



# **A STUDY ON ONLINE AUCTION FRAUDS AND ITS IMPACT ON E-COMMERCE PLATFORMS.**

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## **ABSTRACT:-**

Internet auction fraud is one of the fastest growing Internet crimes. This is shocking, because it has somehow managed to stay below the radar for so long. It has not been perceived as a serious problem for a number of reasons including the relatively small monetary losses that the victims suffer. The research applied an empirical method of research collected and analysed a total of 202 responses. The samples are collected through a convenient sampling method. That is one reason victims are reluctant to report the fraud. Others include the supposition that law enforcement will not assist them, a feeling of embarrassment, and not knowing how to report it. In March 2003, an online victimisation survey was conducted in conjunction with the National White Collar Crime Center. Some of the survey results are as follows: eBay is the most utilised Internet auction house; most victims reported the crime to the auction house; more than half of the victims did not research the Sellers; and non-delivery of the product was the method most commonly used. Interviews

with Internet auction house officials were also conducted to obtain information to determine what they are doing to respond to the problem, and what proactive measures they are taking to combat the problem. The paper **focuses** on the impact of online auction fraud on e-commerce platforms. The findings of the research are that though people are less subjected to online auction fraud it is prevalent and necessary to be addressed.

**KEYWORDS:-** Victimization, Embarrassment, Utilised, Conjunction, Proactive.

## **INTRODUCTION:-**

With 10,000 reported cases in 1999, Internet auctions continued to be the most common form of cybercrime. The FTC stated in 2002 that auction fraud was to blame for more than half of the complaints they received regarding the Internet. Each year, both auction participants and Internet users have increased. The authorities depend vigorously upon the sale members themselves to use judicious practices, for example, exploring the merchant, utilize safe paying practices, and to educate authorities regarding any bad behavior. Law enforcement will be better able to prevent new victims and identify the perpetrators if they have a clear understanding of how the crime is committed, who the victims are, and why they do not report it. Not only does this project serve as a model for what must be done to combat this crime, but it also serves as a base for future research. Presentation Web closeout extortion is evaluated as the top digital wrongdoing occurring today, and is guaranteeing new casualties ordinary. Unexpectedly, the overall population, sell off members, policing, and, surprisingly, the Web closeout houses themselves, may not know about the earnestness of the issue, the consistency with which it is occurring, and the effect it is having. The seriousness of this crime and its steady rise are demonstrated by the statistics. Web sell off extortion is evaluated as the top digital wrongdoing occurring today, and is guaranteeing new casualties ordinary. Ironically, the general public, auction participants, law enforcement personnel, and even Internet auction houses themselves may not be aware of the problem's seriousness, frequency, or impact. The measurements address the earnestness and consistent development of this wrongdoing. During the initial half year of 2001, Web sell off extortion represented roughly 70% of misrepresentation reports made to the Web Extortion Watch. During the first six months of 2002, this percentage soared to 87%. From 2001 to 2002, complaints more than doubled. In 2000, the IFW reported losses of up to \$427 per person, or \$3.3 million. Within the first ten months of 2001, this figure was exceeded, with losses totaling \$4.3 million, or \$636 per person. According to a study conducted by the Internet Fraud and Complaint Center (IFCC), over half (64,1 percent) of Internet fraud complaints from May to November 2000 were associated with Internet auction fraud (IFCC, 2000). These complaints cover losses of varying sizes. Not only are the numbers staggering and shocking, but they are also rising annually. This crime requires the attention of auction participants, Internet auction houses, and law enforcement officials due to the magnitude of the damage it has caused. It is obvious that fraud in online auctions does a lot of damage and won't go away anytime soon. The progressive technique for Web barterers, which set up for how future electronic business was to happen, started roughly a long time back. However, it wasn't long before this brand-new occurrence turned into a major problem for participants in auctions,

administrators of Internet auction houses, and law enforcement personnel. Internet auction fraud was named the top online scam in 1997 by the U.S. Federal Trade Commission (FTC), with 100 reported cases, in January 2001. In May 2002, the Internet Fraud Watch (IFW) stated that Internet auctions were responsible for 90% of the fraud complaints that were made to them that year. This simply results in a greater number of potential victims. The graph below shows that, with the exception of 2000, the number of complaints to the Federal Trade Commission about online auction fraud has continued to rise since 1997. The Aim of this study is to find out how online auction fraud affects e-commerce platforms.

### OBJECTIVES:-

- To know the various auction frauds occurring online.
- To analyse its impact on e-commerce platforms.
- To understand the irregularities in those platforms.

### REVIEW OF LITERATURE:-

1. **(Katzman 2011)** The Author states that the Internet auction fraud in the information systems literature is conducted at the individual level of analysis, thereby limiting its focus to the choices of individual traders or trading dyads. The criminology literature, in contrast, recognizes that social and community factors are equally important influences on the perpetration and prevention of crime.
2. **(Frenchmen1995)** The Author states that the On-line auction fraud is the most frequently reported Internet crime. This research investigates whether on-line reputation systems are a useful mechanism for potential buyers to avoid fraudulent auctions. Content analysis of complaints posted in an on-line auction reputation system is used to improve understanding of on-line auction fraud and the role of reputation systems in documenting, predicting, and reducing fraud.
3. **(Turban et al. 2017)** The Author states that the Online auction has become one of the most successful e-business models and created a tremendous turnover rate for years. The large amount of monetary profit appeals to fraudsters to step into online auctions. These fraudsters manipulate reputation systems to fabricate positive feedback scores for attracting naive traders.
4. **(Kelly ted 2017)** The Author states that the Auction frauds constitute the largest part of all Internet frauds. Cheating is a kind of fraud that does not have direct evidence of its occurrence. We conduct theoretical studies as well as simulation experiments to find out the effect of cheating in three important types of auctions.
5. **(Alcheik,2000)** The Author states that the Online auction is a popular electronic marketplace that allows buyers and sellers to purchase and sell products in an efficient way. In spite of the popularity of online auctions, there are many fraudulent bidding or selling behaviours that can occur during an auction (e.g., shill bidding, bid shielding, etc.)

6. **(Umar, 2003)** The Author states that in the last three decades, we have seen a significant increase in trading goods and services through online auctions. However, this business created an attractive environment for malicious money makers who can commit different types of fraud activities, such as Shill Bidding (SB).
7. **(A. and Mehdi 2020)** The Author states that the Research was undertaken to assess the level of fraud and precautions against fraud in Internet auctions. A trial run was also carried out of placing items for auction with eBay and then bidding for them.
8. **(Gupta and Sharman 2008)** The Author states that with a privacy-aware reputation system, an auction website allows the buyer in a transaction to hide his/her identity from the public for privacy protection. However, fraudsters can also take advantage of this buyer-anonymized function to hide the connections between themselves and their accomplices.
9. **(Keith Schoppa 2017)** The Author states that Online auctions such as eBay are becoming increasingly more important mechanisms for people to buy and sell items online. In general, e-commerce is becoming fundamental to transacting business around the globe. With the added convenience of online transactions also comes the risk of electronic fraud.
10. **(Hillis, Petit, and Epley 2012)** The Author states that the new communications technologies allow almost anyone to have the ability to deceitfully pass oneself off as someone worthy of trust and reliability for the purpose of personal gain.
11. **(Turban et al. 2017)** The Author states that a measure for online auction sites' service quality (OA-SQ). The conceptualisation is based on a literature review of service quality research and an analysis of the unique characteristics of online auctions. A pilot study refined the initial scale. A second survey data set tests the final scale.
12. **(Goldman and Shapiro 2012)** The Author states that although Internet stocks have lost value in recent months and many online ventures have failed, one segment of the dot.com industry has weathered the downturn thus far online auctions. Millions of people and businesses now use online auctions to buy and sell items ranging from trinkets and collectables to homes, heavy construction equipment, and fine art.
13. **(Sherien 2016)** The article states that We consider the problem of building online machine-learned models for detecting auction frauds in e-commerce web sites. The popularity of the World Wide Web (WWW) has brought electronic commerce, which is commonly called as e-commerce into human daily life.
14. **(Wells 2010)** This paper is aimed at providing insight on and to better understand how "Fraudsters" use tools provided by e-commerce organisations to attain legitimate withdrawals from financial institutions. This paper explains "Cyber Laundering" and presents the different methods that criminals utilise to launder money through online payment.
15. **(Reno and Reno 2000)** The Author states that Nowadays cyber forensics is the field which is dealing with several online fraudulent cases. Increase in internet practice is further enhancing the possibilities of online frauds. In our previous research we have proposed Online Hybrid Model (OHM) which prevents Online Auction, Non-Delivery/Merchandise, Card theft and Identity theft frauds.
16. **(Riefa 2016)** The Author states that Inflated reputation fraud is a serious problem in online auctions. Recent work suggested that neighbour diversity is an effective feature for discerning fraudsters from normal

users. However, there exist many different methods to quantify diversity in the literature. This raises the problem of finding the most suitable method to calculate neighbour diversity for detecting fraudsters.

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18. **(Bidgoli 2004)** The Author states that Online advertisements (ads) provide a powerful mechanism for advertisers to effectively target Web users. Ads can be customised based on a user's browsing behaviour, geographic location, and personal interests.

19. **(Sharpe 2015)** The Author states that People often enmesh the Internet auction frauds which damage the benefits of the Internet market and threaten transaction security. This research applies social network analysis and data mining to extract characteristic features from two random collected transaction datasets of Yahoo auction site. One dataset is used to construct a prediction model and another is treated as validation.

20. **(O'Loughlin and Millhollon 2000)** The Author states that Product images serve an important role in online auction listings. As thriving businesses, online auction sites often host millions of concurrent auction listings. Where space is limited (such as on the page of auction search results), only product images are displayed to users as an overview of all auction listings.

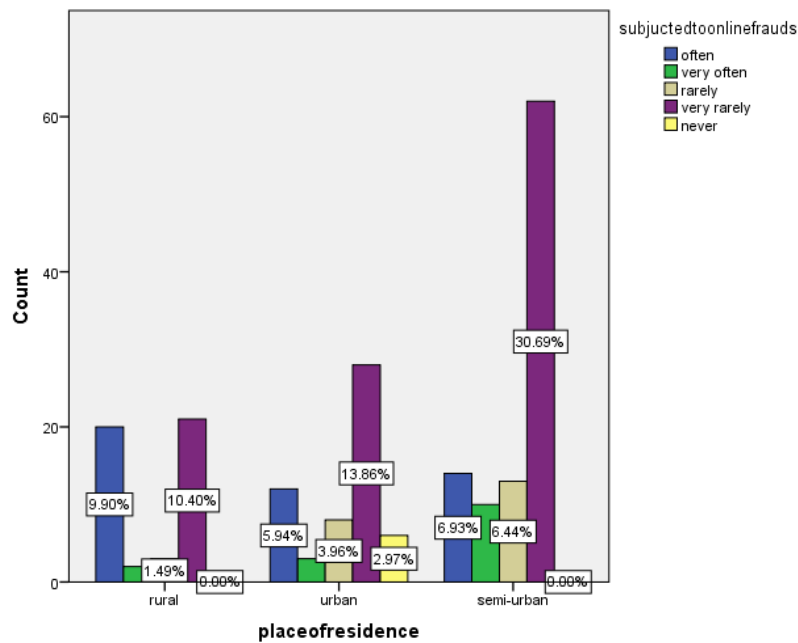
#### **RESEARCH METHODOLOGY:-**

The research method followed here is empirical research. A total of 200 samples have been taken out of which is taken through convenient sampling. The sample frame taken by the researcher is in social media with WhatsApp and Instagram and in some public places. The independent variables are age, education qualifications, employment status and place of residence. The dependent variables are whether you are subjected to online frauds, whether online fraud restricted further transactions on e-commerce platforms, whether online auction fraud reduced transactions on e-commerce platforms.

- Research method : Empirical research.
- Sampling method : Convenient sampling method.
- Sample size : 200 samples.
- Statistical tool : Graphical representation.
- Data collection procedure : Primary data collected through questionnaires and secondary data collected from articles, journals and statutes.

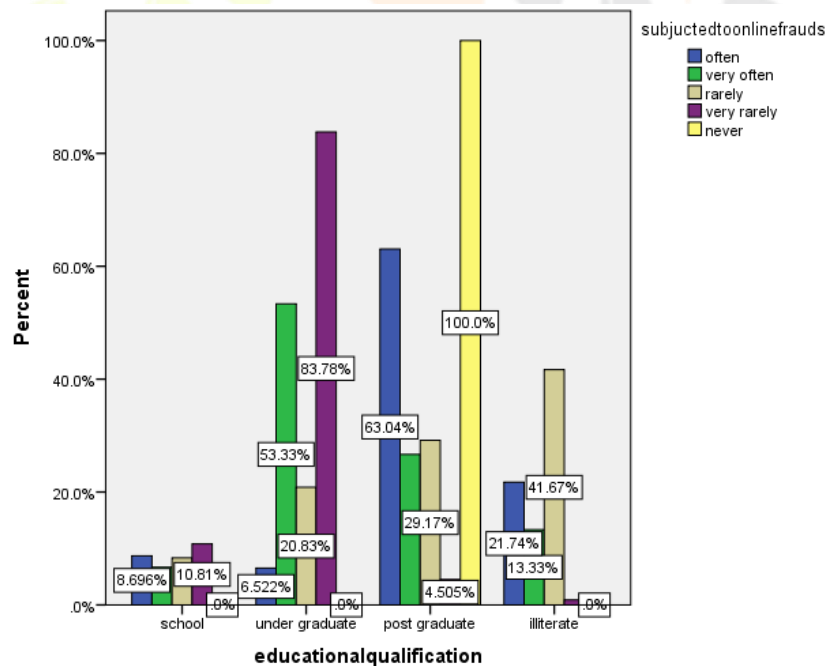
**ANALYSIS AND INTERPRETATION:-**

**FIGURE 1:**



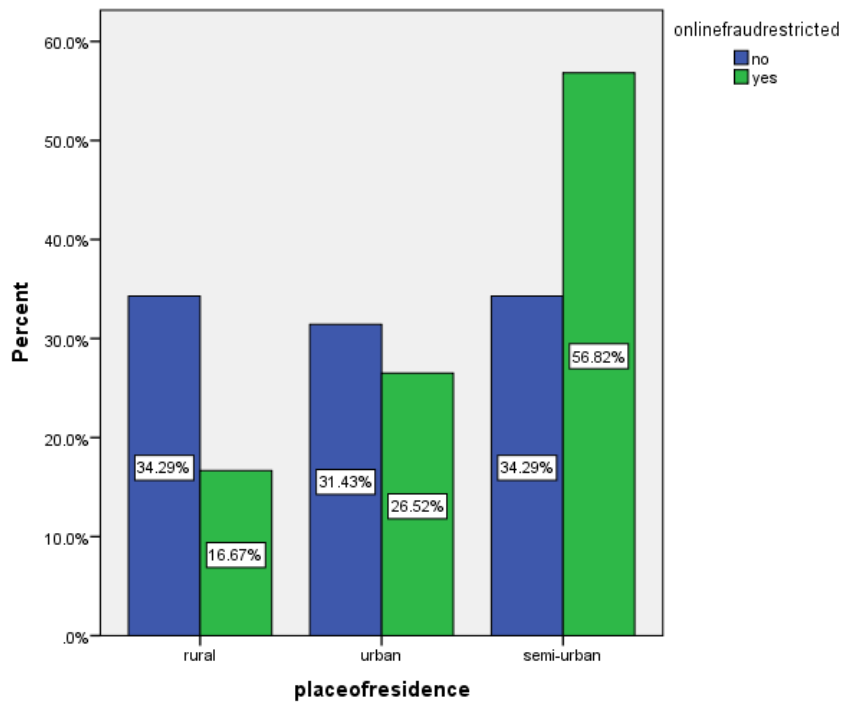
**Legend:-**The Graph represents the responses of people from different place of residence to the statement whether you are subjected to online frauds.

**FIGURE 2:**



**Legend:-**The Graph represents the responses of people from different educational qualifications to the statement whether you are subjected to online frauds.

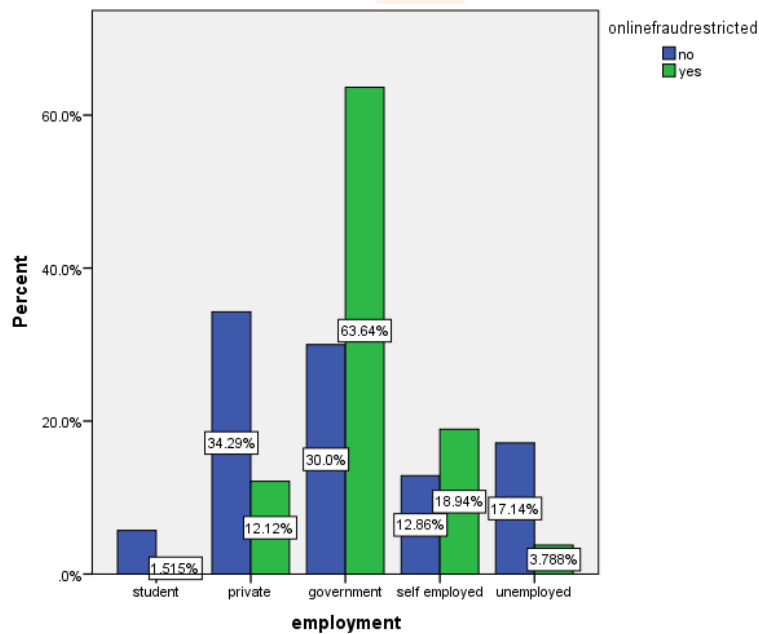
**Figure 3:**



**Legend:-**

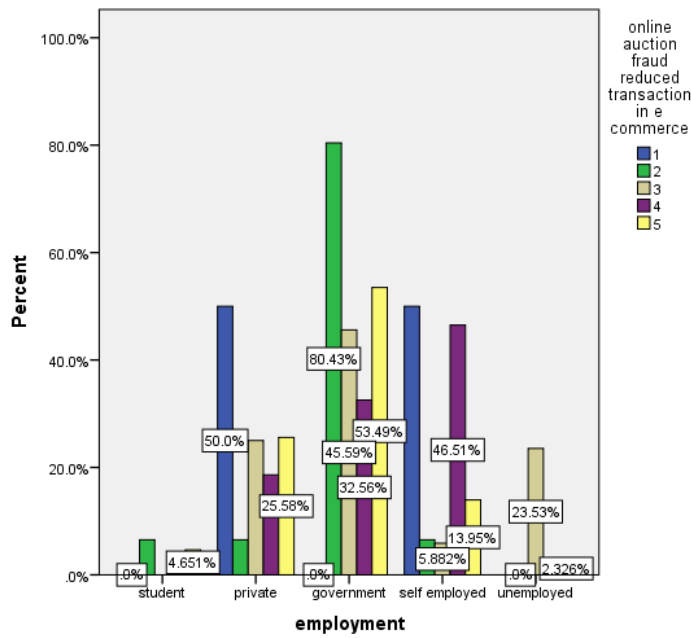
The Graph represents the responses of people from different places of residence to the statement whether online fraud restricted further transactions on e-commerce platforms.

**FIGURE 4:**



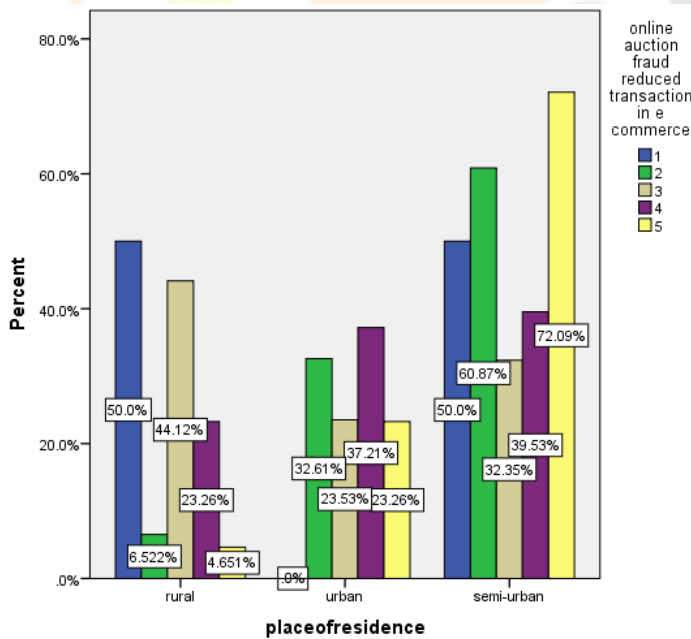
**Legend:-**The Graph represents the responses of people from different employment status to the statement whether online fraud restricted further transactions on e-commerce platforms.

**FIGURE 5:**



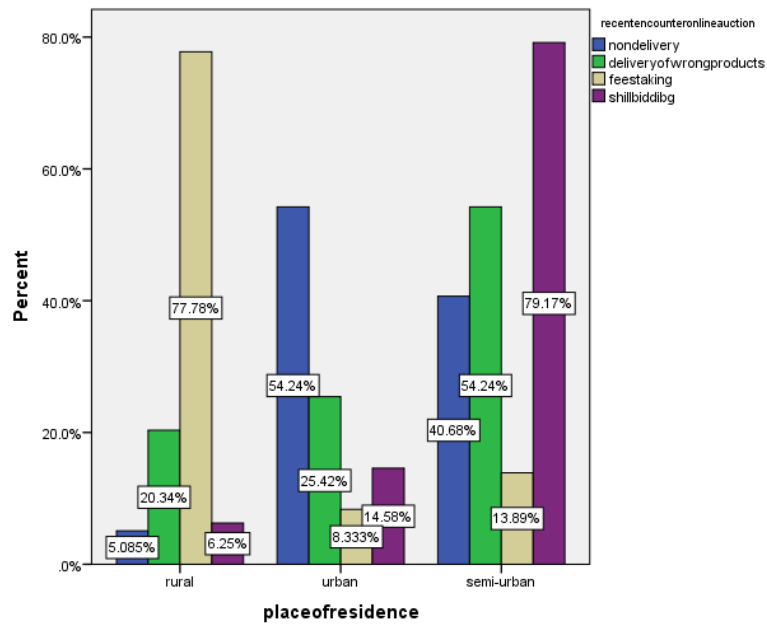
**Legend:-**The Graph represents the responses of people from different employment status to the statement whether online auction fraud Reduced transaction in e-commerce platform.

**FIGURE 6:**



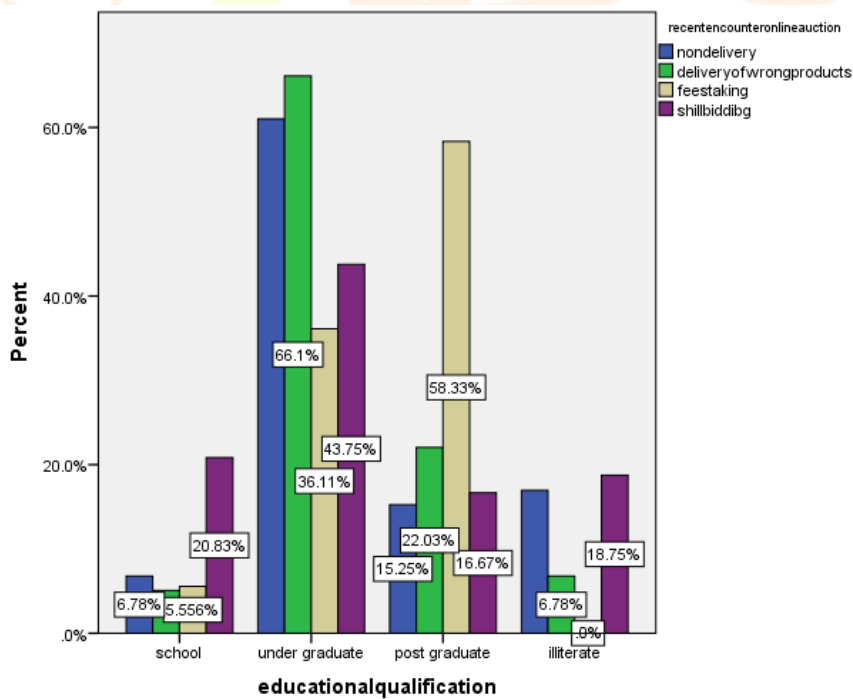
**Legend:-**The Graph represents the responses of people from different places of residence to the statement whether online fraud restricted year for the transaction on e-commerce platforms.

**FIGURE 8:**



**Legend:-**The Graph represents the responses of people from different places of residence to the statement of recent encounters of online auction fraud.

**FIGURE 9:**



**Legend:-**The Graph represents the responses of people from different educational qualifications to the statement of recent encounters of online auction fraud.

**RESULT:-**

**Fig.1**

10.40% of rural population stated very rarely they were subjected to online frauds. 13.86% of urban population stated they were also very rarely subjected to online frauds. 30.69% of semiurban population also stated they were very rarely subjected to online auction frauds.

**Fig.2**

10.81% of the school students stated they were very rarely subjected to online auction frauds. 83.78% of undergraduates stated they were very rarely subjected to online auction frauds. Hundred percent of Post graduates stated they were never subjected to online friends. 41.67% percent of them stayed neutral to the statement.

**Fig.3**

34.29% of rural population stated online frauds restricted them in further participation in e-commerce platforms. 31.43% stated online auction frauds did not affect them to participate further in e-commerce platforms. 56.82% of the semi urban population stated online auction frauds restricted them to participate further in e-commerce platforms.

**Fig.4**

12.22% of students stated online fraud restricted them to participate in e-commerce platforms. 34.29% of private employees stated online auction frauds did not affect them in participation in e-commerce platforms.

**Fig.5**

63.64% of government employees stated no to the statement. 18.94% of self employed stated yes to the statement. 17.14% of unemployed stated no to the statement.

**Fig.6**

2% of students stated one to the statement. 50.0% of private employees rated 1 to the statement. 80.43% of government employees rated 2 to the statement. 46.51% of self employed rated 4 to the statement. 23.53% of unemployed rated 3 to the statement.

**Fig.7**

50% of the rural population rated 1 to the statement. 37.21% of the urban population rated 4 to the statement. 60.87% of the semi urban population rated 2 to the statement.

**Fig.8**

77.78% of the rural population stated free stacking as a recent encounter. 54.24% of urban population stated non-delivery as a recent encounter. 79.17% of semi up in population stated shall building as a recent encounter of online auction frauds.

**DISCUSSION:-****Fig.1**

From the results it is observed that Auction fraud is any and all fraud happening on auction sites. It comes in multiple forms depending on the exact mechanics, with varying risks of chargebacks and to the platform's reputation. In its most basic form, auction fraud starts with a fake listing – putting up an item that's in some form falsely advertised – and can go over into delivery, with sellers receiving the funds but never delivering the item.

**Fig.2**

From the results it is observed that As online auction sites became popular, fraudsters have been targeting them in various ways in order to make some quick money. However, it's interesting to note that this type of fraud is one of the oldest ones in the online world, taking off in the early '00s on eBay.

**Fig.3**

From the results it is observed that The fact that a 2004 report in the Journal of Economic Crime Management wrote that “During the first six months of 2001, internet auction fraud accounted for approximately 70% of fraud reports made to the Internet Fraud Watch” shows just how common online auction fraud has been for decades.

**Fig.4**

From the results it's is observed that the Twenty-one years later, 40,914 cases of auction fraud and online shopping fraud were reported in the UK for the first six months of 2020 per Action Fraud UK/Statista.A malicious seller account is set up, sometimes listing items that are typically not owned by the seller.

**Fig.5**

From the results it is observed that Often, fraudsters use (an)other account(s) to “bid” for the item, buy fake reviews or complete a couple of “normal” auctions before scamming legitimate buyers with fake items. In other cases, it's a part of triangulation fraud, where fraudsters use stolen credit cards to deliver on the goods buyers have bid for, but more often than not they just simply pocket the cash and fail to deliver anything.

**Fig.6**

From the results it is observed that At this point, the auction site or marketplace is notified by an understandably angry customer, and chargeback requests are made to the card issuers. Auction fraud can be as varied and wide-ranging as ecommerce fraud itself. The item was never there to begin with, so the fraudster doesn't deliver it to the customer.

**Fig.7**

From the results it's is observed that the Misrepresentation auction fraud: The item is not in fact what is advertised, but some knock-off or counterfeit that will ship from overseas.Triangulation auction fraud: The item is delivered but the malicious seller has purchased it with a stolen credit card using the customer's billing details as a delivery address. The customer is none the wiser that they have just purchased stolen goods.

**Fig.8**

From the results it is observed that Legitimate seller and buyer accounts at auction websites are taken over by cybercriminals, who then use them to commit the types of fraud listed above, or simply tap into saved card details, payment gateway and digital wallet accounts, where available. As a consumer, always be wary of too good to be true deals. As a marketplace, be aware that auction fraud is usually a culmination of many things, so be proactively monitoring seller accounts for suspicious behaviour.

**SUGGESTION:**

A multi-pronged strategy involving user awareness and technological solutions is required to stop e-auction fraud. Here are a few ideas: **Authentication and verification:** Carry out powerful confirmation processes for the two purchasers and vendors. This can incorporate personality check, address confirmation, and check of business accreditations for business exchanges. **Secure Instalment Doors:** Guarantee that solid instalment

entryways are utilised to deal with exchanges. To reduce risks, encourage the use of platforms that provide secure escrow services and buyer protection. **Policy Transparency:** Obviously frame terms of administration, discount strategies, and debate goal instruments. Make sure that all users can easily access these. **Educational Programs:** Inform users about common e-auction fraud strategies like phoney listings, counterfeit products, and phishing scams. Give advice on how to spot and stay away from such scams. **Ratings and Reviews from Users:** Execute a vigorous survey and rating framework for the two purchasers and vendors. This can assist with building trust inside the local area and distinguish possibly fake entertainers. **Reporting and Monitoring:** Utilise AI and machine learning algorithms to look for suspicious activity in listings and transactions. Urge clients to instantly report dubious postings or exchanges. **Legitimate System:** Make sure that the legal framework for prosecuting e-auction fraudsters is clear. Collaborate with law enforcement to investigate and prosecute cases of fraud. **Client service:** Provide responsive customer support to promptly address user complaints and concerns. This aids in settling questions and keeping up with client trust.

## CONCLUSION:-

The findings of the research are that though people are less subjected to online auction fraud it is prevalent and necessary to be addressed. With the steady increase in Internet auction fraud reports annually and the increasing number of Internet users and Internet auction participants, it is readily apparent that this crime is not going to disappear anytime soon and demands the attention of all law enforcement and Internet auction house officials. The fact that this crime has been able to stay below the radar is not only puzzling, but daunting, because of the amount of loss it continues to rack up. Since Internet auction fraud has managed to maintain a low profile for so long, it has not been afforded the publicity that it needs, so that the public and law enforcement can be made more aware and informed about it. Continual research needs to be conducted on the crime, to raise awareness of the current trends, latest statistics, and the tools that are being developed to prevent the crime. Without that Internet auction fraud will continue to grow and wreak havoc in cyberspace.

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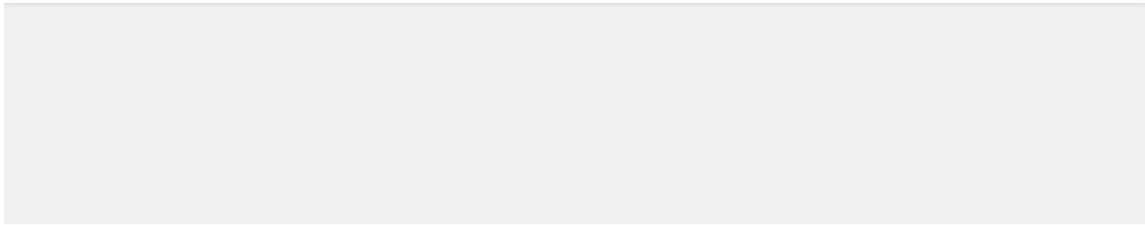
**ABSTRACT:-**


One of the Internet's fastest-growing crimes is internet auction fraud. It's surprising that this has been unnoticed for such a long time. For a number of reasons, including the relatively minor financial losses that the victims endure, it has not been seen as a severe issue. One reason victims are hesitant to disclose the fraud is because of this. The belief that law enforcement won't help them, feeling embarrassed, and not understanding how to report it are a few more. A victimisation survey was conducted online in March 2003 in collaboration with the National White Collar Crime Center. Following are a few survey results: The majority of victims reported the incident to eBay, which is the most popular Internet sale site.




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With 10,000 reported cases in 1999, Internet auctions continued to be the most common form of cybercrime. The FTC stated in 2002 that auction fraud was to blame for more than half of the complaints they received regarding the Internet. Each year, both auction participants and Internet users have increased. The authorities depend vigorously upon the sale member themselves to use judicious practices, for example, doing explore on the merchant, utilize safe paying practices, and to educate authorities regarding any bad behavior. Law enforcement will be better able to prevent new victims and identify the perpetrators if they have a clear understanding of how the crime is committed, who the victims are, and why they do not report it. Not only does this project serve as a model for what must be done to combat this crime, but it also serves as a base for future research. Presentation Web closeout extortion is evaluated as the top digital wrongdoing occurring today, and is guaranteeing new casualties ordinary. Unexpectedly, the overall population, sell off members, policing, and, surprisingly, the Web closeout houses themselves, may not know about the earnestness of the issue, the consistency with which it is occurring, and the effect it is having. The seriousness of this crime and its steady rise are demonstrated by the statistics. Web sell off extortion is evaluated as the top digital wrongdoing occurring today, and is guaranteeing new casualties ordinary. Ironically, the general public, auction participants, law enforcement personnel, and even Internet auction houses themselves may not be aware of the problem's seriousness, frequency, or impact. The measurements address the earnestness and consistent development of this wrongdoing. During the initial a half year of 2001, Web sell off extortion represented roughly 70% of misrepresentation reports made to the Web Extortion Watch. During the first six months of 2002, this percentage soared to 87%. From 2001 to 2002, complaints more than doubled. In 2000, the IFW reported losses of up to \$427 per person, or \$3.3 million. Within the first ten months of 2001, this figure was exceeded, with losses totaling \$4.3 million, or \$636 per person. According to a study conducted by the Internet Fraud and Complaint Center (IFCC), over half (64,1 percent) of Internet fraud complaints from May to November 2000 were associated with Internet auction fraud (IFCC, 2000). These complaints cover losses of varying sizes. Not only are the numbers staggering and shocking, but they are also rising annually. This crime requires the attention of auction participants, Internet auction houses, and law enforcement



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