

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

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7 **Abstract**

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

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18 **Index terms**— e-commerce, information technology, customer satisfaction, business.

19 **1 Introduction**

20 Now-a-days e-commerce is growing popular in an emerging economy. E-commerce began in 1995. It requires the  
21 digital goods for carrying out their transactions. Digital goods are goods that can be delivered over a digital  
22 network (Laudon and Laudon, 2013). E-commerce is rapidly transforming the way in which enterprises are  
23 interacting among each other as well as with consumers and Governments. As a result of changes in the  
24 landscape of ICTs, e-commerce is now growing rapidly in several emerging markets and developing economies  
25 (UNCTAD/IER/2015). The technologies designed to improve commercial transactions using the Internet have  
26 evolved as quickly. However, we have not yet achieved an ideal world of painless and secure transactions  
27 utilizing the Internet, as unresolved privacy issues of the purchaser have impeded the further development of  
28 the technologies (Alberto, Avila and violeta-2007). E-commerce has been hailed by many as an opportunity for  
29 developing countries to gain a stronger foothold in the multilateral trading system. E-commerce has the ability to  
30 play an instrumental role in helping developing economies benefit more from trade (WTO-2013). The growing use  
31 of the Internet, tablet devices, and smart phones coupled with larger consumer confidence will see that ecommerce  
32 will continue to evolve and expand. With social media growing exponentially in recent years, the conversation  
33 between businesses and consumers has become more engaging, making it easier for transactional exchanges to  
34 happen online. Internet retailers continue to strive to create better content and a realistic shopping experience  
35 with technologies like augmented reality. With mobile commerce gaining speed, more users are purchasing from  
36 the palm of their hand ??Miva-2011). E-commerce could deliver a significant benefit to businesses in developing  
37 countries by increasing their control over its place in the supply chain, thus improving its market efficiency (Molla  
38 & Heeks, 2007).

39 **2 a) What is E-commerce?**

40 Electronic commerce, or e-commerce, is the buying and selling of goods and services on the Internet. Other than  
41 buying and selling, many people use Internet as a source of information to compare prices or look at the latest  
42 products on offer before making a purchase online or at a traditional store. E-Business is sometimes used as

## 9 V. E-COMMERCE SITUATION IN BANGLADESH

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43 another term for the same process. More often, though, it is used to define a broader process of how the Internet  
44 is changing the way companies do business, of the way they relate to their customers and suppliers, and of the  
45 way they think about such functions as marketing and logistics. For the purpose of this study e-commerce is  
46 taken to mean doing business electronically. (Lindsay P., 2002)

### 47 3 b) Why E-commerce?

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

## 56 4 II.

### 57 5 Review of Literature

58 Internet and e-commerce are closely wrapped towards developed countries. But they can achieve tremendous  
59 benefits to developing countries if it is applicable as an ideal business purpose. Ecommerce is a revolution in  
60 business practices (Ohidujjaman, et al 2013). The term commerce is viewed as transactions conducted between  
61 business partners. Electronic commerce is an emerging concept that describes the process of buying and selling  
62 or exchanging of products, services and information via computer networks including internet (Anupam-2011).  
63 Commercial transactions involve the exchange of value (e.g., money) across organizational or boundaries in  
64 return for products and services. Exchange of value is important for understanding the limits of e-commerce.  
65 Without an exchange of value, no commerce occurs (Laudon and Traver). E-business has changed processes  
66 within and between enterprises. Electronic Data Interface (EDI), widely introduced twenty five years ago on  
67 dedicated links between firms, showed how information could be directly passed from the operating systems of  
68 one enterprise into the order processing, production and logistics systems of another ??Clayton and Criscuolo).  
69 If implemented properly, E-commerce technologies can result in business process improvements and increased  
70 efficiencies. Leveraging Ecommerce technologies should result in improvements to developing countries, but so  
71 far have not produced the desired results (Jeffrey S. ??ay-2011). The development experienced in internet and  
72 other global online networks have, thus, created new commercial opportunities for e-commerce and creation of  
73 completely new sets of global and national trading relationships. This consequently, led to the perception that  
74 e-banking and e-commerce are now an inevitable aspect of financial services. It enables multiple buyers and sellers  
75 to come together on a common platform and conduct business without compromising individual requirements  
76 and relationships among the participants very quickly; ??Harris and Spencer, 2002;Bairagi, 2011). Electronic  
77 commerce is creating new opportunities to the global economic, for example in global travel and tourism industry.

78 Transforming from traditional business method to electronic commerce method is hard and there were many  
79 different factors for companies to adapt them with electronic commerce factors (Nanehkaran, 2013). (Hasan,  
80 2010) pointed out that nowadays e-commerce industries have increasingly become a necessary component of  
81 business strategy and a strong catalyst for economic development.

## 82 6 III.

### 83 7 Objectives of the Study

84 The main objectives of the study are as follows: 1. To get a full acquaintance of the E-commerce in Bangladesh.  
85 2. To identify the benefits of E-commerce. 3. To know the challenges in E-commerce.  
86 IV.

### 87 8 Research Methodology

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

### 91 9 V. E-commerce Situation in Bangladesh

92 In Bangladesh, there is a great deal of interest in e-commerce; however, due to various economic, infrastructural  
93 and legal reasons it did not spread widely in the past. After the introduction of 3G technology, the e-commerce  
94 has been growing rapidly because people have more easy access to internet than in the past. According to  
95 BASIS (Bangladesh Association of Software and Information Services), in just three years, more than 2000  
96 online trading platforms have made their way to Bangladesh. Business people and trading houses state that  
97 the rapid growth in internet networking and mobile phone coverage induces them to meet customers online and

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98 deliver a smooth and transparent shopping experience including e-ticket sales and sales on Facebook the market  
99 has yearly transactions around Tk 10 billion (approximately DKK 700 million). Furthermore, it increases at  
100 a tremendous pace with a monthly growth of 20-25 percent according to data from BASIS. Around 15 million  
101 people use the internet regularly of them, 4-5 million have accounts on Facebook which is still holding the leading  
102 position for online shopping through smaller and more local businesses although the market is changing rapidly.  
103 Larger companies, domestic and international, are having success in transforming a somehow hectic shopping  
104 culture into a transparent and easy way of accessing a great e-location of consumer goods. This trend is known  
105 to Swedish e-commerce company Bikroy.com who is doing well in Bangladesh. Since their launching in 2012  
106 Bikroy.com has experienced a significant growth and is today the largest online marketplace in Bangladesh. Now  
107 they have more than 2 million unique visitors on their website.

## 108 **10 VI.**

### 109 **11 Benefits of E-commerce**

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

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

115 ? Time saving-Customer can buy or sell any product at any time with the help of internet. ? Quick and  
116 continuous access to information-Customer will have easier to access information check on different websites at  
117 the click of a button. ? Convenience-All the purchases and sales can be performed from the comfort sitting a  
118 home or working place or from the place a customer wants to. ? Switch to others companies-Customer can easily  
119 change the company at any time if the service of a company is not satisfactory. The main benefits of e-commerce  
120 from sellers' point of view is increasing revenue and reducing operation and maintenance costs through internet.  
121 These include as follows:

122 ? Increases revenue.

123 ? Reduces operation and maintenance costs.

124 ? Reduces purchase and procurement costs.

125 ? Raises customer loyalty and retention.

126 ? Reduces transportation costs.

127 ? Develops customer and supplier relationships.

128 ? Improves speed of the process of selling.

129 ? Improves internal and external communication. and ? Develops the company image and brand.

## 130 **12 VII.**

### 131 **13 Challenges in E-commerce**

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

134 ? Private and public corporation is not involved jointly to grow the business of e-commerce. Private and public  
135 joint initiative is needed to develop the ecommerce business. Joint initiatives bring credibility inside people, which  
136 is needed for flourishing the ecommerce business. ? There is a lack of system security, reliability, standards, and  
137 some communication protocol. Customer loses their money if the website of ecommerce site is hacked. Most  
138 common problem of e-commerce website is not having enough cyber security. ? Financial institutions and  
139 intermediaries: Thus far, financial institutions and banks in developing countries are hesitant to take an active  
140 role in promoting e-commerce. However, merchants need the involvement of banks to broaden the reach and  
141 appeal of ecommerce and to help prevent fraud and potential losses attributable to credit card fraud. But beyond  
142 the credit card approach, banks and other financial service intermediaries are challenged to develop alternative  
143 modalities for secure and reliable online transactions in environments where credit cards are not commonplace  
144 (Anupam-2011). ? In developing countries there is a culture of buying product by negotiating price with seller,  
145 which is not easily possible in case of e-commerce in developing countries because of lack of infrastructure facility.

146 ? One of the biggest challenges is the cutting down the price of internet. Authorities are trying to keep low the  
147 price of bandwidth low. But the high cost of spreading networks and operating expenses hinder to keep price  
148 low for internet. ? Trust is the most important factor for the use of the electronic settlements. Traditional paper  
149 about based rules and regulations may create uncertainties the validity and legality of e-commerce transactions.  
150 Modern laws adopted and impartiality implemented in the electronic transactions form the basis of trust in the  
151 developed world. Where legal and judicial systems are not developed ecommerce based transactions are at a  
152 disadvantage because of lack of security whether real or perceived. In many developing countries even today cash  
153 on delivery is the most accepted system, even cheques and credit cards are not readily accepted (Roni Bhowmik-  
154 2012). ? New methods for conducting transactions, new instruments, and new service providers will require legal  
155 definition, recognition, and permission. For example, it will be essential to define an electronic signature and

## 14 CONCLUSIONS

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156 give it the same legal status as the handwritten signature. Existing legal definitions and permissions such as the  
157 legal definition of a bank and the concept of a national border-will also need to be rethought (chavan-2013).  
158 Besides the above challenges, the emerging economy like Bangladesh also faced the following challenges:  
159 ? Lack of education

### 160 14 Conclusions

161 The e-commerce industry will be a leader with popularity in electronic business world in the upcoming years. The  
162 e-commerce revolution has fundamentally changed the business of transaction by giving new opportunities and  
163 breaking borders easily. In Bangladesh, it has strongly impacted the traditional business system and changing the  
164 life of people by making it easier. While it gives benefits to customer and seller, e-commerce gives challenges to  
165 traditional business for competitive position. Developing countries face many obstacles that affect the successful  
166 implementation of e-commerce with the help of comparing with developed country. When the internet cost will  
167 be low then the e-commerce will flourish easily and will make many of traditional business to run out of their  
168 business. Convenience is one of the benefits that customer gets from the e-commerce and thus increasing customer  
169 satisfaction. This is due to customer can place a purchase an order from anywhere with internet connection.  
170 E-commerce business provider should give importance on every customer by giving smooth service and many  
171 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.

Figure 1:

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