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WHITE BLACK LEGAL is an open access, peer-reviewed and refereed journal provide dedicated to express views on topical legal issues, thereby generating a cross current of ideas on emerging matters. This platform shall also ignite the initiative and desire of young law students to contribute in the field of law. The erudite response of legal luminaries shall be solicited to enable readers to explore challenges that lie before law makers, lawyers and the society at large, in the event of the ever changing social, economic and technological scenario.

With this thought, we hereby present to you

# **THE DIGITAL REVOLUTION IN NEPALI COMMERCE: LEGAL CHALLENGES AND OPPORTUNITIES**

AUTHORED BY - SAROJ REGMI<sup>1</sup>

## **Abstract**

The advent of the digital revolution has fundamentally transformed the landscape of commerce in Nepal, offering unprecedented opportunities for innovation, inclusivity, and economic growth. This article critically examines the evolution and impact of digital technologies on Nepali commerce, with particular focus on the legal frameworks that govern this transaction. While the rapid proliferation of e-commerce platforms, digital payment systems, and cross-border trade mechanisms has created a dynamic marketplace, it has also exposed significant regulatory and legal gaps. The article explores how existing laws such as the Electronic Transaction Act, 2063 (2008), Consumer Protection Act, 2075 (2018), Banking and Financial Institution Act, 2073 (2017), Company Act, 2063, Contract Act, 2056 interact with and often lag behind the fast-paced digital economy. It further analyzes Nepal's limited engagement in international digital trade agreement in and its non-adaptation of key instruments like the UNCITRAL Model Law on Electronic Commerce. Despite these challenges, the article highlights emerging legal reforms, government initiatives, and private sector innovations that signal potential for inclusive and sustainable digital commerce. Ultimately, this article argues for a comprehensive, rights based, and future-ready legal regime to ensure that Nepal can harness the full benefits of the digital revolution while safeguarding consumer trust, data privacy, and cross-border trade integrity.

## **1. Introduction**

In an increasingly interconnected world, digitalization has emerged as a transformative force reshaping the landscape of commerce. Globally, businesses are rapidly adopting digital technologies to enhance efficiency, expand market reach, and improve customer experiences. E-commerce, digital payment systems, and online marketplaces have become integral components of the modern economy, facilitating seamless transactions and driving economic growth. Nepal, while still in the early stages of its digital journey, is witnessing a significant

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<sup>1</sup> LL.M in Commercial Law & Criminal Law.

surge in digitalization across various sectors, including commerce. The rise of e-commerce platforms, coupled with the increasing adoption of mobile payment solutions, is creating new opportunities for businesses and consumers alike. As more Nepalese embrace digital technologies, it is crucial to examine the legal and regulatory implications of this transformation to ensure a fair, secure, and sustainable digital commerce ecosystem. This article aims to explore the impact of digitalization on commercial transactions in Nepal, analyzing the legal challenges and opportunities that arise in this rapidly evolving landscape. By examining the existing legal framework, identifying gaps, and proposing recommendations, this article seeks to contribute to the development of a robust legal foundation for digital commerce in Nepal. The primary purpose of this article is to analyze the legal implications of the increasing digitalization of commercial transactions in Nepal. It aims to provide a comprehensive overview of the existing legal framework, identify the challenges and opportunities presented by digital commerce, and propose recommendations for policymakers, businesses, and legal professionals.

The article will primarily focus on the impact of digitalization on key aspects of commercial law in Nepal, including contract law, consumer protection, data protection, and intellectual property rights. It will cover various types of digital commercial transactions, such as e-commerce, online banking, and digital payments. The analysis will encompass relevant laws, regulations, and policies governing commercial activities in Nepal, including the Electronic Transactions Act, the Contract Act, the Consumer Protection Act, and other related legislation. The article will consider the perspectives of various stakeholders, including businesses, consumers, government agencies, and regulatory bodies. The primary geographic focus is Nepal, with references to international best practices and comparative legal frameworks where relevant. While the article aims to provide a broad overview, it may not delve into every specific aspect of digital commercial law in Nepal due to space constraints. It will also not provide specific legal advice. As commerce increasingly moves online, it is crucial to establish clear legal rules and standards to govern digital transactions. This provides legal certainty for businesses and consumers, enabling them to engage in digital commerce with confidence. Digital transactions can expose consumers to new risks, such as fraud, data breaches, and unfair trade practices. Examining the legal implications of digital commerce allows for the development of appropriate consumer protection measures to safeguard their rights in the online environment. A well-defined legal framework for digital commerce can foster innovation and economic growth by reducing legal barriers, encouraging investment, and

facilitating the development of new digital products and services. Digital commerce transcends national borders, making it essential to address the legal challenges associated with cross-border transactions. Examining the legal implications of digital commerce allows for the harmonization of legal rules and the development of international agreements to facilitate seamless cross-border trade. Digital transactions are vulnerable to cyber security threats, such as hacking, data theft, and online fraud. Examining the legal implications of digital commerce enables the development of appropriate cyber security measures and legal frameworks to protect businesses and consumers from these risks. The success of digital commerce depends on public trust and confidence. Examining the legal implications of digital commerce helps to ensure that digital transactions are conducted in a fair, transparent, and secure manner, thereby maintaining public trust and confidence in the digital marketplace. Digital technology is constantly evolving, creating new legal challenges and opportunities. Examining the legal implications of digital commerce allows for the continuous adaptation of legal frameworks to keep pace with technological change and address emerging issues.

## **2. Overview of Commercial Law in Nepal**

Nepal has the following legal framework for handling different aspects of commerce. Among them some have direct and other have indirect provision related to e-commerce for addressing the modern value of commerce and meet international standards.

### **2.1. Contract Law**

The law of Contract in Nepal is comprehensively governed by the Muluki Civil Code, 2074(2017),<sup>2</sup> which came into effect on 17 August 2018, replacing the traditional provisions of the Commercial Act, 2056. Book five of the civil code, titled "Law of Contract", introduces a modern legal framework consistent with global legal standards. Its provision embrace the vales of legal certainty, equity, modern transactional needs, it establishes essential legal principles such as offer, acceptance, consideration, and enforceability, underpin both traditional and digital commercial transactions. By incorporating rules related to consent, object, consideration, and enforceability, the Code seeks to promote fair contractual practices and safeguard parties from exploitation or ambiguity. It not only codifies existing practices but also aligns Nepalese contract law with international civil law traditions. In the context of e-commerce, these principles govern various online agreements, including click-wrap and

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<sup>2</sup>Muluki Civil code 2074 (2017)

browse-wrap contracts ensuring that transactions conducted through digital platforms are legally binding. The incorporation of electronic contracts into the legal framework is further reinforced by the electronic Transaction Act, 2063, which recognizes the validity of electronic records and digital signatures.<sup>3</sup> This legal reorganization is critical for enabling enforceability of e-contracts and supporting the growth of online business practices. Moreover, contract law enhances commercial certainty and predictability, fostering trust among market participants, which is crucial in remote and often anonymous e-commerce environments. It also provides remedies for contractual breaches, such as non-delivery of defective products, thus ensuring consumer protection and accountability.<sup>4</sup> Furthermore, the adaptability of contract law facilitates the emergence of innovative business models like digital subscriptions and online marketplaces. It complements and interacts with other branches of commercial law, including the company Act, 2063(2006),<sup>5</sup> Banking and financial institutions Act, 2073(2017),<sup>6</sup> Consumer Protection Act, 2075(2018),<sup>7</sup>

## 2.2. Company Law

Company law, primarily governed by the company Act, 2063(2006), plays a foundational role in shaping Nepalese commercial law, particularly in the modern context of e-commerce.<sup>8</sup> It establishes the legal framework for the formation, regulation, and governance of business entities, thereby creating an enabling environment for commercial activity across all sectors. In the context of e-commerce, company law facilitates the establishment of online businesses by granting them legal personality and limited liability, encouraging innovation while protecting personal assets of entrepreneurs. It mandates formal registration, capital structuring, and corporate governance, which lend legitimacy and consumer trust to digital business operating through online platforms.<sup>9</sup> E-commerce companies, often registered as private limited companies, are subject to statutory obligations such as annual reporting, disclosure of ownership, and maintenance of financial records, promoting transparency and accountability in the digital marketplace.<sup>10</sup> Additionally, Company law complements the Electronic Transactions Act, 2063(2008) by recognizing electronic documentation and digital

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<sup>3</sup> Electronic Transaction Act 2063 (2008) (Nepal)

<sup>4</sup> Id.45-51 (regarding electronic contract enforcement and liabilities)

<sup>5</sup> Company Act, 2063 (2006) (Nepal)

<sup>6</sup> Banking and financial institution act 2073 (2017) (Nepal)

<sup>7</sup> Consumer Protection Act 2075 (2018)

<sup>8</sup> Company Act, 2063 (2006)

<sup>9</sup> Id.,3-16 (provision on incorporation share capital and company registration)

<sup>10</sup> Id 80-85 108 (Annual General Meeting Audits and Reporting Obligation.

signatures, thereby validating digital contracts and transaction essential for e-commerce.<sup>11</sup> The legal obligation under company law also require proper auditing, taxation, and compliance procedures, essential for online business that engage in digital payments, cross-border services, and fintech operations, Furthermore, company law works in conjunction with the foreign investment and Technology Transfer Act, 2075(2019) to facilitate foreign direct investment and technological collaboration, which are vital for the expansion and modernization of Nepal's digital economy.<sup>12</sup>

Banking and financial law significantly contributes to the development of Nepalese commercial law by laying the legal groundwork necessary for modern, technology-driven commerce. Central statutes such as the Banking and Financial Institution Act, 2073(2017)<sup>13</sup> and the Nepal Rastra Bank Act, 2058(2002)<sup>14</sup> govern the structure, operations, and supervision of banks and financial Institutions (BFIs), which are integral to digital economic transactions. These laws ensure financial stability, consumer protection, data security, and the legal regulation of digital financial instruments, thereby supporting the expansion of e-commerce. Specially e-commerce platforms in Nepal rely heavily on secure digital payment systems facilitated by BFIs through tools such as mobile banking, internet banking, and digital wallets (e.g./eSewa, Khalti, IMEpay). The legal authority for these services stems directly from provisions under BFIA and regulatory directives issued by Nepal Rastra Bank. These laws also require financial entities to comply with Know Your Customer (KYC) protocols, Anti-Money Laundering (AML) standards, and cyber-security measures creating a safer environment for both business and consumers in the digital marketplace. Moreover, banking laws promote financial inclusion by enabling legal reorganization of digital transactions and licensing provision for small businesses and starts ups entering the e-commerce space. Thus, banking and financial law plays a foundational role in the evolution of Nepalese commercial law by institutionalizing trust and accountability in online transactions, ensuring legal enforceability, and promoting economic modernization through digital commerce.

### **2.3. Banking and Financial Institutional Law**

BAFIA provides the legal foundation for the operation and regulation of banks and financial

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<sup>11</sup> Electronic Transaction act 2063 (2008),4 (Nepal)

<sup>12</sup> Foreign investment and technology transfer act,2075 (2019) 3-6 (Nepal)

<sup>13</sup>Banking and financial institution act, 2058 (2002) (Nepal).

<sup>14</sup>Nepal Rastra Bank Act, 2058 (2002) (Nepal).

institutions (BFIs). It ensures financial stability, liquidity, and trust in the system critical for business confidence. E-commerce platforms rely on a stable banking system for secure payments, settlements, refunds, and digital transactions. BFIs provide merchant accounts, payment gateways, and digital wallets that allow businesses to accept online payments. Section 118 of the original Act ensures fair and transparent service from BFIs crucial for trust in E-commerce transactions. The 2024 amendment extends the Act's scope to digital currency, digital banks, and strengthened governance, laying the foundations for future banking innovation. AML/KYC, reporting, credit, and collateral frameworks under the Act govern all formal banking services including those used by E-commerce platforms. BAFIA supports innovations like Mobile Banking, Internet Banking, Card Payments (debit/credit), QR Code systems, interbank e-payments. E-commerce businesses such as Daraz, SastoDeal, HamroBazar, and many others depend on these systems for customer transactions. Digital payment integration through eSewa, Khalti, FonePay, and bank APIs is made possible because BAFIA enables banks to offer such digital products lawfully

#### **2.4. Electronic Transaction Law**

Electronic law has emerged as a critical component in the development of Nepalese commercial law, particularly with the expansion of digital markets and the increasing reliance on e-commerce. The cornerstone legislation, the Electronic Transactions Act, 2063(2008),<sup>15</sup> provides the legal recognition and regulatory framework for electronic records, digital signatures, and online transaction in Nepal. By legitimizing electronic contracts, records, and authentication methods, the ETA ensures that digital transactions are legally enforceable, thereby integrating e-commerce within the border ambit of commercial law. This law has paved the way for the proliferation of online businesses, electronic payments, and paperless documentation, all of which are central to the modern commercial ecosystem. For instance, under Section 4 of the ETA, electronic status as physical documents, which is essential for contract concluded through websites, emails and mobile applications.<sup>16</sup> Similarly Section 10 validates digital signatures, allowing secure and verifiable electronic agreements foundational requirement for online trade.<sup>17</sup> The Act also provides for the licensing of certification authorities, outlines cybercrime offenses, and establishes jurisdiction for electronic disputes, thereby addressing both the commercial and legal risks of e-commerce. Electronic law as an

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<sup>15</sup> Electronic Transactions Act, 2063 (Nepal)

<sup>16</sup> Id., 10.

<sup>17</sup> Id., 10.

enabling legal infrastructure that facilitates secure, efficient, and credible electronic commerce. It fills previous legislative gaps in Nepalese commercial law by recognizing the legal validity of electronic activities and aligns domestic law with international standards such as the UNCITRAL Model Law on E-Commerce. As digital transactions become increasingly central to commerce, the Electronic Transaction Act continues to play a transformative role in shaping a modern, technology friendly commercial legal system in Nepal.

#### **2.4. Consumer Protection Law**

Consumer protection law plays a vital role in the development of Nepalese commercial law by ensuring fairness, transparency, and accountability in both traditional and digital marketplaces. The Consumer Protection Act, 2075 (2018)<sup>18</sup> marks a significant step in strengthening consumer rights and addressing malpractices in the rapidly expanding e-commerce sector. As online shopping becomes more prevalent in Nepal, the law adapts the principles of consumer welfare to the digital environment by regulating unfair trade practices, ensuring product and service quality, and facilitating grievance redress mechanisms. By incorporating digital consumer rights and mandating accountability for online sellers and platforms, the Consumer Protection Act ensures that the evolution of Nepalese commercial law remains responsive to new modes of commerce. It promotes legal certainty, reduces asymmetry between consumers and online businesses, and supports the development of a safe and competitive digital marketplace.

#### **2.5. Tax Law**

Value added tax law is crucial element in the evolution of Nepalese commercial law, particularly in ensuring fiscal accountability, formalization of business practices, and revenue generation in the growing digital economy. The value added tax Act, 2052(1996)<sup>19</sup> provides a legal framework for the collection of VAT on goods and services, including those traded via e-commerce platforms. As online transactions increasingly replace traditional commerce, VAT law plays a vital role in extending tax obligations to digital businesses, thereby integrating them onto the formal legal and economic structure. The inclusion of e-commerce under the VAT regime ensures that online sellers are subject to the same fiscal responsibilities as traditional vendors, Section 10 of the Act mandates VAT registration for businesses crossing the

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<sup>18</sup> Consumer protection act,2075 (2018).

<sup>19</sup> Value Added Tax Act, 2052 (1996)

prescribed turnover threshold, which now includes e-commerce entities.<sup>20</sup> Section 14 requires proper invoicing and recordkeeping, which helps ensure transaction transparency in online sales.<sup>21</sup> The Inland Revenue Department has also issued directives requiring digital platforms and vendors to register for VAT, collect tax at the point of sale, and submit digital invoices—creating a robust legal basis for tax compliance in e-commerce.

## 2.6. E-Commerce Law

Nepal's E-Commerce Act, 2025 is the country's first-ever comprehensive law governing e-commerce. It officially came into effect on April 15, 2025, and required all existing online sellers to register within three months, by July 18, 2025.<sup>22</sup> It applies to any individual or entity, domestic or foreign, selling goods services to consumers in Nepal via electronic means (websites, apps, social media marketplaces like face book, Instagram, TikTok, WhatsApp).<sup>23</sup> The platform should display business name, address, PAN/VAT, contact details, grievance mechanism, and classify as listing-based or intermediary. It introducing mandatory registration, strong consumer protection, enforceable digital contracts, data security norms, and significant penalties for violations, It brings social-media based e-commerce under regulatory oversight for the first time, impacting both domestic and international sellers. While it marks a major milestone, stakeholders urge further clarity on definitions, exemptions, and streamlined compliance for small sellers.

## 2.7. Private Firm Law

The Private Firm Registration Act, 2014 of Nepal plays a crucial role in the development of Nepalese commercial law by providing a formal legal framework for the registration and recognition of private firms, which is a prerequisite for any lawful commercial operation, including those conducted online.<sup>24</sup> E-commerce businesses in Nepal are required to register under this Act to gain legal identity, which enables them to enter into contracts, operate bank accounts, and engage in formal digital payment systems.<sup>25</sup> By bringing informal online sellers and startups under the formal legal umbrella, the Ast enhances regulatory compliance, tax accountability, and consumer trust in the digital marketplace. Registered firms are also legally

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<sup>20</sup> Id.,10

<sup>21</sup> Id.,14

<sup>22</sup> Kathmandupost.com wed Jul 23,2025

<sup>23</sup> Onesphere.com E-Commerce act 2025, E-commerce business in Nepal

<sup>24</sup> Private Firm Registration act, 2014 (2014)Nepal

<sup>25</sup> Id

bound by broader commercial statutes such as the Consumer Protection Act, 2075, the Electronic Transactions Act, 2063, and the recently enacted E-Commerce Act, 2081, which together offer legal safeguards related to digital transactions, consumer rights, and cyber security.<sup>26</sup> Moreover, firm registration enables access to investment, licensing, and technological collaborations that are essential for e-commerce growth.<sup>27</sup> Therefore, this Act not only supports the structural development of Nepal's commercial law but also as a bridge between traditional business regulation and the evolving digital economy.

### **3. Rise of E-commerce Platforms and Institution**

The Nepalese e-commerce landscape begun with informal social media-based transaction and evolved into organized platforms offering structured product listings, logistics services, and secure payment systems. Early platforms like HamroBazar.com, a classified ad site, set the stage for digital trade. Subsequently, structured marketplaces such as SastoDeal, MeroShopping, and Muna.com.np emerged, offering a range of goods and initiating payment-on-delivery systems.

#### **3.1. E-Commerce Platforms**

The most significant leap occurred with the entry of Daraz Nepal (a Subsidiary of Alibaba Group), which integrated global e-commerce practices with local customization. As of 2024, Daraz claims to manage over 600,000 stock keeping units facilitate over 200,000 monthly deliveries, and maintain one of the most extensive logistics and customer care infrastructure in Nepal.<sup>28</sup> It has played a pivotal role in setting performance benchmarks, introducing mobile-first user interfaces, and integrating promotional campaigns like "11.11 sale" and Dashain Dhamaka."

In parallel, niche verticals like Foodmandu, Pathao Nepal, and Tootle diversified the sector by focusing on food delivery, ride-sharing, and courier services. These platforms not only provided urban employment opportunities but also enhanced consumer convenience.

#### **3.2. Fintech and Payment Platforms**

Fintech platform are most dynamic sector within Nepal's digital economy. The country's first

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<sup>26</sup> Consumer Protection act, 2075 (2018) (Nepal), Electronic Transactions act,2063 (2008) (Nepal) E-commerce act 2081 (2024) (Nepal)

<sup>27</sup> See Private Firm Registration Act,2014 (2014) (Nepal)

<sup>28</sup>Daraz Nepal, About Us, <https://daraz.com.np/about> Id.,10.t

digital wallet, eSewa, launched in 2009, pioneered mobile financial services, offering payment gateways, utility bill payments, fund transfers, and merchant services. It now boasts over six million users and partnerships with more than 50 banks and financial institutions.<sup>29</sup> Similarly, Khalti, launched in 2017, has grown rapidly by integrating government payments and business-to-business services.<sup>30</sup>

Other notable players include IME Pay, backed by IME Remit, and PrabhuPay, which offers remittance and mobile payment solutions<sup>31</sup>. PhonePay and ConnectIPS, operated by Nepal Clearing House Limited (NCHL), serve as interoperable payment switches facilitating QR payment, direct bank transfers, and unified government payment platforms.<sup>32</sup> According to Nepal Rastra Bank, as of mid-2025, Nepal has licensed approximately 132 fintech companies, including 27 Payment Service Providers and 10 Payment System Operators.<sup>33</sup> These platforms collectively support a growing shift towards a cashless economy and financial inclusion.

### **3.3. E-Commerce Platform**

E-Commerce in Nepal has expanded significantly due to increased internet penetration and mobile usage. Daraz Nepal, a subsidiary of Alibaba Group, leads the market, offering electronics, fashion, groceries, and ration wide delivery logistics.<sup>34</sup> While some platform like SastoDeal and Gyapu initially gained traction, they struggled with logistical finical and customer retention issues leading to reduced operations of closures by 2024.<sup>35</sup>

### **3.4. Government Digital Platform**

The Nagarik App, developed by the Government of Nepal, stands out as a flagship initiative in digital governance. Lunched officially in 2021, it integrates over 25 Government services, including voter registration, tax identification, police clearance, and social security applications.<sup>36</sup> As of 2025, the app remains a key tool for digital public service delivery and has received international recognition, including the World Summi. Award in the "Government

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<sup>29</sup> Nepal's digital Transformation, NEPALI TIMES (Mar.12, 2023) <https://Nepal-s-e-economy-rapidly-hoes-digital>.

<sup>30</sup> Id

<sup>31</sup> National Payment Switch,NCHL (2023) <https://nchl.com.np>

<sup>32</sup> .....

<sup>33</sup> Nepal Rastra Bank, Digital Payment Regulatory Report 2025 (2025), <https://nrb.org>

<sup>34</sup> Id

<sup>35</sup> Daraz Dominates nepal's online market REDDIT, <https://www.reddit.com/r/Nepal>

<sup>36</sup> Nagarik app overview GOVT Of Nepal (2024), <https://nagarik.gov.np>

and Citizen Engagement" category.<sup>37</sup>

### **3.5. Media Platform**

Internet Service Provider (ISPs) like World Link Communications and Dish Home play a crucial role in supporting Nepal's digital platforms. World Link Nepal's largest ISP covers 73 out of 77 districts and services approximately 900,000 users with fiber broadband and IPTV services.<sup>38</sup> Similarly Dishome offers DTH satellite and hybrid internet-TV services, especially in semi-urban areas.<sup>39</sup> These infrastructure providers underpin the functionality and reach of all digital platforms across sectors.

## **4. Legal Challenges Faced by E-Commerce in Nepal**

The rapid proliferation of e-commerce has outpaced the evolution of legal frameworks in many jurisdictions, including developing economies such as Nepal. Despite its transformative impact on commerce, e-commerce faces several legal challenges, broadly encompassing regulatory uncertainty, data protection, consumer rights, taxation, intellectual property, and cross border legal harmonization.

### **4.1. Regulatory and Jurisdictional Ambiguity**

One of the most prominent legal issues is the lack of clear jurisdictional rules in cross-border transactions. When parties from different countries engage in online trade, questions arise concerning which country's laws apply, which court has jurisdiction, and how judgments can be enforced. This lack of harmonization often creates legal uncertainty and discourages international e-commerce growth.<sup>40</sup>

### **4.2. Data Protection and Privacy**

The collection and processing, and storage of consumer data by e-commerce platform raise serious privacy concerns. There are no comprehensive data protection laws, leading to potential misuse of personal information. While the e-commerce Act, 2025 makes a promising start in regulating digital commerce in Nepal, its data protection framework is incomplete and underdeveloped. But, the Act cannot manage clear user rights and consent mechanisms,

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<sup>37</sup>Nagarik App Wins UN WSA award Nepal Live today (nov.2022) <https://www.nepalnews.com.np/news/nagarik-app-wins-un-wsa-award>

<sup>38</sup> World link communications company profile <https://worldlink.com.np>

<sup>39</sup> Dish home Profile WIKIPEDIA <https://en.wikipedia.org/wiki/dishhome>

<sup>40</sup> See electronic transaction act 2063 (2008)

mandatory breach reporting and oversight bodies.<sup>41</sup>

### **4.3. Consumer Protection**

E-commerce platforms often provide limited recourse for consumers regarding fraud, product quality, non-delivery, or unfair terms. Traditional consumer protection laws may not be well-suited for digital environments, lacking specific provisions for electronic transaction, digital signatures, and remote dispute resolution mechanisms. This regulatory gap leads to asymmetrical power dynamics between consumer and digital sellers.<sup>42</sup>

### **4.4. Taxation and Regulatory Compliance**

Nepal tax authorities have struggled to impose Value Added Tax (VAT) and customs Duties on digital transactions, especially from foreign e-commerce service providers that operate without a permanent establishment in Nepal. This undermines fair competition for domestic businesses and results in revenue loss. Although the Inland Revenue Department has issued directives mandating VAT registration for certain digital services, compliance remains low due to a lack of enforcement mechanism.<sup>43</sup>

### **4.5. Intellectual Property Rights Enforcement**

Online platforms are increasingly being used to distribute counterfeit goods, pirated software, and plagiarized content. The enforcement of intellectual property Rights in the digital domain remains weak in Nepal, as existing laws such as the Patent Design and Trademark Act, 2022 and Copyright Act, 2059 (2059) were not designed to address online infringements. Furthermore, there is no proactive monitoring system or digital takedown procedure akin to international models like the U.S.<sup>44</sup>

### **4.6. Cyber security and Digital Fraud**

Cyber remains a critical legal concern as more Nepalese consumer and vendors conduct transaction online. The ETA provides provision against hacking, illegal access, and digital forgery, but the implementation is weak. Many cases of phishing, identity theft, and digital fraud go unreported or unresolved due to lack of capacity within law enforcement and judiciary

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<sup>41</sup>See electronic transaction act 2063 (2008)

<sup>42</sup> See consumer protection Act, 2075

<sup>43</sup> See inland revenue department VAT on digital service public notice (2022)

<sup>44</sup> See copyright act 2059 (2002); patent design and trademark act 2022 (1965)

to handle cybercrime effectively.

Additionally, Nepal does not have enough train manpower for investigation, technology to examine the crime access to diagnosing the device uses in crime. This has led to an increase in unregulated marketplaces and fraudulent activities, undermining trust in e-commerce platforms.<sup>45</sup>

Although the Act does not specifically mention electronic contracts, it is technology-neutral. Key principles like free consent, lawful consideration, and intention to create legal relations apply to both physical and digital contracts.

### **5. International Practice and Nepal's Position**

Nepal has formally adopted the UNCITRAL Model Law on Electronic Commerce (1996). While Nepal's Electronic Transaction Act, 2063(2008) is loosely inspired by the UNCTRAL Model Law and incorporates similar. Principles (Such as legal recognition of electronic records and signatures, functional equivalence, and technology neutrality), it is not an implementation of the Model Law as such and Nepal is not listed among jurisdictions that have enacted it.<sup>46</sup>

The official UNCITRAL status listing enumerates countries that have enacted legislation based on or influenced by the Model Law-but Nepal is not among them, confirming it has not enacted the Model Law text itself.<sup>47</sup>

Nepal is not part of the WTO Joint Statement Initiative on Electronic Commerce, nor has it joined regional digital trade agreements with binding commitments on cross-border data flows or e-contract regulation, which limits the reach of its e-contract enforcement in cross-border contexts. The WTO's official documentation confirms that over 90% of global trade is covered under the JSI on E-Commerce, and that participation is open to all WTO members.<sup>48</sup> Nepal is also not part of WTO's digital trade negotiations or regional digital commerce treaties, limiting the reach of its e-contract enforcement in cross-border contexts.

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<sup>45</sup> See electronic transaction act 2063

<sup>46</sup> Uncitral.un.org

<sup>47</sup> Id.

<sup>48</sup> Ministry of economy trade and industry

Nepal has not joined any agreement with binding commitments to open transfers of data across borders.<sup>49</sup> Nepal is not party to the WTO Agreement on Government Procurement, nor does it have observer status.<sup>50</sup>

## 6. Regulatory Bodies for E-Commerce in Nepal

In Nepal several regulatory bodies are responsible for overseeing and facilitating the growth, security, and legal compliance of e-commerce platforms. These bodies work across different domains such as commerce, technology, finance, taxation, and consumer rights. Below is an academic-style overview of the regulatory bodies for e-commerce in Nepal, with relevant references.

### 6.1. Ministry of Industry, Commerce and Supplies

This is the primary policy-making body for trade and commerce, including e-commerce. MoICS has formulated the National E-Commerce strategy 2077, which aims to promote digital trade, improve logistics, support small and medium enterprise and create a regulatory environment conducive to e-commerce development.<sup>51</sup>

### 6.2. Department of Commerce Supplies and Consumer Protection

This department under MoICS is responsible for overseeing consumer rights protection, regulating business practices, and conducting market surveillance for fair trade practices. It plays a vital role in handling complaints related to online frauds and misleading advertisements.<sup>52</sup>

### 6.3. Nepal Telecommunication Authority (NTA)

NTA regulates telecommunication and internet service providers which are the backbone of e-commerce operations. It issues licenses, manages the digital infrastructure, and works on cyber security and digital inclusion.<sup>53</sup>

### 6.4. Nepal Rastra Bank (NRB)

As the central bank, NRB regulates digital payment systems such as mobile wallets, QR

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<sup>49</sup> Dti.eu.eu

<sup>50</sup> Id.

<sup>51</sup> Ministry of industry commerce and supplies commerce strategy of Nepal 2077

<sup>52</sup> Consumer protection in e-commerce and regulation of fair trade practices.

<sup>53</sup> Telecommunication authority act 2053 annual reports

payments, and internet banking-crucial tools for e-commerce transactions. It issues circulars and policies for payment service providers and payment system operators under the payment and settlement Bylaw 2072. It regulates the digital payments and financial technologies.<sup>54</sup>

### **6.5. Inland Revenue Department**

IRD ensures tax compliance of e-commerce platforms, especially in the collection of Value Added Tax (VAT) and income tax. It has started monitoring e-commerce transactions for revenue purposes and has issued guidance for the taxation of nonresident digital service providers. Which regulates and monitors of tax liabilities of online businesses.

### **6.6. Ministry of Communication and Information Technology**

This ministry leads the implementation of Digital Nepal Framework, which includes e-commerce as a key area. It also oversees digital literacy, ICT infrastructure, and data protection initiatives. It promotes of ICT infrastructure and policies related to data privacy.<sup>55</sup>

### **6.7. Department of Customs**

It monitors cross-border e-commerce and ensures compliance with customs laws related to imports and exports. Online businesses importing goods must adhere to customs procedures, platforms like Daraz of Sasto Deal must declare their import consignments. It regulates international trade via e-commerce.<sup>56</sup>

### **6.8. Cyber Bureau, Nepal Police**

The cyber bureau investigates cybercrimes, including fraud, phishing, identity theft, and data breaches related to e-commerce transactions. Which enforce cyber laws and prosecution of digital offences.<sup>57</sup>

### **6.9. Office of the Company Registrar**

OCR registers and regulates e-commerce companies under the Company Act, 2063. E-commerce platforms operating legally in Nepal must be registered entities. That monitors the company registration and compliance.

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<sup>54</sup> NRB unified directives 2080 payment and settlement act 2075

<sup>55</sup> Digital Nepal framework 2019 IT policy of Nepal

<sup>56</sup> Customs act 2064

<sup>57</sup> Electronic Transaction act 2063 cyber bureau reports

Digital commerce (e-commerce) is rapidly transforming Nepal's retail, service, and financial sectors. While the adoption of digital platforms has surged, the regulatory framework remains fragmented and outdated, posing challenges in governance, consumer protection, data security, and market regulation.

## 7. Conclusion

The Digital Revolution ushered in a transformative era in Nepal's commercial landscape, redefining the ways businesses operate, Consumers engage, and the economy evolves. From mobile banking and digital wallets to online marketplaces and automated logistics, digital commerce has created unprecedented opportunities for innovation, entrepreneurship, and financial inclusion. It has reduced geographic and social barriers to market access, empowered small and medium-sized enterprises and open new frontiers in trade and service delivery.

Legally Nepal has made considerable strides with frameworks such as the Electronic Transaction Act, 2075, the Banking and Financial Institutions Act, and recent amendments to the Company Act, all of which provide a foundational regulatory environment. However, the pace of digital advancement has outstripped the development of comprehensive harmonized, and enforceable legal standards. Challenge such as weak cyber security infrastructure, lack of data privacy legislation, jurisdictional ambiguity in cross-border e-commerce, and limited enforcement of e-contracts continue to hinder full-scale integration of Nepal into the global digital economy.

Nonetheless, the potential for inclusive and sustainable economic development through digital commerce remains significant. To harness this potential, a multipronged approach is necessary, updating outdated laws, aligning with international best practices such as UNCITRAL's Model laws on e-commerce, strengthening regulatory institutions, and promoting digital literacy. Equally important is the need for public-private collaboration and proactive government policy to incentivize digital innovation while ensuring consumer protection and legal certainty.

In sum, digital revolution in Nepali commerce is both a challenge and an opportunity. It demands a responsive legal system that can keep pace with technological innovation while ensuring accountability, fairness, and security. With strategic reforms and institutional commitment, Nepal is well-positioned to leverage the digital revolution not just for economic

growth, but for inclusive development and international competitiveness in the digital age.

## **8. Recommendations**

### **8.1. Legal Framework**

Research can focus on developing specific legal frameworks addressing emerging technologies such as block chain, crypto currencies, artificial intelligence (AI), and the Internet of Things (IoT) in the context of digital commerce. Understanding how these technologies impact transactions, contracts, and data security is crucial.

### **8.2. Cyber security and Data Privacy**

In-depth studies on enhancing cyber security laws and data protection regulations tailored for digital commerce are needed. This includes examining gaps in current laws and proposing stronger consumer data privacy protections, breach notifications, and liability frameworks.

### **8.3. Consumer Protection in Online Transactions**

Future research should explore mechanisms for better protecting consumers in digital commerce, such as clearer guidelines for dispute resolution, protection against misleading advertisements, and addressing digital fraud and scams effectively.

### **8.4. Electronic Contract Validity and Enforcement**

Further analysis of the legal validity, enforceability, and dispute resolution related to electronic contracts and signatures under Nepali law can help clarify ambiguities and support wider adoption of digital transactions.

### **8.5. Regulatory Harmonization and International Cooperation**

Given the borderless nature of digital commerce, research could focus on harmonizing Nepal's digital commerce laws with international standards and exploring bilateral or multilateral agreements to facilitate cross-border e-commerce and data flows.

### **8.6. Role of Alternative Dispute Resolution (ADR) in Digital Commerce**

Investigate the effectiveness and scope of ADR mechanisms such as online mediation and arbitration to resolve digital commerce disputes swiftly and cost-effectively.

### **8.7. Legal Infrastructure for Digital Payment Systems**

Study the regulatory challenges and opportunities in developing robust legal infrastructure for digital payment gateways, mobile wallets, and fintech innovations to boost trust and ease of use.

### **8.8. Impact of Digital Commerce on Traditional Commerce Laws**

Explore how existing commercial laws (e.g., contract law, consumer law, and intellectual property rights) interact with digital commerce practices and what reforms might be necessary to harmonize them.

### **8.9. Regulatory Sandbox Models for Innovation**

Propose and analyze the feasibility of regulatory sandboxes in Nepal that allow digital commerce startups to test innovative business models under a relaxed regulatory environment before full-scale implementation.

### **8.10. Awareness and Capacity Building**

Research the effectiveness of awareness programs and legal literacy campaigns among businesses, consumers, and legal professionals to foster better understanding and compliance with digital commerce laws.

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