Some aspects of contributing factors to booming E-Commerce in Bangladesh and its prospect

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Abstract: *The e-commerce sector in Bangladesh is experiencing great changes these years. As online shopping is popularized as well as the general ICT-industry is developed, more and more young Bangladeshis are ready to explore the possibilities that the digital world has to offer. The popularity of online shopping and ICT development as a part of government commitment of turning digital Bangladesh play an important role in blooming e-commerce. Besides 3G internet adaption has accelerated the rapid growth of e-commerce. The purpose of this paper is to find out the factors prevailing in Bangladesh contributing to remarkable growth of e-commerce in last few years. It also discusses present and future growth prospective of e-commerce for coming decades.*

Keywords: E-commerce, online Shopping, ICT development, F-commerce.

Introduction

The internet has opened up a new horizon for commerce, namely e-commerce, which has been rapidly growing in the developed world as an impressive manifestation of globalization for the last decades. The fast expansion of e-commerce is now becoming a major opportunity for international and local trade development in least developed countries like Bangladesh, where internet facilities and the technological infrastructure in few years have become widely available.

The Bangladeshi government has, as a part of the ambition to become a middle income country by 2021, recognized the importance of online solutions. The commitment is to extend coverage of broad-band network

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to 30 percent by 2015 and 40 percent by 2021. This is a crucial acknowledgment in order to achieve economic progress as well as extend the infinite possibilities of international trade.

The governmental vision of turning Bangladesh digital has induced companies along with consumers to take on digital challenges and the interest in ICT-technology is growing at a momentous pace.

The economic and demographic prospect of Bangladesh is the guarantee of a strong foundation for a relatively new ICT-sector and e-commerce industry. Based on economic stability, political maturity and openness, Goldman Sachs has realized the potential by naming Bangladesh as one of the "Next Eleven" – a group of countries that have the prerequisites and potential to become major economic players in the twenty-first century.

"All the N-11 countries have comparatively large populations – with young people that are in a position to earn and spend", Goldman Sachs.

65% of the total population of 160 million in Bangladesh is under the age of 35. This does not only make the country one of the largest (8th based on population) but also one of the youngest in the world. Every year, an average GDP-growth around seven percent and increasing urbanization is contributing to a larger middle class with higher disposable incomes – the ideal target group for e-commercial activities.[1]

Objectives

E-commerce has grown tremendously worldwide and also grown in Bangladesh. The impact of this growth is also influencing societies and businesses. So, this article is prepared with some objectivesi.e.-

1. To examine the growth pattern of e-commerce in Bangladesh.
2. To explain the conditions prevailing in Bangladesh contributing to the booming state of e-commerce.
3. To examine the prospect of e-commerce in Bangladesh.

Methodology

This research paper is based on literature review. Data is collected from secondary source. Secondary data and information have gathered from online books, journals, newspaper, research papers, related to E-commerce in Bangladesh.

E-commerce

Electronic commerce, commonly written as **e-commerce** or **e-commerce**, is the trading or facilitation of trading in products or services

using computer networks, such as the Internet or online social networks. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web for at least one part of the transaction's life cycle although it may also use other technologies such as e-mail. [2]

Types of E-Commerce

There are basic four categorize of ecommerce which are

1. Business-to-Business (B2B)

Business-to-business e-commerce deals between the businesses or among the businesses.

2. Business to-Consumer(B2C)

Business-to-Consumer ecommerce is involved between the businesses and the consumers

3. Consumer-to-Consumer (C2C)

Consumer-to-Consumer e-commerce deals between individual consumers.

4. Business-to-Government (B2G)

B2G is generally used for licensing process, public purchasing and other government operations. [3]

Why E-Commerce for Bangladesh

With the increasing diffusion of ICTs, more specifically the Internet, the global business community is rapidly moving towards Business-to-Business (B2B) e-Commerce.

Thousands of development organizations have gone online in the past five years, having realized the importance of the Internet for the exchange and distribution of information. Exponential growth of internet population and utilization of its potentials in various sectors induce Bangladesh to be connected with information super highway, thus performing business and transactions over internet has become easier particularly for B2B sector.

Bangladesh is pursuing an economic policy of export-led growth. With the rising forces of globalization, it is becoming increasingly important that the private sector, particularly the export sectors are well prepared to meet the requirements and expectations of the importers and also stand out in the competition against exporters in other countries. In

such a scenario, two issues are becoming particularly important for Bangladeshi export sectors –one, whether businesses are automating their internal processes with the use of ICTs to become increasingly efficient and competitive in a globalcontext, and two, wheth er businesses have effective presence and participation in the cyber world.

International organizations such as UNCTAD (United Nations Center for Trade and Development) and WTO (World Trade Organization) have, over the last several years, put much emphasis on the importance of e-Commerce for developing countries. UNCTAD has special programs to facilitate developing countries to transition into e-Commerce. The WTO has also developed rules and guidelines for global e-Commerce transactions. [4]

Factors that boost E-commerce in Bangladesh

By now, the growth story of Bangladesh has become well-known. The country's annual GDP growth rate of about 6% over the last decade is reflected across sectors. The story of mobile phone adoption in Bangladesh is also a case study in its own right and not too far behind is the unfolding story of Internet penetration and usage. Presently, several established business houses have opened up online portals while others are starting anew as exclusively online businesses, in part, due to the latter's relatively less capital intensive nature. Interestingly, these trends are not limited only to Dhaka, the capital city, but semi-urban, and to an extent, rural areas as well. The Bangladesh Governments' initiative to provide a solid Internet backbone, encouraging a well-grounded telecommunication sector, connecting all government offices, and opening up IT Parks are all leading indicators that point to the e-commerce sector's growth potential.[5]

With recent growth of Internet usage, 3G roll-out in 2013, and the vigorous marketing and sales of smart phones, e-commerce usage continues at a rapid pace. Businesses have realized that Bangladeshis are quite enthusiastic about technology and at the same time avid shoppers (especially, during Eid festivals). [5]

However, with the numerous barriers to urban life in Dhaka city, citizens have increasingly resorted to online shopping, with an increasing supply of virtual businesses to match. Inspired by convenience, competitive pricing, range of products, dedicated service, improving payment security and flexibility and demand from buyers and sellers, e-commerce has witnessed a mushrooming of the online shopping websites, particularly in the B2C and C2C category.

In general, the indicators related to e-commerce in Bangladesh, bode well, considering the early-stage of this sector. The table below highlights some of the key indicators that constitute the foundation for e-commerce sector growth:

Table 1: Indicators for e-commerce growth - Bangladesh Recent Statistics on ICT & Telecom Infrastructure (all figures of 2016)

	Category:	Percentage/millions(as of June 2016
1	Population	160 million
2	Total Internet User	63.91m
3	Fixed broadband Internet usage	3.77m
4	Mobile phone subscribers	133.7m
5	Mobile Internet subscribers	58.045m
6	WiMax Internet users	100,000
7	3G &2G Users	13% & 63%
8	Coverage	64 districts 165 Upzillas 108 Unions
9	Number of ISPs	184
10	Internet services users on their smart phones,	60.03m
11	Facebook users	38m or 59.42% of total internet users

There are several indicators that are worth highlighting. First and foremost, 63 million Internet subscribers are quite significant for Bangladesh. This attests to the popularity of the Internet among average citizens. However, when one compares this to the

133 million mobile phone subscribers, the potential for mobile Internet growth is further underscored. Moreover, a 59% penetration of Facebook, is also quite high, and implies the potential of a segment of e-commerce known as f-commerce (Facebook-based commerce).

There are, of course, areas that merit a closer look wherein interventions by the public and private sectors ought to be prioritized, so as to encourage further e-commerce sector expansion. For instance, as is evident from the table, Bangladesh is still highly dependent on its 2G network. This is expected as mobile usage is still growing in Bangladesh. However, prioritizing the transition from 2G to 3G will

enable accelerated growth for the e-commerce sector. To this end, the decision of the government to introduce a second submarine cable will go a long way in creating the required infrastructural context within which to shift to a less expensive and more efficient platform such as the Broadband. Moreover, a nationwide broadband network should be part of the government's near-term urban development plan.

Overall, there have been significant strides in infrastructure development which have facilitated the entry of e-commerce businesses. [5], [6], [7], [8], [9], [10], [11], [12], [13].

3G Internet for E-commerce:

3G internet is the blessing that is contributing to e-commerce growth. E-commerce fully depends on the internet. It is not possible to imagine the e-commerce business model without the internet. In Bangladesh, besides the broadband internet, e-commerce industry got an extra wing with the blessings of 3G mobile internet in the last couple of years. Now, more than 70% of the e-commerce buyers are from various mobile devices.

In 2015 to 2016, Mobile penetration is huge for e-commerce globally. Mobile Apps is most popular in most cases. With the high-speed mobile internet, it will capture more market share in coming days. Google also forcing Webmaster has to optimize their sites for mobile devices.

Dhaka is the megacity with more than 1.5 crore people. With huge traffic in the roads and shopping malls, people start responding to Online Shopping BD. e-commerce industry in Bangladesh has become more than 1000 crores (!) turnover yearly. More than 70% of the shopping done from the Smartphone or similar devices. The growth rate of mobile internet users with 3G penetration is huge in e-commerce.3G internet have made shopping easier than before that leads to increase e-commerce buyers and flourish e-commerce business. [14]

Growth Rates & Usage Statistics of E-commerce in Bangladesh

Overall, the current trends and e-commerce growth statistics can be seen in the following table

Table 2: E-Commerce Growth Rate

Year	Q1-Q2	Q2-Q3	Q3-Q4
2014 (Recorded)	27%	39%	51%
2015 (Predicted)	60%	72%	79%
2016 (Predicted)	85%	95%	100%

Source: Kaymu.com

As is evident, the current growth rates, quarter-on-quarter, as of 2014 are already very high. Growth rates of over 30% quarter-on-quarter are not commonplace for most sectors in Bangladesh. The predicted growth rates for 2015 and 2016 are even

higher and imply a persuasive case for more market entry and business expansion in this sector.

Demographic and business trends in the Bangladesh e-commerce sector are also noteworthy, as revealed by a recent report published by Kaymu[5], another up-and-coming e-commerce portal:

- Online-shoppers still comprise the primary traffic in the Bangladesh e-commerce sector.
- They are usually within the age bracket of 25-34 years.
- Over 80% of e-commerce traffic in Bangladesh comes from three locations; Dhaka (35%), Chittagong (29%), and Gazipur (15%)
- Gender disparity is evident as the user base comprises of 83% male users and 17%female users
- New online shopping visitors stand at 49% of the total traffic, while returning visitors are 51%.
- Cash-on-delivery is still the most popular mode of payment for e-commerce transactions. Cash-on-delivery constitutes 95% of all the payments that take place, followed by bank/wire transfer (2%), bKash/Ucash (2%), and credit cards (1%). These statistics are expected to change in the next 5-10 years as regulations for online payments with credit cards mature, and overall financial literacy of citizens, increase.
- Most online shoppers appear to search for and purchase consumer electronics and mobile phones.
- With regard to devices used, 71% of shoppers use either a desktop or a laptop, followed by mobile phones and tablets.

About 69% of consumers use Windows operating systems for e-commerce.

Google and Facebook-paid advertisements are primary click-through points for online shoppers [15]

E-commerce industry is now proved as a growing industry which is estimated 300 crore industry.

SyedaKamrun Ahmed, CEO of Bagdoom (former Akhoni.com), shares insights on the e-commerce industry in Bangladesh, "We were one of

the first players in the e-commerce scene. One might even say we are one of the pioneers. But when we started to work, we did not just think of our company. Rather we wanted to set a trend – a trend of going online to buy and products. When we started, the online marketplace in our neighboring countries was flourishing. Yet in Bangladesh it was almost nonexistent. So besides building our own business, we also had to raise awareness about the e-commerce industry.

But right now, the e-commerce scene in Bangladesh is really exciting. There are lots of local e-commerce platforms in the market. Not only that, multiple massive foreign e-commerce platforms have started investing here. And more are on their way. The reason is obvious – they can see that this market has enormous potential. In the last couple of years, smart phones have also made up a huge portion of the market as a target for e-commerce.

The best part is that people in Bangladesh are starting to enjoy the benefits of the e-commerce industry of the country. It saves time and money, and makes our lives simpler. After the implementation of online payment gateways, we saw a slow rise in e-commerce. Thanks to mobile payment system, the pace of e-commerce picked up massively.

Our estimates show that e-commerce is currently now a Tk. 300 crore industry. Of course, the figure might vary a bit, but one thing is for sure – the trend is uphill and it will grow exponentially in the years to come."[16]

Growth of Virtual Shopping Malls

The rapid growth in mobile and internet penetration has opened up new horizons of opportunities in the country, for entrepreneurs and consumers alike. Businesses have surpassed the boundaries of physical locations and are increasingly becoming virtual. Local entrepreneurs are making good use of the increased internet accessibility by going online and consumers are also responding enthusiastically. After all, who wouldn't love the idea of being able to shop from the comforts of their home simply by clicking on their computers and having products delivered right to their doorstep! Thus, it is no surprise that the E-Commerce sector has developed rapidly in Bangladesh and there are many websites catering to the shopping needs of local consumers.

As per a 2009 study by Boston Consulting Group and Telenor, by 2020, there will be 18.3 million internet subscribers in Bangladesh, equaling approximately 10 subscribers per 100 inhabitants. At a household level, 32% will have at least one internet subscription, and business adoption will be around 66%. Moreover, as of 2014, according to E-commerce industry experts, the current volume of online shopping is

more than Tk. 3.5 billion. This figure rises further during festivals such as EidulFitr, while Facebook based commercial activities alone account for more than 60% of all online shopping during Eid.

International organizations have also seen the huge potential of Bangladesh and are increasingly investing in Bangladeshi E-commerce to gain a strong foothold in this niche. Case in point- kaymu.com.bd, which is backed by Rocket Internet- the largest startup incubator in the world, has already become one of the leading E-commerce sites of Bangladesh within a year of being launched. Jared Hirsh, Country Manager of Kaymu Bangladesh, stated in an interview with HiFi Public, "Kaymu is an all in one E-commerce site. It's a fully professional platform where you can buy or sell anything and it is an open marketplace, much like eBay."

Kaymu makes buying and selling quite simple for vendors and customers alike. If you are an entrepreneur looking to sell your product, all you have to do is register with the site, upload all necessary info, such as photos, pricing information, and other details, and your product will be displayed on the site for customers to check out. The mechanism for purchasing goods from the site is also very easy- buyers can open up their personal accounts on the site and then browse through the products on display and choose the products that appeal the most to them. Apart from buying and selling, Kaymu also works towards helping to develop the E-commerce sector in the country.

UmailaAkhter, Head of PR at Kaymu, said "Kaymu aims to motivate and empower new entrepreneurs by educating and encouraging people to sign up and use the platform." She further added that Kaymu has a dedicated managerial team for its registered vendors who cater to all the needs of the vendors starting from business advice, consulting services and so on. This is particularly helpful to those vendors who are new to the idea of e commerce and hence would benefit the most from expert advice. It is also to be noted that no other E-commerce venture in Bangladesh currently provides this facility to its vendors. Kaymu also has an Android application that allows both buyers and sellers complete their transactions just by a few taps on their smartphones!

The E-commerce sector in Bangladesh still has a lot of room for more entrants and existing firms have a lot more room for expansion. Kaymu's stellar growth from a team of only two-three people to eighty employees and counting, is only a small testament of the huge growth potential of E-commerce in Bangladesh. At present, the site handles a staggering 700+ transactions each day which is yet another indication of the booming e-commerce industry as well as burgeoning customer demand.

For now, sit back and relax at home while having all your shopping needs catered online. [17]

Payza eyes Bangladesh growing E-commerce market

Payza, UK based leading global online payment service provider, has planned to expand its operation in Bangladesh aiming to grab a significant share of the country's growing e-commerce market, the company's senior executive said Sunday.

"We have already invested $1.0 million in Bangladesh. We are going to make more investments to enhance our operations here, taking the tremendous growth of e-Commerce business into account," Amar S.Magon, Chief Marketing Officer (CMO) of Payza (Global) said. He was speaking at an even styled "Empowering e-Commerce through Online Payment Services in Bangladesh," organised by Payza Bangladesh and e-Commerce Association of Bangladesh (e-CAB) in association with Casada Technology Bangladesh Ltd (CTBL) and Bangladesh Commerce Bank Ltd (BCBL) held at a city convention centre. State minister to the Information and Communication Technology (ICT) division under the Ministry of Post, Telecommunication and Information Technology (MoPIT) Zunaid Ahmed Palak spoke as chief guest while e-Cab President Razib Ahmed, Senior Executive Vice President of BCBL SM Jahangir Akhter among others also spoke. "In absence of online payment services like PayPal in Bangladesh, Payza will be an effective, easy and secured alternative," the ICT state minister said. [18]

Findings:
- ➢ Bangladesh has vast possibility of flourishing e-commerce because of ICT development and 3G internet adaption
- ➢ With huge traffic in the roads and shopping malls, people start responding to Online Shopping. So appealing of virtual shopping malls and online shopping is increasing rapidly
- ➢ Online transaction system is not enough and PayPal is not available in Bangladesh. so e-commerce cannot flourish outside of Bangladesh
- ➢ Power supply is not available in all areas in Bangladesh. Therefore, e-commerce is increasing only urban area
- ➢ E-commerce industry is now proved as a growing industry
- ➢ E-commerce fully depends on the internet. However, Internet speed is not so fast. So some customer reluctant to buy on internet.

Recommendations:

Compared to other countries, Bangladesh is a late entrant in E-Commerce. Yet, this sector observed tremendous growth within a short time. E-Commerce can be the next major era of Economic development but there are some issues that need to be addressed. Some steps should take immediately to make e-commerce more adorable in Bangladesh. Otherwise, this sector would never reach its full potential. These are

- ➢ Affordable and un-interrupted internet all over the country must be ensured. 4G internet need to be introduced.
- ➢ The online transaction system should be improved. Credit card and banking payment system should be made easier
- ➢ Price of internet should be minimized
- ➢ Price of computer and hardware should be minimized
- ➢ Power supply should be ensured.

Conclusion:

With the increasing diffusion of ICTs, more specifically the Internet, the business community is rapidly moving towards e-commerce .3G internet has come as blessing of e-commerce in Bangladesh. E-commerce is rapidly increasing due to rapid growth of ICT and internet. 4G internet is need of time for Bangladeshi e-commerce industry. Graphics rich content and videos are still not suitable for the 3G internet that we have right now. Secondly, if 4G comes in urban areas than the price of 3G will become very affordable to everyone- especially the people living in remote and rural areas. So, a big change will happen overnight which will definitely help e-commerce industry as well. If we can ensure quality product and fast delivery service, customer will buy more through online. Thus, it will flourish e-commerce sectors.

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