



Note

E-Commerce in Bangladesh: A Snapshot

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Summary

This note reviews the existing e-commerce laws, policies, and regulations in Bangladesh. It also identifies studies and reports conducted on the same topic, and highlights some of the challenges faced by MSMEs, regulators and the government in taking part in e-commerce. While the country has made significant strides in promoting the sector, a number of bottlenecks remain in areas such as skills development, ICT infrastructure and services, payment solutions and access to financing.

Introduction

E-commerce has become a key industry that presents a substantial opportunity for developing domestic industries, while also promoting international trade and development. From 2019 to 2020, worldwide e-commerce consumption has increased by approximately \$4.28 trillion¹. Moreover, according to the World Bank, e-commerce was estimated to make-up 34% of GDP for the top ten economies as of 2015.²

In Bangladesh, e-commerce is still in its early stages of development, but is demonstrating rapid growth. In 2018, the country ranked 88 out of 151 economies in UNCTAD's B2C E-commerce Index, and ranked 147 out of 171 in the ITU ICT Development Index of the same year. The e-Commerce Association of Bangladesh estimated that approximately 8,000 e-commerce pages from Bangladesh existed on Facebook in 2016³. According to the Bangladesh Telecommunication Regulatory Commission (BTRC), mobile broadband subscriptions are more than 50 per cent (85.5 million users), while overall Internet usage is estimated at 57.2 per cent.⁴

Several government initiatives are ongoing to promote e-commerce development, notably with support from the Dhaka Chamber of Commerce, the Federation of Bangladesh Chambers of Commerce and Industry, and the Prime Minister's Office. This note reviews the main existing e-commerce laws, policies, and regulations in the country, and also identifies studies and reports conducted on the same topic. It also highlights some of the challenges faced by MSMEs, regulators and the government in taking part in e-commerce in Bangladesh.

¹ Jessica Young | Apr 26, "Global Online Sales Reach Nearly \$4.29 Trillion in 2020," Digital Commerce 360, April 27, 2021, <https://www.digitalcommerce360.com/article/global-e-commerce-sales/>

² Michael J. Ferrantino and Emine Elcin Koten, "The Measurement and Analysis of E-Commerce: Frameworks for Improving Data Availability," The World Bank, December 2019, <https://openknowledge.worldbank.org/handle/10986/33175>

Existing e-commerce policies in place in Bangladesh

Bangladesh has adopted a number of policies, strategies and action plans to support the development of the national e-commerce sector. Below is an overview of the main policies currently in place which aim to promote the development of e-commerce in Bangladesh. The main features of these policies are also summarised in Table 1.

Vision 2021

Vision 2021 remains a significant policy drive for Bangladesh, serving as an overarching developmental vision on eradicating poverty by 2021 and utilising ICT-led growth to promote socio-economic development. The policy has been termed "digital Bangladesh", with goals for establishing digital government services that benefit the poor and connect citizens through equitable internet access.⁵

ICT Act of 2006

The ICT Act of 2006 was the legal support for establishment of e-government networks. The Act was put in place as a legal foundation for digital transactions in Bangladesh and the forming of a complex e-government network that supports e-commerce development. The ICT Act also recognises online contracts and digital signatures, and provides for dispute resolution mechanisms.

National Digital Commerce Policy of 2018

The National Digital Commerce Policy of 2018 promotes, *inter alia*, the establishment and growth of businesses within the digital commerce

³ "Bangladesh Rapid eTrade Readiness Assessment," UNCTAD, 2019, https://unctad.org/system/files/official-document/dtlstict2019d6_en.pdf

⁴ "Bangladesh Rapid eTrade Readiness Assessment," UNCTAD, 2019, https://unctad.org/system/files/official-document/dtlstict2019d6_en.pdf

⁵ "Bangladesh Rapid ETrade Readiness Assessment," UNCTAD, 2019.

space. The policy focuses both on infrastructural support of rural regions and the advancement of employment in ICT-related enterprises. Developed in coordination with the private sector, the policy has created accountability in digital commerce operations by ensuring enhanced transparency in digital business practices. Its institutional arrangements promote dialogue between the public and private sectors to better support the development of the digital economy.

1998 National Telecommunications Policy

Bangladesh has other supporting policies in place, such as the 1998 National Telecommunications Policy. The policy aims to guarantee telecommunication services for all Bangladesh citizens, while also setting the goal of internet access for the majority of the population (65%) by 2021.

National ICT Policy of 2019

In addition to the above, a National ICT Policy was adopted in 2019 as one of the pivotal digital economy policies along with aforementioned 2018 Digital Commerce Policy. The National ICT Policy has established a comprehensive policy action plan to support e-commerce up until 2040, towards developing Bangladesh's digital economy and promoting stakeholders' involvement in developing the digital space.

a2i Programme

The Access to Information (a2i) Programme was established in 2007 to ensure socio-economic development through digital and e-government solutions. It has been key in the implementation of Vision 2021 initiatives, and adopts an expansive approach to increasing ICT growth through collaboration with the private sector. Under the a2i Programme umbrella, a number of ICT-related policies by the Prime Minister's office have been developed.

Digital Bangladesh

The Digital Bangladesh program founded in 2009 has worked to develop the digital economy and e-commerce sector, with goals of continued support for domestic exports of ICT products and services. The program has set the goal of achieving ICT exports of a value of USD 5 billion by 2023. In addition, the Digital Bangladesh program is committed to providing full internet connectivity by 2021.

Until 2019, policy initiatives tended to lack a cohesive vision and directive, thereby causing ministry projects to lack crucial information and creating unwarranted policy delays⁶. Since the adoption in 2019 of an e-government Master Plan, coherence of policy action in this area is increasing.

⁶ "E-Government Master Plan for Digital Bangladesh," ICT Division, August 2019, <https://bcc.portal.gov.bd/sites/default/files/files/bcc.portal.gov.bd>

/publications/3f9cd471_9905_4122_96ee_ced02b7598a9/2020-05-24-15-54-43f3d2b8b4523b5b62157b069302c4db.pdf

Table 1: Overview of Existing E-Commerce Policies

Policy/regulation title	Date of entry into force	Objective of the policy/regulation	Link to the policy/regulation
Digital Bangladesh Initiative	2009	<ul style="list-style-type: none"> • Digitalization of government portals • 100% internet connectivity by 2021 • Ensure by 2023 ICT products are valued at a minimum of 5 billion. 	http://a2i.gov.bd/publication/strategy-digital-bangladesh/
Information and Communication Technology (ICT) Act	2006, 2010	<ul style="list-style-type: none"> • Based on UN international trade law: recognises online contracts and digital signatures, and provides for dispute resolution mechanisms. • Regulates digital signatures and electronic records • Establishes the foundation for electronic transactions • Rural Connectivity policy guidelines • Guidelines for the banking sector on Mobile Financial Services 	https://bit.ly/3xRU06j
Vision 2021	2019	<ul style="list-style-type: none"> • Using ICT to promote economic growth and transform the socioeconomic status of the country. The policy has been called "digital Bangladesh". Establishing pro-low income services based in digital government. Promote business ICT access, with key support to digital Bangladesh. 	https://bit.ly/2RoRj6N
National Telecommunications Policy	1998, 2001 revision, updated 2013	<ul style="list-style-type: none"> • At the ambitious goal of "telephone for all". Set out to provide full telecommunication service coverage and ensure 65% of the population has internet access by 2021. 	https://bit.ly/3nQzxFL
a2i Programme	2007	<ul style="list-style-type: none"> • Socio-economic and development plan • Aided the implementation of Vision 2021 • Focuses on the rural e-commerce initiative. • Establishment of 5,000 union digital centers 	https://a2i.gov.bd/
Digital Security Act	2009, 2018	<ul style="list-style-type: none"> • Establishment of Digital Security Agency • Punishments for forgery and fraudulence with the use of computers 	https://bit.ly/3nRUyj8
National ICT Policy	2009, 2018	<ul style="list-style-type: none"> • Diversify usage of ICTs to aid in governmental transparency • Become a middle-income country by 2021 by leveraging digital services 	https://bit.ly/2Subil8
National Digital Commerce Act	2018	<ul style="list-style-type: none"> • Developed through a joint partnership with the public and private sector • Protect consumer rights through cooperation • Broaden financial access to permits for developing digital commercial SMEs 	https://bit.ly/2RySPDC

Table 2: Existing reports and studies published on e-commerce in Bangladesh

Title of the report/study	Author	Date of publication	Objective of the report/study	Link to report/study
Bangladesh Rapid eTrade Readiness Assessment	United Nations	2019	<ul style="list-style-type: none"> • A comprehensive assessment on current Bangladesh e-commerce policies, current ICT infrastructure, and the challenges that Bangladesh faces in developing its E-commerce sector 	https://bit.ly/3nPOEiu
Bangladesh Commercial Guide	International Trade Administration (USA)	2020	<ul style="list-style-type: none"> • Description of e-commerce penetration rates • Primary sectors that use e-commerce • Current growth rates for e-commerce 	https://bit.ly/3xQvEoR
Digital Commerce Policy Guide 2018	E-Commerce Association of Bangladesh	2018	<ul style="list-style-type: none"> • A policy guide on Operating and Managing Digital Commerce, developed by the E-Commerce Association of Bangladesh 	https://bit.ly/3tnJl5G
Overview the E-Commerce in Bangladesh	Jagannath University (Md. Mohiuddin)	2014	<ul style="list-style-type: none"> • Overview of the net value of B2C e-commerce • Determines the origins of e-commerce growth • Analyses e-commerce websites in Bangladesh • Evaluates e-commerce sector in Bangladesh 	https://bit.ly/3uql6Jl
A Survey of E-Commerce of Bangladesh	International Journal of Science and Research (Akbor Hossain, Akkas Ali, Golam Kibria, Nuruzzaman Bhuiyan)	2013	<ul style="list-style-type: none"> • Identifies challenges and opportunities of e-commerce implementation in Bangladesh • Overview of major types of e-commerce • Determines the factors that define the future of e-commerce 	https://bit.ly/2SmxD3Q
Consumer Buying Behaviour Towards Online Shopping : An Empirical Study on Dhaka City, Bangladesh	Cogent Business & Management (Mohammad Rahman, Aminul Islam)	2018	<ul style="list-style-type: none"> • The behaviour motives of e-commerce consumption • Analysing online shopping behaviour in Bangladesh • Analysing the consumer benefits of e-commerce 	https://bit.ly/3tnAM0m
The Emergence of E-Commerce Sites and Its Contribution Towards the Economic Growth of Bangladesh : A Quantitative Study	Chinese Academy of Sciences (Roni Bhowmik)	2012	<ul style="list-style-type: none"> • Studies the impact on e-commerce sites of Bangladesh economic growth • Pros and cons of e-commerce in relation to the national economy • Why consumers may not be embracing e-commerce 	https://bit.ly/33n1Z8C

Current challenges regarding e-commerce in Bangladesh

The various policy initiatives described above have brought Bangladesh closer to realising its developmental goals, there still remain challenges that hold back full capitalization on e-commerce and digital services. These pertain to skills development, ICT infrastructure and services, payment solutions and access to financing among others.

Skills Development

While the e-commerce sector has become more dynamic in Bangladesh, the educational access to ICT skills has tended to lag behind of the growing skill demand for programming, IT, Artificial Intelligence, and other such digital expertise. So far, industries lack the required skilled workforce to satisfy market demand⁷. Support and incentives to the emerging start-up ecosystem in the sector is also limited, thereby hampering take up of digital entrepreneurship.

Achieving a higher-skilled workforce in the digital sphere will be necessary for Bangladesh to effectively leverage e-commerce for development. Possible avenues to explore in this regard could entail incentives, incubation services and digital skill training to the youth who seek to venture into digital entrepreneurship or employment in e-commerce. Also, greater public-private cooperation in digital education could be encouraged.

ICT Infrastructure and Services

While Bangladesh enjoys high mobile broadband coverage, there is room for improvement in consumer uptake as about half of the population

is a subscriber to mobile broadband and overall Internet usage is estimated at 57%.

Among other bottlenecks in this domain, Bangladesh is a majority rural country, with 62% country's population living in rural areas as of 2019⁸. Nevertheless, government efforts are under way to support local production of affordable smartphones (cheaper than imported devices), which is expected to foster its usage outside cities. Digitalisation of government services and commerce also remains challenging in rural areas, due to poor infrastructure and seasonal environmental disruptions⁹.

Payment Solutions

There exist financial limitations in Bangladesh that pose a challenge to increasing e-commerce penetration rates. In particular, digital businesses are faced with limits for outbound payments in foreign currency for international transactions. A key contributing factor in this regard is the government's policy to strictly manage foreign capital reserves and avoid capital flight, which has created bottlenecks for a number of digital business activities such as online bookings.¹⁰

In addition, e-commerce operates chiefly upon account-based banking systems, such as credit and debit cards. The reliance on cash-based payment systems in Bangladesh limits the use of e-commerce services¹¹. Work has been done to rectify the over-dependence on physical currency, such as establishing the National Payment Switch in 2012. This has improved the viability of card-based transactions and allowed for better access to online purchases. Yet, physical currency still remains dominant in Bangladesh, as discussed below.

⁷ "Bangladesh Rapid ETrade Readiness Assessment," UNCTAD, 2019, https://unctad.org/system/files/official-document/dtlstict2019d6_en.pdf

⁸ "Rural Population (% of Total Population) - Bangladesh," The World Bank, 2019, <https://data.worldbank.org/indicator/SP.RUR.TOTL.ZS?locations=BD>

⁹ "Bangladesh Rapid ETrade Readiness Assessment," UNCTAD, 2019.

¹⁰ "Bangladesh Rapid ETrade Readiness Assessment," UNCTAD, 2019.

¹¹ "Bangladesh Rapid ETrade Readiness Assessment," UNCTAD, 2019.

Access to Financing

Difficult access to business finance is a challenge faced by many entrepreneurs in Bangladesh, both online and offline. This has been a key contributing factor to low MSME growth, as in many other developing countries. Despite the recent growth of the country's financial industry, traditional banks have tended to shy away from lending to businesses venturing in the new and uncharted world of digital entrepreneurship.

Adding to the banks' risk averseness to financing the sector, online businesses tend to have fewer or no physical assets to provide as collateral as compared to traditional businesses. While private finance could provide a viable alternative, the availability of venture capital and equity finance remains limited in the country.

Conclusion

In recognition of the significant opportunities that e-commerce presents for development, Bangladesh has adopted a number of policies, strategies and action plans to support the development of the sector. Already, the country has made significant strides in this regard.

However, a number of challenges still hamper the ability of Bangladesh to fully leverage the sector and achieve greater digital uptake. These include bottlenecks in areas such as skills development, ICT infrastructure and services, payment solutions and access to financing.



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