

# A Study On Benefits And Challenges In Electronic Commerce In An Emerging Economy

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*Abstract: Information Technology has played a vital role in the future development of financial sectors and the way of doing business in an emerging economy like Bangladesh. Increased use of smart mobile services and the internet as a new distribution channel for business transactions and international trading requires more attention towards e-commerce security to reduce fraudulent activities. The advancement of Information and Communication technology has brought a lot of changes in all spheres of the daily life of human beings. E-commerce has a lot of benefits which add value to customer satisfaction in terms of customer convenience anywhere and enable the company to gain a more competitive advantage over other competitors. This study predicts some challenges in an emerging economy. E-commerce, in short, refers to the buying and selling of goods and services online. While it has several advantages for organizations and customers, it also has to face some challenges. In countries like India, where the penetration of the internet is continuously increasing, e-commerce has the potential of becoming the new model of shopping in the country*

*Keywords: e-commerce, information technology, customer satisfaction, business.*

## I. INTRODUCTION

In today's world, the thought of living without e-commerce is immeasurable, and it can cause inconvenience to many, as not only people but business organizations have started to rely upon e-commerce to a very large extent. The idea of e-commerce came only a few years ago, i.e. roughly around 40 years ago, and till this day, innovations and new technologies continuously keep on developing the e-commerce industry. Every year, thousands of new businesses are entering into this segment, and the user experience, safety and convenience of e-commerce has improved a lot since its establishment in 1970. Some of the examples of e-commerce include online shopping, electronic payments, online auctions, internet banking and online ticketing. E-Commerce (electronic commerce or EC) involves the buying and selling of goods and services, transmitting funds or data over an electronic network preferable to the internet. However, this can't be considered as a complete definition of e-commerce. A complete definition is: e-commerce is the use of electronic communications and digital information processing

technology in business transactions to create, transform, and redefine relationships for value creation between or amongst organizations, and between organizations and individuals. The introduction of e-commerce has had a major impact on society and on how business is done. E-Commerce has had both positive and negative impacts on business and on consumers. Through this research On paper, an attempt has been made to assess the impact of e-commerce on business organizations and their operations. E-Commerce can be classified into three types based on the participants in the transaction: Business to Business(B2B), Business to Consumer(B2C), Consumer to Consumer(C2C). In B2B, both parties are business organizations. In B2C, one party is a business organization and the other is the consumer, and in C2C both the parties are consumers. India is one of the fastest growing e-commerce markets in the world, with millions of new internet connections every year. In 2015, about 26% of the population was using the internet, which is about 10 times of 2005, and it is expected that it will reach about 37.36% of the total population by 2021. As of now, the total users of the internet amount to 635 million (Statista 2018). With such a drastic

increase in the number of internet users, the question that arises is that

## II. REVIEW OF LITERATURE

(Shahjee 2017) The article talks about the various benefits and barriers of the e-commerce industry. To the business it provides many benefits like an international marketplace to sell its products where earlier it was restricted because of geographical barriers. It has led to a reduction in the operational costs like processing, distribution storing etc. E-commerce also facilitates customization and it has changed the way in which consumers buy their goods and services as the products and services can be customized according to the needs and wants of the customers. It also helps the organizations to provide around the clock services to its customers. Benefits for the consumers include 24/7 access, better choices to buy products and services, price comparisons, and improved delivery service. It also has some benefits towards the society as it helps people to connect with each other, enables more flexible working practices etc. At the same time the article also talks about the various barriers of e-commerce like lack of technological infrastructure, providing online security, lack of qualified personnel and also the problem of commercial infrastructure. The article concludes that majority of the customers are from the rural areas and hence they don't have access to internet facilities and some of the urban customers don't have access to credit facilities as a result the only e-commerce is restricted only to the urban class.

(Ziaul Hoq 2005) The article talks about the various impacts e-commerce has on a business and how it helps in reducing several costs for any business organization. Due to the development of e-commerce the price of various electronic equipment's and communication systems has fallen. Since e-commerce requires technological based hardware and software, the fall in the prices helps in the development of e-commerce. At the same time, e-commerce has helped the organizations to significantly reduce their costs. E-commerce has helped in reducing the cost of attracting new customers. In organizations offering knowledge-based products and services, e-commerce has facilitated to move most of the services online which has reduced the costs. E-commerce has also helped significantly to reduce the number of employees required thus helping in savings costs as most of the work is done online. Not only selling costs, e-commerce has had an impact on reducing the buying costs as well. Since a proper e-commerce system leads to proper delivery channels it has reduced the need for keeping large inventories thus further reducing costs. E-commerce also reduces the number of intermediaries required in the buying and selling process thus reducing the costs in the value-added chain. Last but not the least, e-commerce facilitates business organizations to transfer many costs to the customers in the form of self-service for example taking delivery charges which further reduces the cost of the firms. Thus, it can be said that e-commerce has huge impact on the cost structure of business organizations.

(Sim, L. L., & Koi, S. M., 2002) Consumers try to prevent themselves from getting exploited. The one sided and highly impersonal nature of e-commerce has influenced the trust and various other social aspects that influence a customer's decision. Customer is the backbone of every business and in this era huge focus is made on the customers of a business. The study was conducted by collecting data by questionnaires which had the basic questions like whether the consumers entrust giving credit card details to e-commerce websites. Trust has many aspects, namely integrity, benevolence, ability, predictability, intended purchase, trusting disposition and familiarity. The study was conducted in two phases. Firstly, the study was conducted with respect to e-products and further in the second phase the study was diversified to the field of e-services. The study found that 34-37% of the variations in the purchase decisions of the customers was due to the various trust factors studied during the research. The dimensions of integrity and predictability played a major role in the decision-making process while the dimension of benevolence had very little significance. Trust plays an important role in buying decisions. If a customer entrusts an e-commerce business, the purchase will be definitely made by the potential customer. Thus, it has become highly important for the business houses to portray that engaging in transactions with them is highly safe and a good image of the company must be formed.

(O'Leary, D. E., 2000) The study aims to examine the various demographic and psychographic characteristics of internet shoppers and their attitudes towards online shopping and their impact on traditional shopping patterns. The study found that internet buyers and non-internet buyers have distinct demographic and psychographic characteristics. Such factors have a great impact on the marketing decisions of the business houses. Studies in the past have showed that online shoppers tend to be more educated and have higher incomes as compared to traditional shoppers. 200 questionnaires were distributed to a highly diverse sample to get the most accurate results. In the study it was found that internet shoppers had positive attitudes towards the internet and had higher household incomes than traditional shoppers. One other aspect that was found was that majority of the internet shoppers had debit and credit cards. 93.7% of the respondents had surfed the Internet before. However, only 19% had actually bought from Internet. This meant that while the majority of the respondents are familiar with the Internet, they are still not used to e-commerce. The impersonal nature and lack of physical contact with the goods was another factor that prevented many of the respondents from not purchasing online. Approximately 5% of the respondents had issues with respect to the process of internet purchasing. The findings still pointed that majority of the consumers still prefer real life shopping and thus e-commerce has no significant impact on the traditional shopping patterns of the customers.

## OBJECTIVES OF THE STUDY

- ✓ To identify the benefits of E-commerce.
- ✓ To know the challenges in E-commerce.

### III. BENEFITS OF E-COMMERCE

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

- ✓ Reduced transaction costs for participating exchange in a market.
- ✓ Increased comfort - transactions can be made 24 hours a day, without requiring the physical interaction with the business organization.
- ✓ Time saving- Customer can buy or sell any product at any time with the help of internet.
- ✓ Quick and continuous access to information- Customer will have easier to access information check on different websites at the click of a button.
- ✓ Convenience-All the purchases and sales can be performed from the comfort sitting a home or working place or from the place a customer wants to.
- ✓ Switch to others companies-Customer can easily change the company at any time if the service of a company is not satisfactory.
- ✓ Customer can buy a product which is not available in the local or national market, which gives customer a wider range of access to product than before.
- ✓ A customer can put review comments about a product and can see what others are buying or see the review comments of other customers before making a final buy.

The main benefits of e-commerce from sellers' point of view is increasing revenue and reducing operation and maintenance costs through internet. These include as follows:

- ✓ Increases revenue.
- ✓ Reduces operation and maintenance costs.
- ✓ Reduces purchase and procurement costs.
- ✓ Raises customer loyalty and retention.
- ✓ Reduces transportation costs.
- ✓ Develops customer and supplier relationships.
- ✓ Improves speed of the process of selling.
- ✓ Improves internal and external communication. and
- ✓ Develops the company image and brand.

### IV. CHALLENGES IN E-COMMERCE

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

- ✓ Private and public corporation is not involved jointly to grow the business of e-commerce. Private and public joint initiative is needed to develop the e-commerce business. Joint initiatives bring credibility inside people, which is needed for flourishing the e-commerce business.
- ✓ There is a lack of system security, reliability, standards, and some communication protocol. Customer loses their money if the website of e-commerce site is hacked. Most common problem of e-commerce website is not having enough cyber security.

- ✓ Financial institutions and intermediaries: Thus far, financial institutions and banks in developing countries are hesitant to take an active role in promoting e-commerce. However, merchants need the involvement of banks to broaden the reach and appeal of e-commerce and to help prevent fraud and potential losses attributable to credit card fraud. Beyond the credit card approach, banks and other financial service intermediaries are challenged to develop alternative modalities for secure and reliable online transactions in environments where credit cards are not commonplace (Anupam-2011).
- ✓ In developing countries there is a culture of buying product by negotiating price with seller, which is not easily possible in case of e-commerce in developing countries because of lack of infrastructure facility.
- ✓ One of the biggest challenges is the cutting down the price of internet. Authorities are trying to keep low the price of bandwidth low. But the high cost of spreading networks and operating expenses hinder to keep price low for internet.
- ✓ Trust is the most important factor for the use of the electronic settlements. Traditional paper based rules and regulations may create uncertainties the validity and legality of e-commerce transactions. Modern laws adopted and impartiality implemented in the electronic transactions form the basis of trust in the developed world. Where legal and judicial systems are not developed e-commerce based transactions are at a disadvantage because of lack of security whether real or perceived. In many developing countries even today cash on delivery is the most accepted system, even cheques and credit cards are not readily accepted (Roni Bhowmik-2012).
- ✓ New methods for conducting transactions, new instruments, and new service providers will require legal definition, recognition, and permission. For example, it will be essential to define an electronic signature and give it the same legal status as the handwritten signature. Existing legal definitions and permissions such as the legal definition of a bank and the concept of a national border—will also need to be rethought (chavan-2013).
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Besides the above challenges, the emerging economy like Bangladesh also faced the following challenges:

- ✓ Lack of education
- ✓ Cultural tradition
- ✓ Poor concept of online marketing
- ✓ Less marketing or promote
- ✓ Political problem
- ✓ High cost of products/services comparing traditional market
- ✓ Internet coverage arena is limited
- ✓ Communication is haphazard over the country
- ✓ Lack of trustable business and enterprise and
- ✓ Lack of experience of meeting directly with merchant and customer.

## V. CONCLUSIONS

The e-commerce industry will be a leader in popularity in the electronic business world in the upcoming years. The e-commerce revolution has fundamentally changed the business of transactions by giving new opportunities and breaking borders easily. In Bangladesh, it has strongly impacted the traditional business system and changed the lives of people by making it easier. While it gives benefits to customers and sellers, e-commerce poses challenges to traditional businesses for their competitive position. Developing countries face many obstacles that affect the successful implementation of e-commerce with the help of comparing with developed countries. When the internet cost is low, then e-commerce will flourish easily and will make many traditional businesses run out of their business. Convenience is one of the benefits that customers get from e-commerce and thus increases customer satisfaction. This is due to customers placing a purchase order from anywhere with an internet connection. E-commerce business providers should give importance on every customer by giving smooth service and many options for payment and have more functions available online. Other benefits are

expanded product offerings and expanded geographic reach. But e-commerce businesses face a lot of challenges in flourishing their business.

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