

Economic impact of e-commerce in developing country

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Walmart, and Best Buy (BY) all spent a great deal of time discussing their online initiatives. Sears (SOLD) seems determined to become an online retailer by default; focusing its attention on its online "Shop Your Way" offering while all but ignoring physical stores. If we have a shirt in the store in four colors, we might have that shirt in ten additional colors online. To have 14 colors in the store may be too risky because what you don't sell, you end up losing money on, (compared with) having a group of it online that serves all the stores so that if people want more variety, they can get more variety," said Sears Holdings' chairman and CEO Eddie Lambert, sounding almost astonished at the value proposition of marrying on and offline retail.

3. E-commerce: China leads emerging markets China comes out on top of emerging markets in an e-commerce ranking established by the consulting firm AT Kearney, beating out Brazil, Russia, Chile and Mexico. The study also shows that brands are focusing on the Internet more than ever to test out markets before opening stores. China's top position comes as no surprise - 23 billion dollars in sales and 29% growth expected within five years. Still, the study does reveal the Chinese enthusiasm for online purchasing of electronics and clothing in particular.

Nevertheless, certain elements are restraining market growth. "The infrastructure of China hinders the full development of potential e-commerce in the country," said Mike Mortality, co-author of the report. "The delivery infrastructures vary outside of metropolitan areas and inhibit the effectiveness of the last-mile delivery of products purchased online. Brazil ranked second, boasting 10.6 billion dollars in sales and an expected growth of 12% within five years.

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However, much remains to be accomplished when it comes to clothing, since Brazilian still largely favor a real-time shopping experience for clothes buying. With \$ 9. 1 billion, Russia took third place on the podium. The market shows an expected growth of 12% in the next five years that will likely largely happen via m- commerce or mobile commerce, given the fact that Russians have an average of 1. 8 mobile phones per person. The trend of global growth rate of e-commerce is in upward trend over the years. . 3 E-commerce in Bangladesh Internet services are presently available in Bangladesh.

Its usage for e-commerce by the Bangladesh producers to export as well as to access inputs will be dependent on their willingness and ability to use this medium as well as that of the buyers of final (BBC) commerce is practically non-existent within Bangladesh, while a very limited level of Business-to-Business (BIB) and Business-to-Government (BAG) transactions exists. The Potential for use of e-commerce by Bangladesh consumers and businesses with foreign firms are much brighter, and can play an important role in costing the country exports. A significant volume of BAG is also possible, as the government remains the biggest spender.

Business-to-consumer (BBC) Scenarios Business-to-consumer (BBC) e-commerce is unlikely to be of much use in the foreseeable future in Bangladesh. At the domestic level, low per capita income, limited infrastructural facilities (e. G. Low density), weak legal environment (inadequate contract laws, poor implementation and enforcement), and lack of trust and confidence between business and consumers are going to hinder

BBC. In the backdrop of such limitations, the low wage economy, with high levels of employment and underemployment, will continue to rely on the physical presence of buyers and sellers during a transaction in most cases.

BBC for cross border trade is inhibited by the factors suggested for the domestic front. In addition, on- availability of international credit cards, foreign currency remittance restrictions, delays and informal payments at customs clearance even for small value and quantity items will discourage BBC. Business-to-Business (BIB) Scenarios As mentioned before, the Business to Business (BIB) scenario prevails in Bangladesh to a very limited extent. The BIB scenario exists mostly in the export sector, especially in the Ready Made Garments (ARM) industry.

ARM has the lion's share of the export earnings in Bangladesh, accounting for 75 percent of total exports. The current value of annual exports of the ARM sector is close to \$4. 35 billion. The ARM sector has begun to use the Internet, and its dependence on e-commerce is likely to grow significantly in the coming years. E-commerce through the Internet is poised to be an effective business tool for the ARM exporters. The Internet would enable them to seek information about potential buyers as well as raw material suppliers. Similarly he practice of posting a website by individual producers has begun.

Opening a website is a step towards the right direction. Also, the adherence of Bangladesh firms to quality, labor and environmental standards (e. G. SISSIES, SQ 9000) can also be shared and highlighted through the Internet

technology. 0 E-commerce in the ARM Sector The ARM sector emerged during the early asses in Bangladesh and information has been the strategic partner in its phenomenal growth. Telex was the only tool of cross border data communication in those days. International courier services were the means of receiving the approved designs from the buyers.

The Facsimile machine, in the mid ass, radically replaced both of these orthodox communicating media (I. E. Telex and courier). This " Office Automation Equipment" contributed towards accelerating ARM exports. Faster and cheaper data communications coupled with real-time design-pattern development enabled the buyer and manufacturer expediting business negotiations. Manufacturer Exporter Association's (BAGMEN) website, which provides a list of member companies and key information regarding those firms. In addition, it updates and reports on the United States and Canadian quota used for the year on a given date.

Concurrently, through the web site of the North American port authorities, the volume of quota items that have entered their respective countries can be found. A Bangladesh producer may prefer to stop shipment and wait for the next year (when new quota privileges begin) to avoid the risk of collecting demurrage at a foreign port in case the quota has been exhausted. BAGMEN can play a vital role in authentication of buyers and sellers through encryption method. Authentication by BAGMEN can ensure the confidence of the importers regarding the genuineness of the manufacturers.

This would discourage unscrupulous enterprises from making false claims on their web pages. Following the withdrawal of the quota system and the SSP in 2005, the ARM sector will inevitably become more competitive. As expected delivery time decreases, considering alternative payment mechanisms becomes imperative. The effective use of e-commerce both for placing orders, purchasing raw materials and for quick and efficient payment would be the necessary ingredients for any country to enhance its ability to deliver early.

Necessary infrastructural, legal and regulatory reforms will be essential to avail of the commerce technology in dealing with the international market place. Access to the market depends on the buyers and sellers' willingness and ability to market through mediums that are mutually cost effective, reliable, and replicable. A foreign buyer, say in the readmes garments sector, expresses a preference to use e-commerce for its purchases, thereby circumventing the Letter of Credit (L/C) mechanism to place an order. Since the overseas financial institutions often insist for "Add Confirmation" it increases the cost of L/C.

Add Confirmation is basically a matter of payment guarantee depending on the country credit rating, asset status etc. , where Bangladesh generally lags behind. If Bangladesh producers are unable to accommodate electronic transfer of payment and other facets of e-commerce, the business opportunity will move on to countries that have developed such systems. E-commerce usage will become attractive when entrepreneurs will be convinced that this medium is capable of obtaining orders as well as

increasing profitability by eliminating the role of middlemen. However, confidence and trust between the buyers and sellers is an important determinant.

If the local producer fails to ensure adequate quality or timely delivery of products, the benefits of an efficient search and communication process will be undermined. Thus, authentication of both buyer and seller is a prerequisite for successful implementation of this medium. The services of organizations like Met, Net SAM, etc. can be utilized in order to obtain information regarding authentic suppliers, manufacturers and buyers. XML Net is an goods. They send inspectors to readmes garment factories worldwide to check on merchandise and production lines, and also use independent agencies to check product quality.

On the other hand, they also provide the seller with the credit history of the buyer to help them locate genuine buyers. For a reasonable fee, a great deal of information can be found from the Net Asian Sources Media Group (SAM) website. With improvements in infrastructural facilities (e. G. Cheaper and better access to Internet service), and greater application of the computer in management and finance by individual firms, export oriented sectors (such as frozen food, sea food, leather) as well as importers would appreciate the ease and benefits of the Internet in promoting their products. E-commerce in the Oil and Gas Sector International Oil Companies (Socio) are the dominant players in the exploration and Production of the oil and gas industry. Socio use the vendors' web pages extensively in Order to obtain product information. This exercise is also limited to the international vendors as the

Bangladesh business community has yet to become sufficiently cyber-centric. The Socio make all the payments to the international vendors through Telegraphic Transfer. This is one good example of making cross border payments without following the complex mechanism of the Letter of Credit (L/ C).

The local vendors, however, receive their payments by check. Socio have to abide by the Production Sharing Contract (SC), signed with Petrodollar, the state oil company. Petrodollar shares the cost of exploration and production with the Socio after the successful discovery of an oil or gas field. The Socio are required to Justify the procurement of every product and service pertaining to the exploration and production of each well to Petrodollar. If Petrodollar is convinced with the Justification, only then does it share the cost with the Socio.

In view of the above scenario, the implementation of commerce in the energy sector is yet to kick- off in Bangladesh. Because, the financial discipline of Petrodollar is still being governed by the conventional parameters of Audit and Accounts of the Government of Bangladesh.

Therefore, despite having all the logistical capabilities and human resources, the Socio have yet to use e-commerce. However, akin tots, a limited usage of electronic communications with the vendors does exist in the form of bid invitations and providing bid clarifications.

Business-to-Government (BAG) Scenarios The government is a major buyer of goods and services from the private sector. Typically, the government

procures goods and services by inviting tenders. This has been the traditional method of any government procurement for goods and services. Tender notices are published in the major national dailies followed by selling the Request for Proposal (REF) documents to the interested bidders. If any bidder seeks clarification on any aspect of the REF, the customer is mandated to notify that notification sometimes forces the customer extending the bid-closing deadline.

Bidders also obtain the REF document " unofficially' for a comprehensive understanding of the 'scope of work as well as for assessing their own capability. The availability of the REF and other relevant documents on-line provides an alternate choice, thereby reducing the monopoly rent that can be extracted. In order to prevent such unfair practice, the Bangladesh Telegraph and Telephone Board (BET) initiated publishing the REF documents of selected projects in its website.

This immediately stopped the illicit practice of unofficially selling the REF document, and only competent bidders were able to procure the REF documents. In addition to reducing the extra administrative burden of BET, it also enabled BET to close those bids within a reasonable timeshare. The posting of the REF documents on the Web is however an isolated effort being initiated by a few BET officials. Introducing on-line moment or allowing electronic fund transfer for selling the REF would be a significant leap towards BAG in Bangladesh.

There are numerous instances of deliberate "unavailability" of the REF, namely while the bids for civil infrastructure projects are invited. Syndicated vested groups forbid the other bidders' participation by forming a cartel. Bicentenary brings transparency in such cases and ensures a level playing field for all the bidders. Electronic submission of the REF followed by presenting the hardcore's could also be used to promote transparency, accountability and the threat or coercion that is often evidenced during the bid benison period.

In addition, transactions involving information collection, obtaining various governmental forms, registering activities can be conducted on-line. This will reduce time costs, corruption and the necessity of going through lengthy bureaucratic procedures as well as increasing transparency.

3. 4 The impact of the e-commerce on industry structure in developing countries

3. 5 Growth rate of E-commerce in Developing countries Bangladesh is in the growing state in the e-commerce over the years but still far away as the performer of the developing countries.

3. 6 Economic impact of e-commerce in Bangladesh

Stimulating product innovation The greatest future economic impact due to electronic commerce is likely to come from the creation of new products or the radical transformation of existing ones (effectively making them new) and the consequent creation of new demand. Historically, these new, frequently unforeseen, products have been the engines of growth and the source of new employment (e. G. Home electronics, the television/film industry, software). While extraordinarily difficult to identify or quantify with

any precision, five characteristics of e-commerce are likely to be a springboard for the demand for new products.