E-Commerce In Bangladesh: Growth And Challenges.

Md. Shafiqul Islam

Lecturer, Department of Economics, Jatiya Kabi Kazi Nazrul Islam University, Bangladesh
Corresponding Author: Md. Shafiqul Islam

Abstract: *This paper is to examine the growth and challenges of e-commerce in Bangladesh. It also tries to portray the overall scenario of e-commerce in Bangladesh. This paper is prepared by analyzing various research studies carried out on e-commerce. The Internet has uncovered a new window of business platforms, which is commonly known as e-commerce. The term e-commerce or electronic commerce is anything that involves an online transaction. In Bangladesh not only big enterprises, but also small and medium enterprises have adopted e-business platforms. Bangladesh has a great potentiality to evolve e-commerce. The government has taken various measures to make available different facilities to extend the practice of e-commerce. The scope for improving the business structure and increasing productivity by using e-commerce is much larger in the developing countries. As compared to developed countries, fruitfulness of e-commerce is stronger in developing countries. Simultaneous movement several sectors toward e-commerce could larger the impact of e-commerce.*

Keywords: *E-Commerce, EDI, ICT, e-CAB, B2B, B2C.*

Date of Submission: 28-02-2018   Date of acceptance: 14-03-2018

I. Introduction

The term E-commerce or electronic commerce is related to the online transaction. E-commerce is a form of selling product over the internet. Currently e-commerce is one of the most important aspects of doing business. As a result of the expansion of internet services, e-commerce has grown rapidly. The new shape of business structure has been introduced by e-commerce. This paper has analyzed growth and challenges of e-commerce in Bangladesh. Internet users in Bangladesh crossed 77 million marks as the first eight months of 2017. BTRC officials said the number of internet subscribers have crossed 80 million in October 2017. There were 3.5 billion internet users around the world in 2016. About 45% of the global population accessed the internet in 2016. Most of the internet users of the globe are located in South and East Asia. China had over 721 million internet users in 2016; it was more than double the amount of third ranked U.S. with nearly 290 million internet users. India ranked second in the number of internet users; Brazil and Japan placed in the top 5.[1] In year 2005 Bangladesh entered into a new era of internet connectivity. According to the latest statistics released by the Bangladesh Telecommunication Regulatory Commission (BTRC), over 93.6 per cent or 68.6 million users browse the internet through a mobile phone. Internet Service Provider (ISP) and Public Switched Telephone Network (PSTN) users were increased to 4.62 million.[2] The government committed that broadband network will be extended along with high bandwidth 2021. The political government of Bangladesh declared Information Technology as a thirst sector, so to exploit ICT potentials in economic development government launching different promotional activities.[3]

E-commerce has been shaping the business process in Bangladesh. Bangladesh is a densely populated country in the world with about 154.41 million people living in small area including 77 million internet users. It can be concluded that without any doubt, economy of Bangladesh is a growing economy; it is a developing country and business diversity in its varied regions. Online transaction in our country has been increasing gradually over the time with the changing of business environment. With the improvement of livelihood criteria and fast pace of standard of living consumer's shopping behavior has shifted greatly. In Bangladesh e-commerce industry emerged in the 90s but could not be evolved as expected. With the improvement of economic aspects, such as banking, the logistics, communications, payment method, etc., there has an outstanding opportunity of e-business. Along with the banking sector in Bangladesh, many other sectors have introduced a new era with the start of internet payment system. A Wider range of technologies is used in E-commerce. Some of them are electronic data interchange (EDI), electronic mail (e-mail), electronic funds transfer (EFT). Agreement between trading partners (buyers and suppliers) in order to govern their electronic trading relationship is needed for some of them (e.g. electronic data interchange -EDI). Electronic Data Interchange (EDI) is comparatively better and standard method for exchanging business data. E-mail and fax are also forms of EDI.[4]

II. Objectives
➢ To evaluate the growth of e-commerce in Bangladesh
➢ To scrutinize the challenging factors of e-commerce.
➢ To provide insights for policy formulation as required for e-commerce.

III. Methodology
The study is descriptive in nature. This research is accompanied in the sample structured questionnaire and Likert scale questionnaire through individual face to face interview as well as Focused Group Discussion (FGD) process. For the purpose of the study relevant data and information collected from secondary sources, such as national and international journals, newspapers, periodicals, books, etc. Besides this, the internet has been used as another source of information.

Limitations
Although this research paper will not represent all the aspects of e-commerce in Bangladesh but it can be used as a useful secondary source of data but it also holds some limitations due to several reasons. Those limitations are-
❖ Unwillingness of providing data is one of the most monumental restrictions.
❖ Provided data and information by concerned authorities, Ministry of commerce & Industry is not sufficient.
❖ Lack of information regarding total income from e-commerce industry in Bangladesh.

IV. Concept Of E-Commerce
Electronic commerce or e-commerce, is the buying and selling of goods and services on the Internet. The Same process may be defined as another term, not only e-commerce. The term e-commerce used to define the broader process of using the internet for changing ways of doing business. This process relates to their customers and suppliers, and of the way they think about such functions as marketing and logistics.[5]

E-Commerce can be categorized as follows:
i) Business-to-Business (B2B)
Business-to-business e-commerce deals between the businesses and businesses. Most of B2B applications are used in the area of distribution management, inventory management, channel management, supplier management and payment management. For instance, bgmea.com.bd, bizbangladesh.com are B2B platforms in Bangladesh.

ii) Business to-Consumer (B2C)
This type of e-commerce is involved between the businesses and the consumers. We purchase most of physical goods like books or any consumer product, information goods like software, e-book, games, song, etc., and personal finance management like e-banking. For instance, ajkerdeal.com, bdbazar.com, daraz.com, bajna.com are B2C platforms in Bangladesh.

iii) Consumer-to-Consumer (C2C)
Consumer-to-consumer e-commerce deals between individual consumers. Online auction and peer-to-peer system for money or file exchange could be the examples of C2C e-commerce. Business-to-Government e-commerce is involved between the business organizations and the government. For instance, bikroy.com, clickbd.com are C2C platforms in Bangladesh.

iv) Business-to-Government (B2G)
B2G is generally used for licensing process, public purchasing and other government operations. Though this type of e-commerce is insignificant compare to other kind of e-commerce, but it could be a driving force for operating public sectors which is referred as e-governance.

V. Growth Of E-Commerce In Bangladesh
In Bangladesh E-commerce sector growth has exceeded all expectations and has had a leading impact on changing the economy in terms of aggregate investment. In Bangladesh e-commerce started in the late 90s. During the period 2000-2008, the e-commerce sector observed slow growth. Annual rate of growth in the e-commerce sector for the past three years is trending above 200% year on year. According to Bangladesh bank, payments and transactions by credit cards were nearly Tk11 billion in June 2008.[6] Massive changes occurred in the mentioned sector when Bangladesh Bank allowed online payment in the country, thus, officially opening up the e-commerce sector. In the year 2013 Bangladesh Association of Software and Information Services (BASIS) and Bangladesh Bank jointly observed "E-Commerce Week" for the first time in the country. B2C is the most

popular form of e-commerce. It observed growth rate above 300% for the last three years. Market share for e-commerce for B2B and B2C are 10% and 90% respectively. Currently 18-23% of mobile phone users are using a smartphone with an annual growth rate of 30%. There are 50,000 people actively engaged in e-commerce with projections of 1,000,000 people being employed in the sector over the next 10 years. Transaction sizes for e-commerce purchases are still relatively small. Average spending per online shopper is BDT 9000-10000. About 70.5% of e-commerce users spend less than BDT 5,000 a month. About 29.3% buyers using a website directly as compared to 43.5% using Facebook Page for purchasing products online.[7]

Contribution of e-commerce as a percentage of GDP is less than 1%, if we take industries connected with e-commerce under consideration it nears 2.5%. At present per day, approximately 20 thousand & per month 5-6 lakh parcel was delivered all over the country. All commerce will become an e-commerce within the next few years and this process will help the sector mature. Currently, there are 1,000 e-commerce entrepreneurs in the country, who are running their business through websites. There are approximately 8,200 Facebook pages also running this business.

Key E-commerce platforms in Bangladesh:
Major e-commerce websites operating in Bangladesh are listed below:
✓ www.muktobazaar.com
✓ www.ekhanei.com
✓ www.kiksha.com
✓ www.daraz.com
✓ www.shohoz.com
✓ www.chaldal.com
✓ www.chorka.com
✓ www.bagdoom.com
✓ www.kaymu.com
✓ www.banglamart.com

Key logistic and distribution operators in the e-commerce market:
• Bangladesh Post office (BPO)
• Various Courier Service
• TNT
• 4Star, 5Star
• ELS.

Key product categories in the E-commerce market:
The products and services that now dominate the country's e-commerce are
❖ Tickets (railway, domestic air).
❖ Hotel booking.
❖ Electronic products.
❖ Books, jobs, clothing, food items.
❖ Baby consumables and financial services.

VI. Challenges Of E-Commerce In Bangladesh
Bangladesh is a late entrant in e-commerce. Although this is a new sector in Bangladesh but it observed tremendous growth within a short time. Bangladesh has a great opportunity for e-commerce, but it is not at all satisfactory condition. Challenging factors of E-commerce includes technological factors, socio-economic factors, political factors, etc.

Table 01: Challenging factors of e-commerce

Technological factors	Socio-economic factors	Political factors
• Network accessibility for rural and backward communities in getting an internet connection. • Inadequate Skilled IT professional. • Lack of Trustworthiness on IT infrastructure. • Low bandwidth and unreliable connection. • Lack of sufficient electronic	• Low per capita income • Costly and limited internet connection. • Poorly developed socio-economic and physical infrastructure. • Consumer dissatisfaction due to inability to delivering correct product on time. • Unconsciousness about online based services.	• Frequent change in government policies regarding ICT and e-commerce. • Protectionist trade policy. • Tariff and non-tariff barriers. • Strike due to political chaos. • Government's exchange rate policy. • Cross boundary regulation by government. • Insufficient legal law against

payment services. • Cyber-attack and hacking.	• Lack of commitment on buyer and seller side. • Inherent tendency toward traditional transaction systems.	deception arising from online transactions.

Challenges from counterparts (traditional business):
E-commerce entrepreneurs face different challenges from traditional business counterparts such as access to finance, access to information at the time of starting a new e-enterprise and continue the business.

Table02: Challenges from counterparts (traditional business)

No difference	0%
Access to market	32%
Access to finance	61%
Access to promotion	2%
Others	5%

Table 02 gives the idea about the challenges faced by e-entrepreneurs from the above mentioned aspects. E-entrepreneurs are facing remarkable discrimination as compared to traditional entrepreneurs on the ground of financial accessibility. Market accessibility of e-commerce is relatively low. 32% e-businessman faced the problem of penetration in the market. Promotional hindrance is not significant.

VII.   Analysis And Findings
In the previous section we have seen that influencing factors of e-commerce. Socio-cultural influences imposed a vital role in the operation of e-commerce. On the basis of a questionnaire, findings and interpretation are as follows:

Table03: Socio-Cultural influence on e-business entrepreneurship development (%)

SL.	Statements	Strongly Agree	Agree	Unable to decide	Disagree	Strongly Disagree
1.	Society generally inspires entrepreneurs to start e-business.	45	34	7	9	5
2.	Knowledge of customer attitude is necessary to be a successful entrepreneur of e-commerce.	61	35	1	3	0
3.	Socialization has a positive effect in the business promotion activities of e-commerce.	34	54	3	8	1
4.	An obstructive traditional pattern of business limits the choice of e-commerce.	21	50	3	22	4
5.	The contribution of e-commerce in the economy is generally undervalued.	18	26	3	40	13
6.	Socio-cultural environment affect the selectivity and progress of e-commerce.	23	60	4	11	2
7.	Lack of recognition as entrepreneur affects the operations of e-commerce	18	26	2	44	10

Table03 shows the in-depth analysis on socio-cultural influences on e-commerce. There are 7 statements on several socio-economic factors which influence on e-commerce. The first statement indicates that positive change in society encourages entrepreneurs while establishing a new business format. It is recognized utterly a very large percent of respondents strongly agreed with the first statement 45 percent and agreed 34 percent while, 5 percent strongly disagree, 9 percent for disagree and 7 percent unable to decide. About 71 percent of respondents show that an obstructive traditional pattern of business limits the choice of e-business that indicates our society is narrowing the scope of entrepreneurship for e-commerce. This evident from the response of the statements five and seven where about 44 percent respondents confirm that these aspects negatively affect the operation of the business. 83 percent of entrepreneurs of e-commerce agree with the statement six. They think that socio-cultural environment affects the selectivity and the progress of e-commerce.

Percentage distribution of e-commerce users presented below:

Table04: Distribution of e-commerce users based on age

Age	e-commerce users in percentage
18-24	14
25-34	61
35-44	16
45-54	5
55-64	2.5
65 or Above	1.5

In my investigation, I found that a clear cut idea that most of the e-commerce users belong to the age group 25-34 which is 61% and minimum number of users belongs to the age group 65 or above.

Table05: Distribution of e-commerce users based on location

Area	E-commerce users in percentage
Dhaka	35
Chittagong	29
Gazipur	15
Others	21

From the table 05 it can be concluded that the number of people interested in online shopping is relatively higher in mega city.

Table06: Distribution of e-commerce users based on gender

Gender	E-commerce users in percentage
Male	83
Female	17

83% shoppers are male in contrast, 17% shoppers are female which indicate the backwardness of female in respect of their counterparts. A device used by online buyers listed below.

Table07: Distribution of e-commerce users based on devices used

Device	e-commerce user in percentage
Desktop	71
Mobile	26
Tablet	3

From the table 07 we see that the Windows operating system is the most common and popular platforms of online shopping in Bangladesh. Almost 69% of the users in Bangladesh access online shopping websites via windows operating system. Whereas online shopping via smartphone using different types of mobile operating system such as Android, Nokia OS, iOS etc.[8]

VIII. Policy Required

E-commerce sector brings enormous opportunities to the business sector as it makes 24/7 business possible. It makes the economic activities more dynamic. E-commerce can play important role in achieving expected economic growth and socio-economic development. E-commerce has been successful in increasing GDP. In order to obtain sustainable economic development as well as business growth Bangladesh government should flourish e-commerce. With regard to e-commerce Bangladesh needs to maintain some effective steps.

The followings are some of the recommendations that will ensure the smooth functioning as well as the widespread use of e-commerce in Bangladesh.

✓ Bangladeshi e-commerce sites should provide greater layers of security for their payment procedures.
✓ Upper level business courses in different disciplines such as e.g. accounting, marketing, finance, management; economics should be modified by integrating e-commerce topics.
✓ The government should provide the necessary support to e-CAB (E-commerce Association of Bangladesh) so more people can be trained in this sector.
✓ E-commerce businesses require high-speed internet, which is absent in the rural areas. The government should take the internet as a fundamental element of business, particularly e-commerce business. It must ensure low-cost, high-speed internet for rural people to turn its vision of Digital Bangladesh into reality.
✓ Bangladeshi e-commerce sites should focus more on timely deliveries.
✓ Bangladeshi e-commerce sites should not only update and evolve, but also address the growing concerns like managing increased visits and purchases during the holidays, payment methods.
✓ Effective IT security system should maintain by adopting latest IT technology.
✓ Bangladeshi e-commerce sites should aim to improve customer service and address areas of concern to reach out to the part of the population which is not opting for e-commerce yet.
✓ Fashion and electronic products are currently dominating the e-marketplace; products of e-marketplace should be diversified.
✓ To penetrate into the global market, the government has to reform its regulations regarding online transactions and upgrade the entire system.
✓ The Bangladesh Bank should formulate policies to ease the loan process for e-commerce entrepreneurs.

✓ The government should do something about providing trade license for e-commerce businesses. Currently, trade license is not issued specifically for e-commerce businesses, which makes running such businesses difficult.

✓ It is important for Bangladesh to update the ICT law relating to e-commerce. It should be done focusing on international practices.

IX. Conclusion

As a leading member of the LDCs, Bangladesh could be a potential user of e-commerce. Although a few numbers of people in our country getting the benefits from e-commerce, development of e-commerce in our country must have strongly reflects on livelihood. By flourishing this potential sector all people of our country will be benefited. E-marketplace is a store of information which acts as information agent that provides buyers and sellers with information on products. To increase participant of online shopping, the sources of consumer confusion, apprehension and risk need to be identified, understand and alleviate. It can be concluded that through adopting e-commerce intensively and extensively businessmen can improve their income level along with improvement of customer satisfaction and buyer can reduce their cost of living along with improvement of their standard of living.

References

[1]. Internet Usage Worldwide, Available:https://www.statista.com/topics/1145/internet-usage-worldwide
[2]. Fakhruddin Mehedi, (05 October, 2017), Internet, Mobile users up, Daily Asian Age, Bangladesh, Available: http://dailyasianage.com/news/89045/internet-mobile-users-up
[3]. Bhowmik R., (2012); The Present E-commerce Situation in Bangladesh for B2C E-commerce; International Journal of Economic Research; Vol.3, Issue 5, 2012; pp.77-91.
[4]. www.pigseye.kennesaw.edu.
[5]. Lindsay P. (2002), E-commerce, The Economist Books. p. 1.
[6]. e-Commerce in Bangladesh, Available: http://e-cab.net/resource-center/bangladesh-e-commerce-sector/
[7]. Sajid A., (06 Feb 2017), A closer look at e-commerce in Bangladesh, The Financial Express, Bangladesh.
[8]. Survey report on Bangladesh e-commerce, Available: https://hifipublic.com/2015/07/12/kaymu-releases-survey-report-on-bangladesh-e-commerce/