

# E-Commerce and its Economic Contribution in Bangladesh

Lt Col Abdullah-Al-Hossain, psc

**DOI:** 10.7176/RHSS/12-21-04

**Publication date:** November 30<sup>th</sup> 2022

## Introduction

E-commerce is the online transfer of money and data to buy or sell goods. Economic output growth is the rise in commodities and services over time. Inflation may be nominal or real. Gross domestic product has been used to quantify economic growth historically. Bangladesh's urbanization and economic growth accelerated in the 2000s. This changed the food industry and diets. As the web-based company sector increases, another difficulty is Bangladesh's rapidly expanding online-to-offline (O2O) food delivery market. Development and effect of the direct-to-customer food transport businesses are limited. This article presents a wonderful viewpoint on the new business opportunities and obstacles in the food market, as well as the wellness effects of connected behavior changes and its wider societal influence.

E-commerce is global and it is vital to developing-countries' economy. There have been various studies on e-commerce originality, but less on government electronic payments as part of existing or innovative payment agenda. In today's multinational commercial center, customer reliability is prized. Today's clients want more than a good deal; they want useful, trustworthy innovation. Several Bangladeshi internet businesses use data and communication technology to enhance service delivery. Money has been spent on self- and virtual web-based company frameworks to increase customer service. It also suffers from Asia's lack of a broadcasting basis. Slow product delivery is caused by helpless online infiltration, a lack of awareness among workers, a lack of resources to deal with installments, and slow product delivery. Bangladeshi banks have invested much in technology to keep up with global developments and enhance service delivery. They've used electronic and telecom networks to provide a variety of valuable goods and services. Unlike earlier, when record cards were used, internet business is now linked to PC organizations, simplifying bank/between branch banking exchanges. The introduction of mobile phones in 2001, as well as greater access to PCs and Internet administration offices has all boosted online commerce.

Analysts haven't studied the influence of online commerce on Bangladesh's economic growth. In this study, GDP growth is used as a measure of financial growth. The e-Commerce sector is made up of software manufacturers and sellers. Inventory control, procurement monitoring, and operations management strengthen and extend customers' IT capabilities.

While an e-Commerce stock's Value Line page follows our regular style, it's vital to focus on a few key elements to understand the company and its stock. Economic prospects are also significant while analyzing these companies. New product debuts are regular, and many companies offer comparable goods. Mergers and acquisitions fuel strong competition.

Despite our gains, the market is too early. Only 22% of web users shop online, with a market size of less than BDT 150 crore [we've seen varied numbers from other sources, and I take this as the whole e-commerce market size]. Under 1.5 million people use Dhaka's Internet business. The country should increase by 72% in the next several years.

Let's look at China and India's businesses. The web-based business sector contributed 4% to China's GDP [Alibaba]. In 2017, India's internet business industry is expected to grow by \$14 billion and China's by \$527 billion. Bangladesh is finishing what India started five or six years ago. The graph below shows how and what factors have influenced the Indian market recently:

Flipkart, Amazon, eBay, and others have invested heavily in India's merchants and customers. India has also reached a threshold for Internet users. The Indian government also helped. Since business visionaries are booming, local startups like Myntra, Snapdeal, and others are rising, expanding the market for customers. The Indian working class has grown in society and purchasing power during the last decade. This large hungry segment of the population needs a fast and easy way to purchase, which the internet commerce sector provides.

Bangladesh is also affected. If our working class grows, they'll want new products and assets from the web business sector. From my research and experience, most internet business clientele are young leaders or students. This magnificent region will soon have purchasing power. Our economy is growing in Dhaka, Chittagong, and cities and villages with good online connection. Consequently, more people are eager than ever to spend more money online. We're nearing a minimal quantity that will ensure further online company growth.

## Aim

To discuss the modalities of E-Commerce industry in Bangladesh and its future financial benefit in connection

with global market strategy.

### Growth of E-Commerce Industries and GDP before COVID-19 Pandemic Situation

The UNCTAD's E-business and Growth Report 2001(1) believes that the Internet and data innovation will drive global development despite present financial weakness.

The study warns of the harmful repercussions if agricultural countries fall farther behind the developed world in innovation. It examines legal and administrative concerns brought on by the electronic era and is intended to help non-industrial countries to take advantage of the technological transformation's benefits. One of the "primary victims" of the dotcom disaster was the "new financial paradigm," which said new data and communication advances will produce ever-faster growth without expansion. Online commerce grew following the disaster. Therefore, although the Nasdaq meltdown and the failure of many Internet startups have revealed certain misinterpretations about the "new economy," they are irrelevant to ICT's long-term financial impact.

Since 1995, the U.S. has seen significant economic growth, especially in efficiency, as it leads the globe in IT and web-based commerce. According to the paper, a large portion of the improvement in profitability "is underlying and inferable from changes induced by ICT and the Internet" "ICT will remain supporting quick efficiency growth," UNCTAD forecasts, citing the falling cost of registering influence, rising cost of processing influence, and falling cost of calculating influence.

Many agricultural countries won't increase their intensity until they innovate with the created world, the Report says. UNCTAD performed a quantitative report on two situations: one in which agricultural nations fall behind mechanically, and one in which they find created nations, to determine the broader financial impact of online business and the ramifications of non-industrial nations making up for lost time or not. The study focuses on cost reserves and anticipates internet business to lower service costs, notably in retail and discount exchange, transportation, and financial and business administration. A profitability development scenario is used to imitate expenditure reserve funds in administrations, taking into consideration macroeconomic aspects like GDP, government aid, work, and terms of exchange. It's the first time a calculable general balance (CGE) model has been used to internet company globally.

The First Scenario would result in \$117 billion in government support advantages for created countries, whereas the Second Scenario would result in \$726 million in government help miseries for non-industrial nations like Asia. Asia-Pacific will earn \$802 million thanks to the transportation sector. Developed countries will lose government aid, GDP, wages, and terms of trade. Web-based commerce may widen the gap between developed and developing countries.

The importance of ICT for development isn't so much in the portion of the global economy that this area may reflect (certainly a large one), but in the change's ICT can present in the working of organizations across the economies that acclimatize them, as shown by the list of dotcom casualties and survivors.

Accepting that agrarian countries catch up to developed nations in profitability, creation, business, and government aid will all rise. A 1% rise in administrative profitability in Asia would bring in \$12 billion in government aid gains, 0.4% GDP growth, 0.4% wage growth, and 2-to-3 percent growth in administrative sends (see tables 1 and 2). Web based company may save expenses, increase efficiency, and minimize time and distances. According to insights, Bangladesh's web-based company market was worth \$1,649 million in 2019 and is expected to grow to \$2,077 million this year and \$3,077 million out of 2023.

### Economy of Bangladesh

GDP	\$318 billion (nominal; 2020 est.) \$865 billion (PPP; 2020 est.)
GDP rank	35th (nominal, 2020) 29th (PPP, 2020)
GDP growth	7.9% (17/18) 8.2% (18/19e) 5.2% (19/20f) 6.8% (20/21f)
GDP per capita	\$2,064 (nominal, 2020) \$5,139 (PPP, 2020 est.)

Figure 1.1: Economic condition of Bangladesh

### Growth of E-Commerce Industries and GDP after COVID-19 Pandemic Situation

If 2020 is remembered as a turning point, the computer and web-based business sectors, which boomed during the COVID-19 crisis, will have enjoyed unexpected growth.

Coronavirus has accelerated up technological advancement despite diminishing economic growth. As lockdowns become the norm, internet shopping is expected to rise from 14% in 2019 to 17% by 2020. By embracing digital, companies and customers are eliminating lockdowns.

UN General Assembly President VolkanBozkir said in a public interview that the trend toward online

commerce would likely continue beyond COVID-19. "We should identify the issues and assist governments and people adopt better working methods," he added. "Organizations and buyers who 'went forward' helped balance the pandemic's financial slump," Isabelle Durant remarked. "They have accelerated up a digital revolution that will have long-term repercussions for our social systems and daily lives – for which not everyone is ready," she added. "Agricultural countries should not just be consumers, but also active participants and hence producers of the advanced economy". This paper explains infection and e-commerce for brand managers and offers methods to avoid risk.

### **Key Market Player and their Contribution**

Alibaba Group acquired Daraz Group, one of Bangladesh's leading eCommerce firms, in 2018. In Bangladesh, some of the most famous e-commerce websites are:

- ✓ E-Valy.Com
- ✓ AlishaMart.com
- ✓ BDJobs.
- ✓ Clickbd.
- ✓ Bikroy.com
- ✓ BoiMela.com
- ✓ Rokomari.com
- ✓ foodpanda.com
- ✓ Daraz.com
- ✓ Chaldal.com

### **Research Objective**

The research aims to analyze the contribution of e-commerce on Bangladesh's economy.

### **Methodology**

#### **Research Design**

The research included both qualitative and quantitative methods. Quantitative methods include surveys with structured questions and interviews with unstructured questions and observations.

#### **Study Location**

This has been taken place in Dhaka, Bangladesh.

#### **Study Period**

This study has been conducted between, October 2020- February 2021.

#### **Study Population**

Selected e-commerce service receiver and service producer is the population of this study.

#### **Study Sample**

Purposive sampling has been done by using inclusive methods.

#### **Sample size**

Total 40 samples were selected for service receiver and 40 samples were collected from service producer.

#### **Eligibility criteria**

##### **Inclusion criteria**

- Respondent must be e-commerce service receiver or service producer.
- Respondent must live in Bangladesh.

##### **Exclusion criteria:**

- Respondent who are not e-commerce stakeholders.
- Respondent who not live in Bangladesh.
- Anyone who is not psychologically fit to understand the questions
- Any respondent who is not willing to participate.

#### **Sampling Method**

##### **Sample Size and Sampling Techniques**

An aggregate of 40 examples was intentionally chosen from clients dependent on incorporation models, and 40

specialist organizations dependent on consideration rules that are dynamic in Bangladesh's driving online business area were incorporated.

### Data Collection

A standardized poll with closed and open-ended questions was used to acquire respondent information. Before sending the full-scale audit, the survey was pre-tested on 14 (7+7) web-based commercial customers and specialized organizations in Bangladesh who were not part of the Institutions to be audited to ensure its structure, content, flow, and duration were all appropriate.

### Method of Data Analysis

Deciphering the acquired data required quantitative methods. Survey data was coded and entered into Statistical Package for Social Science for analysis (SPSS Version 23). Quantitative data was presented using tables, guides, crosstabs, and charts to show frequencies and rates. Connection framework, t-test, relapse, ANOVA, and other inferential metrics were used.

### Results

#### Concept about e-commerce

Among the 40 respondents highest 81.1% of ecommerce customers thought that e-commerce is an online buying and selling platform. 17.5% respondents thought that e-commerce is ebanking.

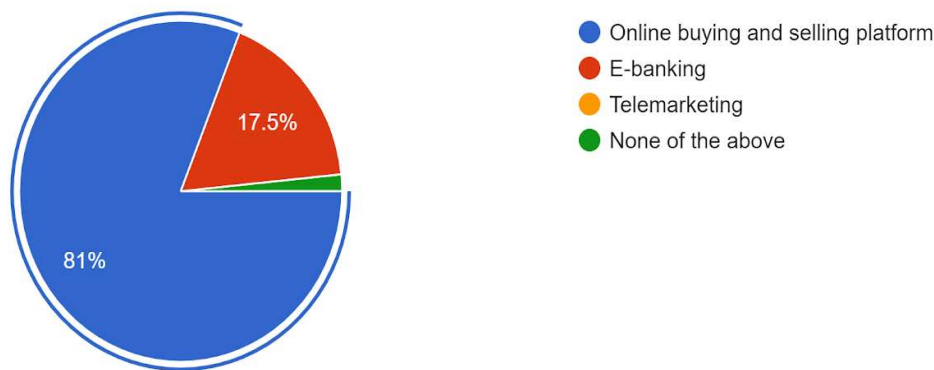


Figure 1.2: Concept about ecommerce

#### Customer's confidence about e-commerce

Among the respondents, the highest percentage of e-commerce customers feels secure about e-commerce, while 38% do not.

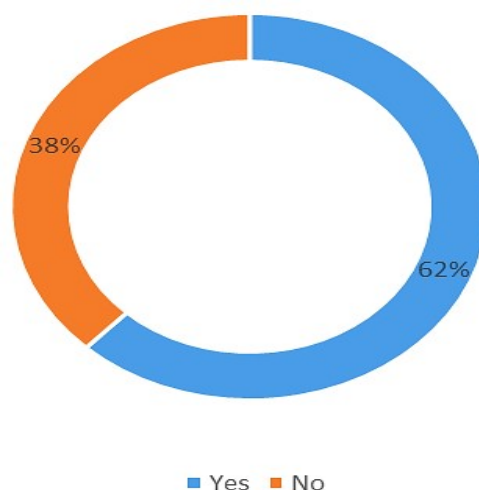


Figure 1.3: Customer confidence level about e-commerce

#### Brand Image of Ecommerce Company

Evaly had the highest number of ecommerce customers among the 62 respondents, with 84.1% followed by Daraz.com (79.4%), and Alisha Mart (44.4%). Other e-commerce company are shown in Figure 1.4.

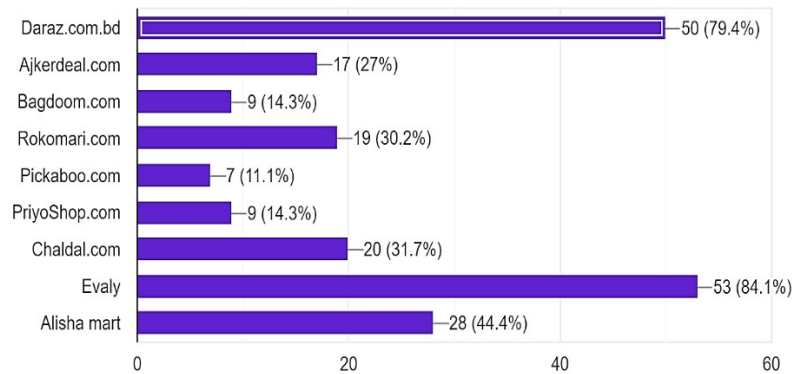


Figure 1.4: market share of other e-commerce company as per customer (Multiple responses)

### History as an e-commerce customer

46% of e-commerce customers have used the platform for three years, 44.4% for one, and 9.5% for seven years (Figure 1.5).

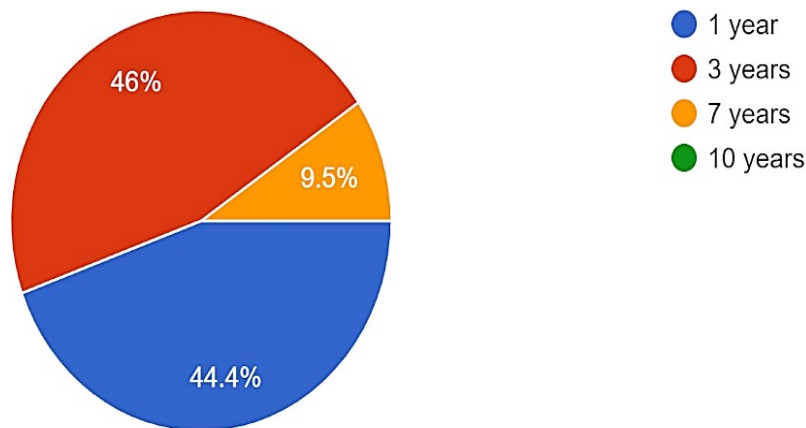


Figure 1.5: Customer history percentage of using e-commerce

### Impact of e-commerce business during COVID-19 Pandemic

Among the respondents highest 98.4% e-commerce customer thought COVID-19 pandemic has positive impact on the e-commerce industry followed by only 1.6% don't think so.

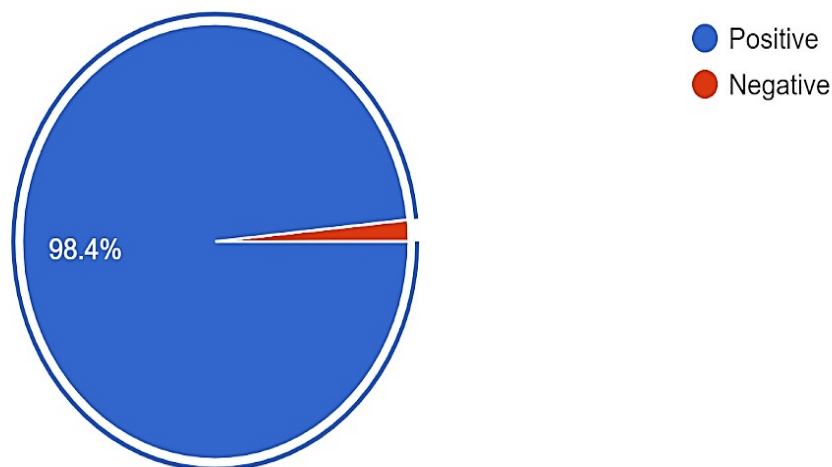


Figure 1.6: Impact of e-commerce business during COVID-19 Pandemic

### Current situation of e-commerce Industries in Bangladesh

34.9% of e-commerce customers think the industry is excellent, 28.6% think it's very good, 19% think it's ordinary, and 17.5% think it's poor.

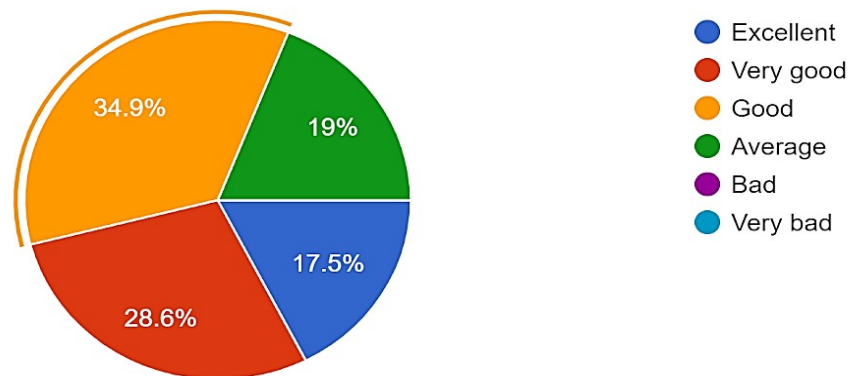


Figure1.7: Current situations of e-commerce Industries in Bangladesh

### Customer's opinion on e-commerce services

The majority of respondents agreed or strongly agreed that Bangladesh is suited for e-commerce and that the e-commerce firm delivers on time. The majority also indicated that they would use e-commerce in the future and tell others about it.

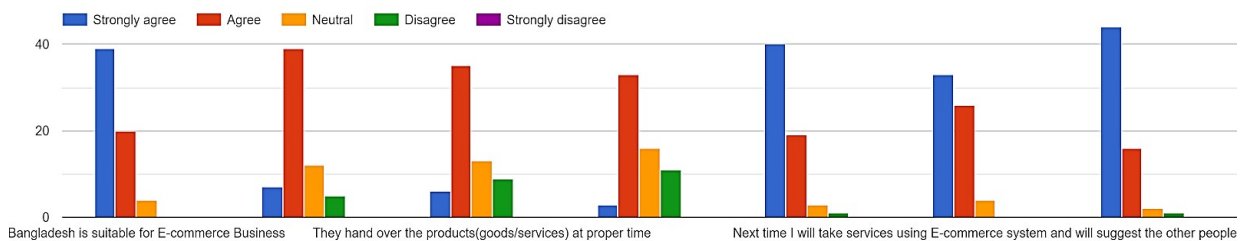


Figure1.8: Customers opinion on e-commerce services

### Service Providers

Among the 40 service providers most of them (96%) faced difficulties to provide e-commerce service only (4%) said no in this regard (figure 1.9). Figure 1.8 illustrates some of the difficulties the service providers face.

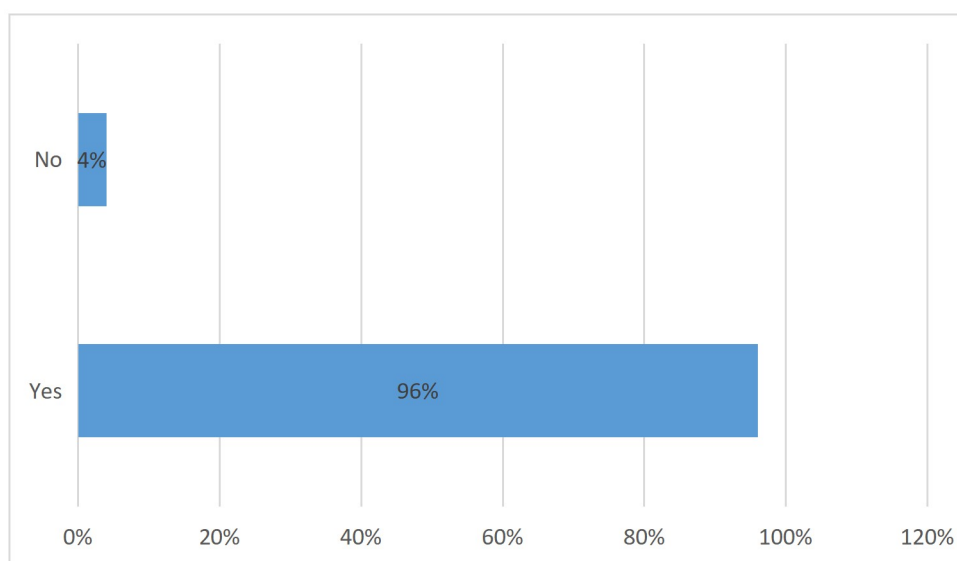


Figure1.9: Customer response about difficulties face during e-commerce

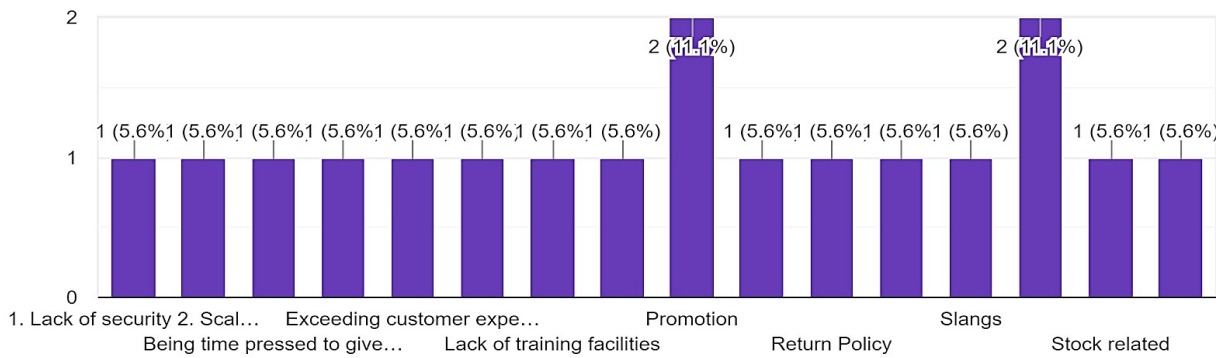


Figure 1.10: Types of difficulties faced by service provider

The majority of service providers (42.1%) has been in business for the past three years, followed by (36.8%) for the past year and (21.1%) for the past five years. The majority of service providers disputed or strongly disagreed that they cannot satisfy customers.

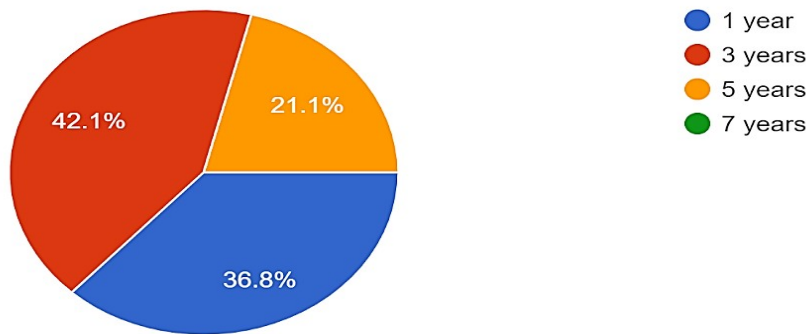


Figure 1.11: Service providers opinion regarding e-commerce services

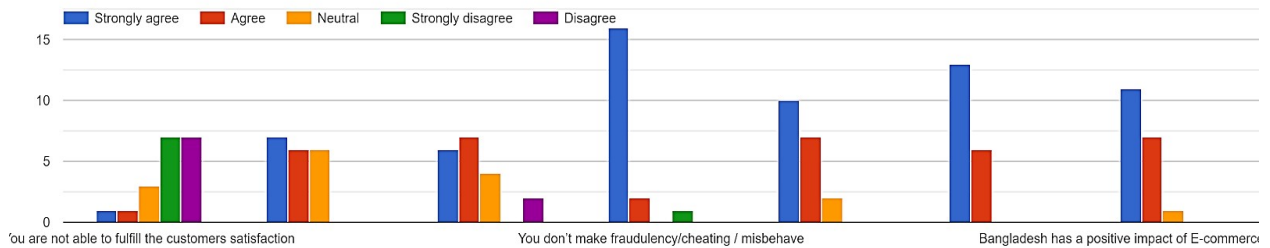


Figure 1.12: Customer opinions on quality e-commerce services

**Perception differences between service provider and service receiver**

Most of the service provider (94.7%) and service receiver (98.4%) said that the contribution of e-commerce business during COVID-19 is positive and service providers said that current position of e-commerce business in Bangladesh very good (42.1%) and service receiver said (28.6%) very good.

Table 1.1 Difference in perception between service provider and service receiver

Perception on E-Commerce	Service Provider Percent (%)	Service Receiver (%)	Change $\Delta$
<b>Contribution of E-commerce business during COVID-19</b>			
Positive	94.7	98.4	3.7
Negative	05.3	01.6	3.7
<b>Current Position of E-commerce business in Bangladesh</b>			
Very good	42.1	28.6	13.5
Good	15.8	34.9	19.1
Average	10.5	19	8.5
Very bad	31.6	17.5	14.1



### E-commerce growth and GDP growth in Bangladesh Correlation Matrix

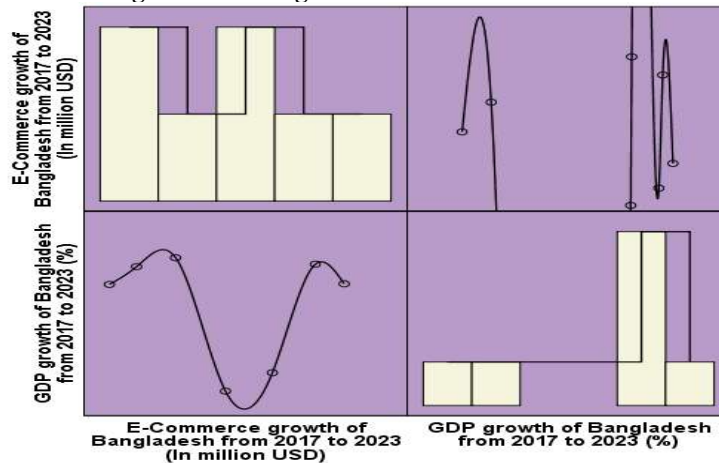


Figure 1.13: Correlation Matrix GDP & E-Commerce Growth in Bangladesh from 2017-2023  
 (Data Source: STATISTA.COM)

### E-Commerce Growth and GDP Growth in Bangladesh from 2017 to 2023

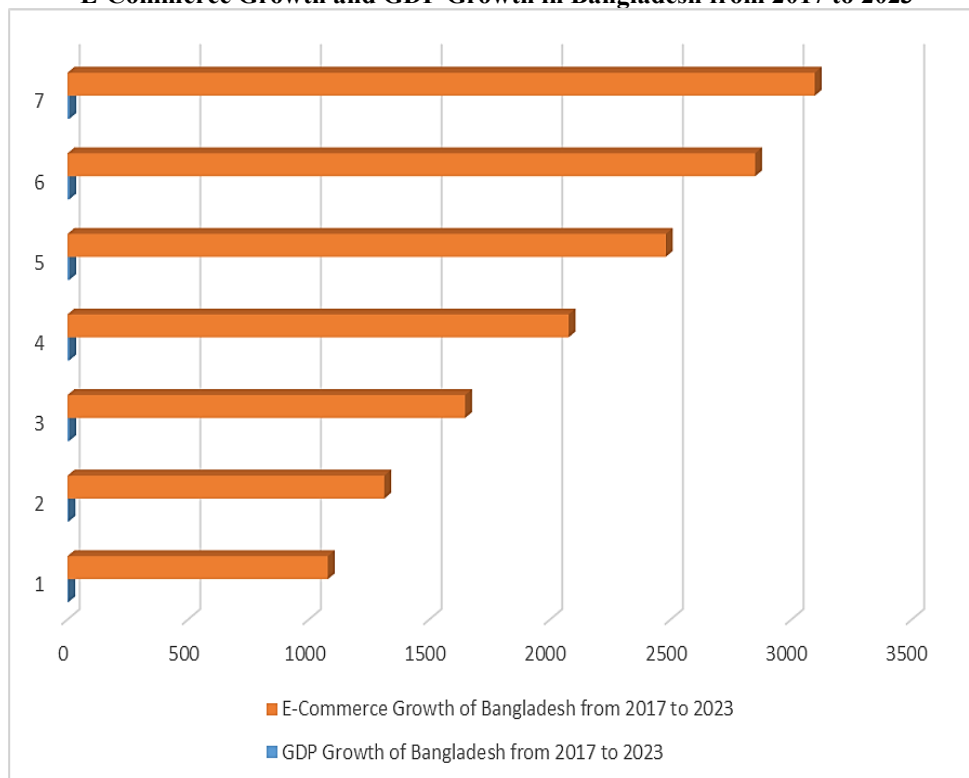


Figure 1.14: GDP and E-Commerce Growth in Bangladesh from 2017 to 2023

### Conclusion

Bangladesh's technological turbulence intensifies as financial institutions deal with data, correspondence, and innovation. The harsh climate and globalization of company sectors have forced many organizations to examine and change their business procedures to embrace creative management approaches and a tenacious objective for new ways of thinking to boost their serious position. Companies are finding methods to boost pay while keeping client trust. Modern banking is hazardous. Web-based banking may be the key to bank viability sooner rather than later. Electronic banking systems (EBS) provide customers comfort and ease.

Internet company depends on web banking. Data innovation is crucial to the financial industry's success. The financial industry uses ICT to gather, decipher, and distribute client data. ICT is crucial for data collection and market leadership in the financial sector. Bangladesh's web development rivals that of wealthy and agrarian nations. Despite growing hurdles, the public authority prioritizes digital and data innovation. Bangladesh added



25 million web banking customers in 2013. Banks should use online loyalty to retain customers. Banks should provide excellent electronic support to satisfy clients. Internet business is convenient, cost-effective, multipurpose, designed, and usable.

Consumers prefer ecommerce to e-payments. Technologies has altered ecommerce. Ecommerce companies must adapt to consumer needs and technology. Ecommerce includes online transactions. Electronic networks are used to place orders, distribute software, and make payments between businesses and consumers. Electronic services can be given for non-banking financial products and commercial services. E-business comprises task delivery and organization access. Closed and open organizations are key. Closed groups lack membership. Retail terminals, ATMs, phones, and PCs are common Internet business access devices.

Bangladesh's central bank allowed electronic payments in 2009 and debit/credit cards in 2013. Banks are implementing e-banking to simplify ecommerce payments. Most of the Bangladeshis are computer averse, and technologically illiterate; many literate persons have computer phobias. These fears surround electronics. E-commerce and electronic banking require better software literacy. The government is planting trees to promote global literacy. Internet increased e-commerce. It requires minimum upfront investment and no full-time commitment, especially if you're selling a few things. Online buying is increasing. E-commerce companies value their customers. An e-commerce site's loyalty is key. In a competitive market, e-commerce must be user-friendly. E-commerce and e-banking boost knowledge collecting and administration. Due to limited electronic service usage, banks and financial organizations have modest startup costs. It will limit e-commerce and e-impact banking's on financial institutions. E-commerce have positive impact on economic growth and GDP.

## References

- Adamides, E. D., & Karacapilidis, N. (2006). Information technology support for the knowledge and social processes of innovation management. *Technovation*, 26(1), 50–59.
- Adcock, K., Helms, M. M., Adamides, E. D., Karacapilidis, N., & Aladwani, A. (1993). Information Technology: Can it provide a sustainable competitive advantage? *Information Strategy. The Executive's Journal*, 9(3), 1015.
- Ai, S. I., & Molla, A. (2004). Adoption and Use of Internet Banking in the Sultanate of Oman". *Journal of Internet Banking and Commerce*, 9(2).
- Amato-McCoy, D. M. (2006). Planning for continuity. *Bank Systems & Technology*.
- Avkiran, N. K. (1999). Quality Customer Service Demands Human Contacts. *International Journal of Bank Marketing*, 17(2), 61–71.
- Azad, A. S. M. S. (2001). E-commerce as an Emerging Issue: Relevant Risks and Security Measures".
- Bauer, P. W. (2002). Making payments in Cyberspace". *Bareil, C.*
- Beer, M., & Nohria, N. (2000). Cracking the code of change. *Harvard Business Review*, 78(3), 133–141, 216.
- Clarke, A., Ensor, B., & Camus, L. (2008). Investors Don't Understand the Importance of Online Advice Tools.
- Daniel, E. (1999). Provision of electronic banking in the UK and the Republic of Ireland. *International Journal of Bank Marketing*, 17(2), 72–83.
- H, S. E. (1997). *Virtual Money: United States of America*". Oxford University Press.
- Hazlina, T. (2011). Impacts of Service Quality on Customer Satisfaction: Study of Online Banking and ATM Services in Malaysia". *International Journal of Trade, Economics and Finance*, 2(1), 10–23.
- Islam, A., & Rahman, A. (2006). Growth and development of information and communication technologies in Bangladesh. *Electronic Library*, 24(2), 135–146.
- Islam, M. (2005). Proposed IBT infrastructure for E-banking in Bangladesh, Master of Science Thesis. Stockholm, Sweden: Royal Institute of Technology (KTH).
- K., B., Shanmugam, B., Alam, N., & Perera, C. (2003). An Evaluation of Internet Banking Sites in Islamic Countries". *Journal of Internet Banking and Commerce*, 8(2).
- L., A. F., & Otubu, P. A. (2009). Mobile Phone Technology in Banking System: It's Economic Effect".
- L, B. G. (1999). e-Banking 1999: New Model of Banking Emerges". Gartner Group.
- M., D. H., Deitel, P. J., & Nieto, T. R. (2001). *E-Business and E-Commerce: How to Program*" (Vol. 39). Prentice Hall Development, International Monetary Fund.
- M., J., & Stone, G. (2003). An Empirical Evaluation of US Bank Customer Perceptions of the Impact of Technology on Service Delivery in the Banking Sector". *Journal of Retail and Distribution Management*, 31, 190–202.
- M, M. R. (2004). Innovative Technology and Bank Profitability: The Bangladesh Experience". *Bangladesh Bank*.
- M., N. S., & Schaechter, A. (2002). Challenges of the E-Banking Revolution". *Finance and Development*, 39(3).
- M., V., & Van Collie, S. (1992). *Banking Technology: Strategic and Resources that Seize the Competitive Advantage*". John Wiley and Sons Inc.
- Moktar Ali Md., R. A., Rahman, A., & Azam, M. M. (2007). *Electronic Banking in Bangladesh: Potential and*

Constraints.

- Mudimigh, A. S. A. (2007). E- Business strategy in an online banking services, A case study (pp. 12, 1, 1–6). pp. 12, 1, 1–6.
- Rahman, M. (2002). Present status of E-Banking in Bangladesh. Journal of the Institute of Bankers' Bangladesh.
- Raihan, A. (2001). Computerization and IT in the Banking Sector of Electronic Banking in Bangladesh. Potential and Constraints.
- S., D. S., &Pranjana, B. P. M.-. (2003). E-banking in India – major development and issues, by. Financial Times, 6(1, Jan).
- S., S. M., &Shanmugham, B. E. B. (2003). E-banking and Customer Preferences in Malaysia: An Empirical Investigation”. Information Sciences, 150, 207–217.