



GLOBAL JOURNAL OF MANAGEMENT AND BUSINESS RESEARCH: B
ECONOMICS AND COMMERCE

Volume 16 Issue 1 Version 1.0 Year 2016

Type: Double Blind Peer Reviewed International Research Journal

Publisher: Global Journals Inc. (USA)

Online ISSN: 2249-4588 & Print ISSN: 0975-5853

Electronic Commerce: A Study on Benefits and Challenges in an Emerging Economy

By Abdul Gaffar Khan

Mawlana Bhashani Science and Technology University, Bangladesh

Abstract- Information Technology has been playing a vital role in the future development of financial sectors and the way of doing business in an emerging economy like Bangladesh. Increased use of smart mobile services and internet as a new distribution channel for business transactions and international trading requires more attention towards e-commerce security for reducing the fraudulent activities. The advancement of Information and Communication technology has brought a lot of changes in all spheres of daily life of human being. E-commerce has a lot of benefits which add value to customer's satisfaction in terms of customer convenience in any place and enables the company to gain more competitive advantage over the other competitors. This study predicts some challenges in an emerging economy.

Keywords: e-commerce, information technology, customer satisfaction, business.

GJMBR - B Classification : JEL Code : L81



Strictly as per the compliance and regulations of:



Electronic Commerce: A Study on Benefits and Challenges in an Emerging Economy

Abdul Gaffar Khan

Abstract- Information Technology has been playing a vital role in the future development of financial sectors and the way of doing business in an emerging economy like Bangladesh. Increased use of smart mobile services and internet as a new distribution channel for business transactions and international trading requires more attention towards e-commerce security for reducing the fraudulent activities. The advancement of Information and Communication technology has brought a lot of changes in all spheres of daily life of human being. E-commerce has a lot of benefits which add value to customer's satisfaction in terms of customer convenience in any place and enables the company to gain more competitive advantage over the other competitors. This study predicts some challenges in an emerging economy.

Keywords: e-commerce, information technology, customer satisfaction, business.

I. INTRODUCTION

Now-a-days e-commerce is growing popular in an emerging economy. E-commerce began in 1995. It requires the digital goods for carrying out their transactions. Digital goods are goods that can be delivered over a digital network (Laudon and Laudon, 2013). E-commerce is rapidly transforming the way in which enterprises are interacting among each other as well as with consumers and Governments. As a result of changes in the landscape of ICTs, e-commerce is now growing rapidly in several emerging markets and developing economies (UNCTAD/IER/2015). The technologies designed to improve commercial transactions using the Internet have evolved as quickly. However, we have not yet achieved an ideal world of painless and secure transactions utilizing the Internet, as unresolved privacy issues of the purchaser have impeded the further development of the technologies (Alberto, Avila and violeta-2007). E-commerce has been hailed by many as an opportunity for developing countries to gain a stronger foothold in the multilateral trading system. E-commerce has the ability to play an instrumental role in helping developing economies benefit more from trade (WTO-2013). The growing use of the Internet, tablet devices, and smart phones coupled with larger consumer confidence will see that e-commerce will continue to evolve and expand. With social media growing exponentially in recent years, the conversation between businesses and consumers has

become more engaging, making it easier for transactional exchanges to happen online. Internet retailers continue to strive to create better content and a realistic shopping experience with technologies like augmented reality. With mobile commerce gaining speed, more users are purchasing from the palm of their hand (Miva-2011). E-commerce could deliver a significant benefit to businesses in developing countries by increasing their control over its place in the supply chain, thus improving its market efficiency (Molla & Heeks, 2007).

a) What is E-commerce?

Electronic commerce, or e-commerce, is the buying and selling of goods and services on the Internet. Other than buying and selling, many people use Internet as a source of information to compare prices or look at the latest products on offer before making a purchase online or at a traditional store. E-Business is sometimes used as another term for the same process. More often, though, it is used to define a broader process of how the Internet is changing the way companies do business, of the way they relate to their customers and suppliers, and of the way they think about such functions as marketing and logistics. For the purpose of this study e-commerce is taken to mean doing business electronically. (Lindsay P., 2002)

b) Why E-commerce?

With the increasing diffusion of ICTs, more specifically the Internet, the global business community is rapidly moving towards Business-to Business (B2B) e-Commerce. The buyers gain a clear advantage when the Internet gives them access to the global market, by which they can compare prices across regions, find out whether prices vary by order fragmentation and get awareness about substitute products. Due to transparency of the market, customer can compare the services of various e-commerce sites easily. For instance, in case of e-commerce the competitors are one click away from customer. If clients are not happy with the products, prices or services offered by a particular e-commerce site, they are able to change much more easily than in the physical. From the Sellers' point of view, they don't need to have physical existence of shop.

Author: Department of Business Administration, Mawlana Bhashani Science and Technology University, Tangail, Bangladesh.
e-mail: gaffar.mbaiu@gmail.com

II. REVIEW OF LITERATURE

Internet and e-commerce are closely wrapped towards developed countries. But they can achieve tremendous benefits to developing countries if it is applicable as an ideal business purpose. E-commerce is a revolution in business practices (Ohidujjaman, et al 2013). The term commerce is viewed as transactions conducted between business partners. Electronic commerce is an emerging concept that describes the process of buying and selling or exchanging of products, services and information via computer networks including internet (Anupam-2011). Commercial transactions involve the exchange of value (e.g., money) across organizational or boundaries in return for products and services. Exchange of value is important for understanding the limits of e-commerce. Without an exchange of value, no commerce occurs (Laudon and Traver). E-business has changed processes within and between enterprises. Electronic Data Interface (EDI), widely introduced twenty five years ago on dedicated links between firms, showed how information could be directly passed from the operating systems of one enterprise into the order processing, production and logistics systems of another (Clayton and Criscuolo). If implemented properly, E-commerce technologies can result in business process improvements and increased efficiencies. Leveraging E-commerce technologies should result in improvements to developing countries, but so far have not produced the desired results (Jeffrey S. Ray-2011). The development experienced in internet and other global online networks have, thus, created new commercial opportunities for e-commerce and creation of completely new sets of global and national trading relationships. This consequently, led to the perception that e-banking and e-commerce are now an inevitable aspect of financial services. It enables multiple buyers and sellers to come together on a common platform and conduct business without compromising individual requirements and relationships among the participants very quickly; (Harris and Spencer, 2002; Bairagi, 2011). Electronic commerce is creating new opportunities to the global economic, for example in global travel and tourism industry. Transforming from traditional business method to electronic commerce method is hard and there were many different factors for companies to adapt them with electronic commerce factors (Nanehkaran, 2013). (Hasan, 2010) pointed out that nowadays e-commerce industries have increasingly become a necessary component of business strategy and a strong catalyst for economic development.

III. OBJECTIVES OF THE STUDY

The main objectives of the study are as follows:

1. To get a full acquaintance of the E-commerce in Bangladesh.
2. To identify the benefits of E-commerce.
3. To know the challenges in E-commerce.

IV. RESEARCH METHODOLOGY

The paper has been written on the basis of secondary data. The secondary data were collected from published books, journals, research papers, magazines, daily newspaper, internet and official statistical documents. The study is qualitative in nature.

V. E-COMMERCE SITUATION IN BANGLADESH

In Bangladesh, there is a great deal of interest in e-commerce; however, due to various economic, infrastructural and legal reasons it did not spread widely in the past. After the introduction of 3G technology, the e-commerce has been growing rapidly because people have more easy access to internet than in the past. According to BASIS (Bangladesh Association of Software and Information Services), in just three years, more than 2000 online trading platforms have made their way to Bangladesh. Business people and trading houses state that the rapid growth in internet networking and mobile phone coverage induces them to meet customers online and deliver a smooth and transparent shopping experience including e-ticket sales and sales on Facebook the market has yearly transactions around Tk 10 billion (approximately DKK 700 million). Furthermore, it increases at a tremendous pace with a monthly growth of 20-25 percent according to data from BASIS. Around 15 million people use the internet regularly of them, 4-5 million have accounts on Facebook which is still holding the leading position for online shopping through smaller and more local businesses although the market is changing rapidly. Larger companies, domestic and international, are having success in transforming a somehow hectic shopping culture into a transparent and easy way of accessing a great e-location of consumer goods. This trend is known to Swedish e-commerce company Bikroy.com who is doing well in Bangladesh. Since their launching in 2012 Bikroy.com has experienced a significant growth and is today the largest online marketplace in Bangladesh. Now they have more than 2 million unique visitors on their website.

VI. BENEFITS OF E-COMMERCE

The main benefit from the customers' point of view is significant increase and saves of time and eases access from anywhere in the globe. Customer can place a purchase order at any time. The main benefits of e-commerce for customers are as follows:

- Reduced transaction costs for participating exchange in a market.
- Increased comfort - transactions can be made 24 hours a day, without requiring the physical interaction with the business organization.

- Time saving- Customer can buy or sell any product at any time with the help of internet.
- Quick and continuous access to information- Customer will have easier to access information check on different websites at the click of a button.
- Convenience-All the purchases and sales can be performed from the comfort sitting a home or working place or from the place a customer wants to.
- Switch to others companies-Customer can easily change the company at any time if the service of a company is not satisfactory.
- Customer can buy a product which is not available in the local or national market, which gives customer a wider range of access to product than before.
- A customer can put review comments about a product and can see what others are buying or see the review comments of other customers before making a final buy.

The main benefits of e-commerce from sellers' point of view is increasing revenue and reducing operation and maintenance costs through internet. These include as follows:

- Increases revenue.
- Reduces operation and maintenance costs.
- Reduces purchase and procurement costs.
- Raises customer loyalty and retention.
- Reduces transportation costs.
- Develops customer and supplier relationships.
- Improves speed of the process of selling.
- Improves internal and external communication. and
- Develops the company image and brand.

VII. CHALLENGES IN E-COMMERCE

The major challenges faced by the sellers and the buyer which carrying out business transactions through internet are as follows.

- Private and public corporation is not involved jointly to grow the business of e-commerce. Private and public joint initiative is needed to develop the e-commerce business. Joint initiatives bring credibility inside people, which is needed for flourishing the e-commerce business.
- There is a lack of system security, reliability, standards, and some communication protocol. Customer loses their money if the website of e-commerce site is hacked. Most common problem of e-commerce website is not having enough cyber security.
- Financial institutions and intermediaries: Thus far, financial institutions and banks in developing countries are hesitant to take an active role in promoting e-commerce. However, merchants need the involvement of banks to broaden the reach and appeal of ecommerce and to help prevent fraud and potential losses attributable to credit card fraud. But

- beyond the credit card approach, banks and other financial service intermediaries are challenged to develop alternative modalities for secure and reliable online transactions in environments where credit cards are not commonplace (Anupam-2011).
- In developing countries there is a culture of buying product by negotiating price with seller, which is not easily possible in case of e-commerce in developing countries because of lack of infrastructure facility.
- One of the biggest challenges is the cutting down the price of internet. Authorities are trying to keep low the price of bandwidth low. But the high cost of spreading networks and operating expenses hinder to keep price low for internet.
- Trust is the most important factor for the use of the electronic settlements. Traditional paper based rules and regulations may create uncertainties the validity and legality of e-commerce transactions. Modern laws adopted and impartiality implemented in the electronic transactions form the basis of trust in the developed world. Where legal and judicial systems are not developed e-commerce based transactions are at a disadvantage because of lack of security whether real or perceived. In many developing countries even today cash on delivery is the most accepted system, even cheques and credit cards are not readily accepted (Roni Bhowmik-2012).
- New methods for conducting transactions, new instruments, and new service providers will require legal definition, recognition, and permission. For example, it will be essential to define an electronic signature and give it the same legal status as the handwritten signature. Existing legal definitions and permissions such as the legal definition of a bank and the concept of a national border—will also need to be rethought (chavan-2013).

Besides the above challenges, the emerging economy like Bangladesh also faced the following challenges:

- Lack of education
- Cultural tradition
- Poor concept of online marketing
- Less marketing or promote
- Political problem
- High cost of products/services comparing traditional market
- Internet coverage arena is limited
- Communication is haphazard over the country
- Lack of trustable business and enterprise and
- Lack of experience of meeting directly with merchant and customer.

VIII. CONCLUSIONS

The e-commerce industry will be a leader with popularity in electronic business world in the upcoming years. The e-commerce revolution has fundamentally changed the business of transaction by giving new opportunities and breaking borders easily. In Bangladesh, it has strongly impacted the traditional business system and changing the life of people by making it easier. While it gives benefits to customer and seller, e-commerce gives challenges to traditional business for competitive position. Developing countries face many obstacles that affect the successful implementation of e-commerce with the help of comparing with developed country. When the internet cost will be low then the e-commerce will flourish easily and will make many of traditional business to run out of their business. Convenience is one of the benefits that customer gets from the e-commerce and thus increasing customer satisfaction. This is due to customer can place a purchase an order from anywhere with internet connection. E-commerce business provider should give importance on every customer by giving smooth service and many options for payment and have more functions available online. Other benefits are expanded product offerings and expanded geographic reach. But e-commerce business faces a lot of challenges in flourishing their business.

REFERENCES RÉFÉRENCES REFERENCIAS

- Almeida, G. A. A. et al (2007). Promoting E-Commerce in Developing Countries. www.diplomacy.edu.
- Bairagi, A. K. (2011). "Utilization of E-Commerce can Change the Auction Culture of Bangladesh Specially in Public Sector". *IJCIT*, Vol. 2(1), pp. 55-61.
- Bangladesh Association of Software and Information Services. <http://www.basis.org.bd/>.
- Bhowmik, R. (2012). "The Present E-Commerce Situation In Bangladesh For B2c E-Commerce". *International Journal of Economic Research*, Vol. 3(5), pp.77-91.
- Chavan, J. (2013). "Internet Banking- Benefits and Challenges in an Emerging Economy". *International Journal of Research in Business Management*, Vol. 1(1), pp. 19-26.
- Clayton, T. et al (2002). *Electronic Commerce and Business Change*.
- Embassy of Denmark in Bangladesh: The Trade Council (2014): *ICT and commerce booming in Bangladesh*.
- Hasan, A.H.M., Saidul. et al (2010). "Adoption of E-banking in Bangladesh: An exploratory study." *African Journal of Business Management*, Vol. 4(13), pp. 2718-2727.
- Harris, L. and Spence, L. J. (2002). "The ethics of Banking". *Journal of Electronic Commerce Research*, Vol. 3(2).
- Laudon, K. C., and Laudon, J. P. (2013). *Management Information Systems: Managing the Digital Firm*. Twelve Edition. Pearson. Delhi.
- Laudon, K. C., and Traver, C.G. *Introduction to E-commerce: business. technology. society*. Fifth Edition.
- Miva, M. and Miva, B. (2011). *The History of Ecommerce: How Did It All Begin?*. <http://www.miva.com/blog/the-history-of-ecommerce-how-did-it-all-begin>.
- Molla, A., and Heeks, R. (2007). "Exploring E-commerce benefits for businesses in a developing country". *The Information Society*.
- Nanehkaran, Y. A. (2013). "An Introduction to Electronic Commerce". *International Journal of Scientific & Technology Research*, Vol. 2(4), pp.190-193.
- Ohidujjaman, et al (2013). "E-commerce Challenges, Solutions and Effectiveness Perspective Bangladesh". *International Journal of Computer Applications*, Vol. 70(9). pp. 9-17.
- Ray, J. S. (2011). "Leveling E-Commerce Opportunities for Developing Countries". *SMC University. Swiss Management Centre, Transknowlogy Campus*.
- UNCTAD (2015). *Information economy report 2005: Unlocking the Potentials of e-commerce for developing countries*. United Nations Publication.
- World Trade Organization. "E-commerce in developing countries: Opportunities and challenges for small and medium-sized enterprises".