robust framework for data protection. It gives Data Principals the ability to access, edit, and remove data. Non-compliance can result in severe penalties from the Data Protection Board.
- *Gaps:* The DPDPA is sound, but more work is needed to clarify how it applies to AI-specific details like training AI on publicly accessible data (where express consent for AI use may be unclear) or determining exact liability for data breaches caused by AI.

### ***Rights to Redressal***

- *Challenge:* The technical complexities of AI related complaints can lead to an overload of existing consumer dispute redressal frameworks. Establishing a deficiency in an AI service, or a defect in an AI-enabled product often requires specialized technical knowledge. Cross-border jurisdictional issues arise with respect to global AI service providers.
- *Remedies:* Consumers can contact CDRCs. The CCPA can initiate class action suits, as well. It is imperative that these bodies are sufficiently equipped with technical knowledge to address AI complaints. Furthermore, online dispute resolution (ODR) processes must be adapted for complex AI complaints.

## **REGULATORY AND ETHICAL CONSIDERATIONS OF AI FOR CONSUMER PROTECTION**

In addition to the existing legal landscape, the ethical issues associated with AI merit a wider policy discussion.

*Algorithmic Bias and Discrimination:*

- *Problem:* AI systems that are developed based on biased datasets may also replicate biases in society, producing discriminatory decisions on lending, hiring, or healthcare—against principles of fairness.
- *Ethical Duty:* Addressing bias involves careful data curation, bias detection and mitigation, and oversight through regular audits of AI systems.
- *Legal Status:* Although the CPA would not claim algorithmic bias, it may be considered "unfair trade practices." Future regulations may need to consider algorithmic fairness as a core consumer right.

#### *Explainability and Accountability (XAI):*

- *Problem:* The degree of "black box" phenomena of many AI models obscures the reasoning for the decisions made and complicates accountability and explaining said decisions to affected consumers.
- *Explainable AI (XAI):* The goal of XAI is to design AI systems that can have human-explainability that is necessary in terms of accountability and consumer trust in dispute resolution.
- *Regulatory Approach:* Regulators may need to mandate explainability for high-risk AI applications that affect consumers to prevent arbitrary automated decisions against consumers.

#### *Intervention and Human Accountability:*

- *Problem:* If autonomous AI is deployed beyond human supervision, errors or risks may go unaddressed.
- *Regulator Approach:* Regulating human oversight for high-risk AI such as financial and medical decision-making is a matter of public safety and accountability, to avoid errors or risks.

### **CHALLENGES AND GAPS IN THE CURRENT INDIAN FRAMEWORK**

Even with the CPA 2019 and DPDPA 2023, there are substantial challenges and gaps in addressing the implications of AI for consumer rights:

1. There is no dedicated, comprehensive AI legislation that defines AI, categorizes AI associated risks, and outlines while taking into consideration responsibilities across the



AI value chain. This causes ambiguities in how general laws would apply to AI.

2. The layered and complex nature of AI development makes establishing liability for harm actionable difficult. With traditional product liability laws, autonomous decisions made by AI, AI's emergent behaviour, and each component's cumulative impact makes establishing liability difficult. Structured diffuses responsibility, particularly higher risk AI systems such that the applicable risk would need to be rigorous.
3. Consumer commissions and regulators often lack critical technology specialists who may not only understand complex AI systems, but also the nuanced error documentation it produces, or to meaningfully evaluate AI provider claims. This challenges potential, investigation and deliberation.
4. For consumers, it is exceptionally challenging to show direct harm is caused by an AI system and also provide concrete evidence justifying their claim of harm, mainly in instances where they were subtly manipulated or have encountered an unavoidable algorithmically biased action.
5. When there are resources to consumers, enforcement against AI companies operating at international borders with complex challenges particularly for public corporations globally may be difficult without substantial evidence and cooperation.

## **CONCLUSION**

The encroachment of Artificial Intelligence in the consumer marketplace offers substantial opportunities and potent threats to consumer rights. With a rapidly digitizing economy, India is at a critical crossroads. While the Consumer Protection Act, 2019, and Digital Personal Data Protection Act, 2023, provide necessary foundational legal protection, they cannot fully account for the potential risks of AI injury, algorithmic bias, the black-box issue, and the distinct forms of digital manipulation resulting from AI. The way forward requires a more proactive, adaptive, and holistic approach. Revisions to legislation on consumer protection laws must be undertaken, as well as some additional laws aimed exclusively at AI consumer protections, for example, clarifying liability regimes for AI applications and mandating transparency reporting for where an AI application is used in high risk cases. It is critically important to build - and make sure the relevant regulator body has adequate staff with appropriate regulatory skills - the institutional capacity and technical expertise

associated with regulator bodies like the CCPA and the Data Protection Board. There also needs to be a cultural shift towards ethical AI development, significant investment into - consumer education and understanding of technology - digital literacy programs as well as depth of understanding of how technology works by a meaningful groups of consumer community, and various other stakeholders, - and purposeful coordination between inter-agency arrangements as well. As AI continues to evolve rapidly, to counter that point, India's capacity to remain responsive, and timely, to updating its legal and regulatory environment will be the critical element in ensuring that technological advancement actually works for the benefit and interests of its consumers, and fosters a marketplace of trust in AI when in fact one is created.

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