

# E-COMMERCE: A SIGNIFICANT STEP TOWARDS ULTIMATE DIGITALIZATION OF THE GLOBE

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The world is changing more abruptly than we think. Technological advancement in the present world is happening quite rapidly. Human history has never seen so many changes at a smaller time frame. Adopting to these changes would be the main challenge as human concept regarding technology is developing every day. This process of integrating technology to all walks of life is called digitalization. Digitalization has taken the world by storm. Things that were once thought to be almost impossible to be digitalized has become digitalized. The outbreak of the worldwide pandemic Covid-19 has also made the world understand the significance of digitalization.

Bangladesh has also kept pace with the world momentum. The country has experienced consistent socio-economic development over the last three decades. As Bangladesh moves towards becoming upper middle-income country (UMIC) by 2031 and a developed economy by 2041, the country must adopt higher levels of mechanization, industrialization and modern technology.

The concept of e-commerce (Electronic Commerce) is the buying and selling of products and services by businesses and consumers through an electronic medium. In this era of globalization, the electronic commerce is the key platform for enterprises to insure the access to diversified market segments and increase the speed of developing business. The electronic commerce has extensive importance on the business entity and society both as extent and as intensity.



## Types of E-Commerce

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E-commerce offers consumers the following advantages:

- Faster buying process.
- Affordable advertising and marketing.
- Product and price comparison.
- Provides 24/7 services.
- Helps business to establish a wider market presence by providing cheaper and more efficient distribution channels.

E-commerce carries the following disadvantages:

- Sometimes extensive waiting period to get service at the customer end.
- Lack of instant response.
- Intangibility.

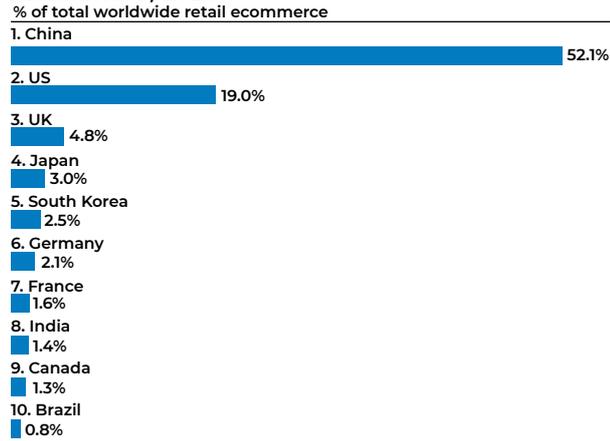
### Global e-commerce market

The global e-commerce market size was valued at USD 9.09 trillion in 2019 and is expected to grow at a compound annual growth rate (CAGR) of 14.7% from 2020 to 2027. Asia Pacific dominated the e-commerce market with a share of 55.31% in 2019. This is attributable to growing preference among businesses to carry out businesses through B2B e-commerce platform, developing infrastructure facilities, and surging number of internet users. Some of the prominent players operating in the global e-commerce market include Alibaba Group Holding Limited; Amazon, Apple, Dell Technologies, Flipkart Pvt. Ltd.; Gome Electrical Appliance Holdings Ltd., JD.com, Macy's Inc., Otto Group, Sunning Commerce Group Co. Ltd and Walmart.

During the Pandemic , several countries that were lagging behind earlier, started buying online more. Some of those will continue to see major expansion in 2021. Many of the national and regional rankings for retail ecommerce sales and growth have changed little since 2020. For example, the size and buying power of consumers in China remain key factors.

- Asia-Pacific is by far the largest market for retail ecommerce with digital sales amounting to nearly \$2.992 trillion in 2021. This year, digital retail sales there will be more than three times greater than in North America and nearly five times greater than in Western Europe.
- China is the world's No. 1 ecommerce market by a large margin. The sheer number of digital buyers, and their growing collective buying power, will keep China in the lead for the foreseeable future.
- India will be the fastest growing market this year, despite the continuing influence of the pandemic. India's potential for ecommerce is still largely untapped, hence our prediction of rapid growth between 2021 and 2025.

### Top 10 Countries, Ranked by Retail Ecommerce Sales Share, 2021

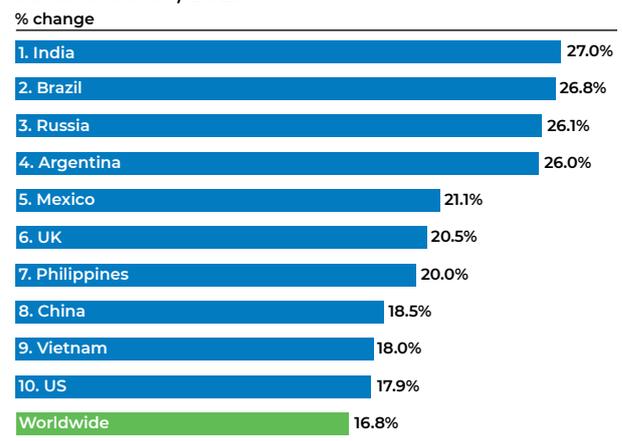


Note: includes products or services ordered using the internet, regardless of the method of payment or fulfillment; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, food services and drinking place sales, gambling, and other vice goods sales  
Source: eMarketer, May 2021

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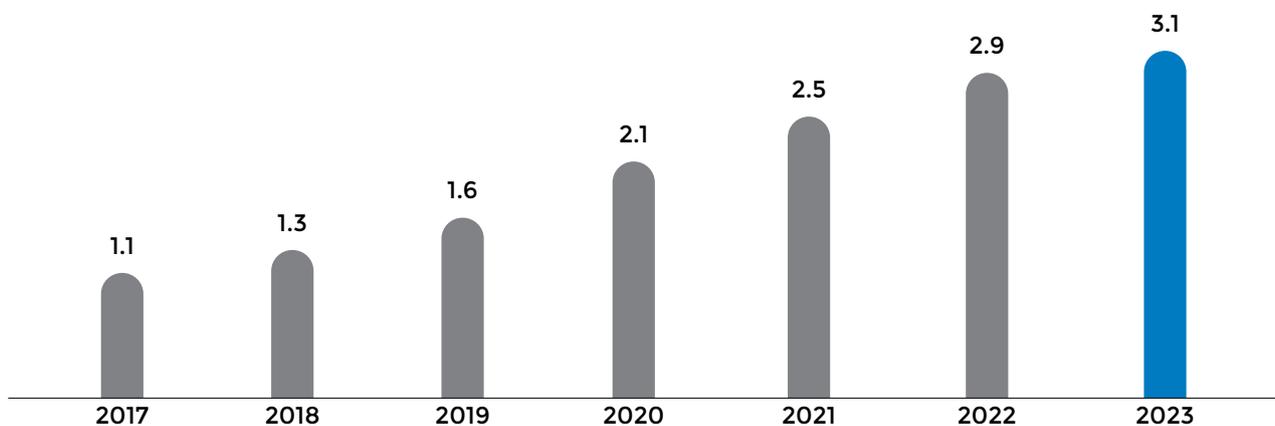
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## Bangladesh e-commerce market

Along with the whole world, Bangladesh is also surging forward in E-commerce. Bangladesh has exceeded one and a half billion US dollars, according to the German-based research institute Statista, expected to reach at two billion dollars this year and three billion dollars by 2023. The ongoing pandemic has locked the entire world inside homes but that does not mean the demands have gone from the market. E-commerce has revolutionised during the COVID-19 Pandemic. The growth of online sales has increased by 70 to 80 percent compared to the previous time.

### Bangladesh's E-Commerce Market Is Projected to Grow in Double Digits

in \$b



According to the e-Cab (E-Commerce Association of Bangladesh), the e-commerce or online shopping market across the country has crossed TK.6,000 crore. The annual transaction through e-commerce is now more than TK.8000 crore. At present, 1200 organizations are associated with this business in Bangladesh.

As per the latest data from Statista, the e-commerce market in Bangladesh in 2019 stood at 1,648 million US dollars which will increase to 2 thousand 77 million this year and in 2023, the market size will be 3 thousand 77 million dollars. The Statista has said that Bangladesh is in the 47th position in the world of e-commerce. However, the challenge is the delivery of goods to outside the cities. In this sector, 80 percent of the payments are done through cash-on-delivery method, whereas only 15-20 percent is done through mobile payment gateways.

The number of credit and debit card users in the country is low compared to other countries, as a result many customers are unable to make online payments. The e-wallet system is expected to overcome this problem to some extent. Mobile Financial Service Platforms like Bkash, Nagad, Rocket, MyCash etc. has partnered with the e-commerce ventures in the country and in addition, if banks also follow suit, it will be beneficial.

## Financial Inclusion Indicators of Bangladesh

Financial Inclusion Factors	Percentage of the Population Aged 15+
Has an account with a financial institution	41%
Has a credit card	0.2%
Has a mobile money account	21%
Makes online purchase or pay bill online	3.5%
Percentage of women with a credit card	0
Percentage of men with a credit card	0.4
Percentage of women making online transactions	2.8
Percentage of men making online transactions	4.3

Source: DATAREPORTAL, 2020

Owing to the increase in the accessibility of the internet, broader availability of smartphones for the majority of people and improved technological know-how of individuals, many entrepreneurs in Bangladesh are choosing digital platforms for continuing their business. Estimates suggest that around 39 million people in Bangladesh currently use Facebook. M-Commerce (Mobile Commerce) and F-Commerce (Facebook Commerce) are very popular in today's e-business world. Over the years, the number of online transactions has been on the rise.

## Teledensity & Internet Penetration at the end of June, 2021

Teledensity (Voice + Internet Subscription)	103.69%
Internet Penetration (Total)	70.53%
Fixed Broadband	5.86%
Mobile Internet	64.67%
Mobile Internet Subscriber (MILLION)	110.90
ISP + PSTN Subscriber (MILLION)	10.05
Total Internet Subscriber (MILLION)	120.95

Source: DATAREPORTAL, 2020

BTRC Officials reported the number of internet subscribers in Bangladesh had crossed 80 million in 2017. At present there are approximately 2,000 e-commerce sites and 50,000 Facebook-based outlets delivering almost 30,000 products a day. Currently, 80 percent of the online sales are taking place in Dhaka, Chattogram and Gazipur. Of these, 35 percent are from Dhaka, 39 percent from Chittagong and 15 percent from Gazipur. The other two cities are Narayanganj and Sylhet. 85 percent of e-commerce users are between the ages of 18-34.

Bangladesh Telecommunication Regulatory Commission (BTRC) cited that in 2016, internet penetration rate was recorded at 13.2 percent, and the number of internet users was 66.6 million. In 2017, the number of internet users reached 80.6 million along with an increase in the penetration rate to 48.4 percent. In 2018 the number of internet users further increased to 91.3 million and the penetration rate was 52.77 percent. Currently the number of internet subscribers has reached 96.199 Million (June, 2019). According to market analysts Bangladesh's e-commerce business market has reached USD 20 billion in 2020. According to June 2019 statistics of BTRC, 90.4 million users subscribe to the mobile internet, 0.06 million subscribe to WiMAX, and 5.73 million to ISP + PSTN connections.

At present, Bangladesh's e-commerce is still in its infancy compared to developed countries. Completely e-commerce has not yet been introduced in Bangladesh as the e-commerce company delivers the product to the customer and brings it in cash. Some Bangladeshi companies like Priyoshop, Rokmari, Pikaboo and Othoba are doing well. Amazon is working very actively to come to Bangladesh. But it may not be entering the market of Bangladesh directly now.

## Challenges

- Lack of appropriate national policies to support the system
- Lack of access to computers and internet. Only 5.6 percent households in Bangladesh owned a computer and only 37.6 percent of households had access to the internet in 2019 (BBS & UNICEF, 2019).
- Nearly impossible to access of internet for relatively poorer households and women. In 2019, only 0.4 percent of households from the poorest wealth index quintile in Bangladesh had a computer, compared to 21 percent of households from the richest wealth index quintile who had a computer. Only 4.6 percent of women had used a computer and the only 14.2 percent women had used the internet over the course of their lifetime (BBS & UNICEF, 2019).
- Slow and expensive internet
- Lack of human resources and limited technical skills
- Lack of knowledge
- Poor infrastructure and inability to access remote areas
- Inadequate transport facilities
- Low level of proliferation of credit and debit cards hindering online payment
- Lack of logistics and sound transportation system
- Difficulties in obtaining payments from abroad
- Lack of financial transaction security
- Lack of specific roadmaps for e-commerce development
- Legal loopholes that allow digital platform companies and workers to escape the tax net
- Absence of proper mechanism for resolving consumer dissatisfaction
- Lack of public accuracy and fear of online shopping
- Funding constraints

## Recommendation

- Developing strict and implementable regulatory framework for e-commerce industry
- Empowering individuals with market-relevant skills like technical skills and knowledge through specialised training,
- Encouraging mass people to participate in the digital platform economy.

- Explore new financial tools and models for ensuring the sustainability of digital platforms in Bangladesh.
- Create a national guideline of the use of data generated in digital platforms.
- Amend consumer rights protection laws so that they encompass digital platforms.
- Attract foreign investors to come to Bangladesh and invest in digital platforms.
- Bring companies and workers in the digital platform economy under the tax net.
- Put more emphasis on delivery logistics and customer service
- Increase digital awareness among the mass population.
- Encourage brick-and-mortar companies to go digital through fiscal incentives.
- Govt. protection to Local e-commerce industry
- Immediate action to ensuring consumers' rights to prevent consumers from being cheated and given low quality or date-expired products

E-commerce is becoming a more mature sector in the Asian countries with the drastic increase in the usage of the internet. Emerging economies like Bangladesh, e-commerce has been on an upward growth trajectory and is expected to become a mega sector of economy for upcoming future. According to the prediction of Boston Consulting Group and Telenor, 32% families of Bangladesh will have at least one internet connection in few years. In this country, the sector has a lot of potentialities in spite of the barriers. Contribution of e-commerce to the country's GDP is likely to be significant within next few years. For the betterment of nation as well as society, the government should be more supportive to embrace this modern technology in open arm as part of its Digital Bangladesh initiative.

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