# Harnessing E-Commerce as an 'Engine for Development'

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**Abstract**

Various strategies were undertaken by different countries, agencies or organization to boost e-commerce and enhance a cashless economy. It compares the strategies followed by United States, European Union and China. It also discusses the cases of Alibaba to examine how they were able to transform the ecommerce scenario in China. Ecommerce has become a part of the larger economic competitiveness landscape, and to some extent, a driver for broader ICT diffusion within society and economy. Government is a powerful change agent. The paper finally identifies some major elements of e-strategies and focuses on the design and implementation of such strategies. It is found that a participatory approach is essential for creating awareness at the political level. The paper recommends that such a strategy can only be achieved through a consultative process that allows the involvement of all the stakeholders of the development process, especially the private sector and the NGOs.

**Keywords**: e-Commerce, Strategy, Government, Economy, Development

"Our generation stands on the very cusp of the greatest technological revolution that mankind has ever faced. Some compare this age of electronic communication with the arrival of the Gutenberg press, or with the industrial revolution. Yet this revolution when it has run its course may have a greater impact on the planet than anything that has preceded (OECD, 1997).

There is little doubt about the acceleration in social change that information and communications technologies (ICT) can produce, or the profound changes they can create in the structure of an economy. E-commerce can stimulate growth in developing countries by helping to improve the

transparency of the operation of markets and public institutions. For instance, by simplifying business procedures, e-commerce not only reduces the cost for businesses of complying with trade- related regulations but also reduces the cost of corruption, a burden that often most severely affects the SMEs and other weaker players in the economy. For all these potential benefits to materialize, national action plans are needed to create an enabling environment for e-commerce and address in a coherent manner areas such as infrastructure, human resources, the legal framework, taxation and local content (UNTDB, 2002).

The phenomenal global growth in digital payments may be attributed to four factors – (i) digital and technology revolution, (ii) entry of several non-banking PSPs into payments space, (iii) customers becoming more demanding and expecting instantaneous and one-touch payment solutions and (iv) progressive changes in the regulatory framework (Government of India, 2016). India uses too much cash for transactions. The ratio of cash to gross domestic product is one of the highest in the world—12.42% in 2014, compared with 9.47% in China or 4% in Brazil. Less than 5% of all payments happen electronically in India. Although the finance minister, in 2016 budget speech, talked about the idea of making India a cashless society, with the aim of curbing the flow of black money, demonization was also imposed to further enhance and fulfill this dream. India is dominated by small retailers. They don't have enough resources to invest in electronic payment infrastructure. The perception of consumers also sometimes acts a barrier. The benefit of cashless transactions is not evident to even those who have credit cards. Cash, on the other hand, is perceived to be the fastest way of transacting for 82% of credit card users. It is universally believed that having cash helps you negotiate better. Most card and cash users fear that they will be charged more if they use cards. Further, non-users of credit cards are not aware of the benefits of credit cards. As 70% of India's GDP comes from urban areas if government can convert that into cashless it will be a huge gain. Therefore different trajectories need to be planned for migration to cashless for those having bank account and for those not having.

In this paper we try to make a comparative study of various strategies undertaken by various bodies, countries or organization to boost e-commerce and enhance a cashless economy. We will try to study the strategies followed by The United States, European Union and more nearer to home China. We will so study the much talked about global giant Alibaba and see how they were able to transform the ecommerce scenario in china.

Ecommerce should be complementary to traditional commercial strategies, and should not be viewed as a business solution in itself. It is becoming part of the larger economic competitiveness landscape, and to some extent, a driver for broader ICT diffusion within society and economy. Government is a powerful change agent. By embracing the technology itself, the government sends a strong signal to

its constituents and the world as a whole, on its commitment to the digital age and its economic competitiveness in general. RBI has also recently unveiled a document — "Payments and Settlement Systems in India: Vision 2018" — setting out a plan to encourage electronic payments and to enable India to move towards a cashless society or economy in the medium and long term.

**Literature Review**

United States (US) had a definite perception on how e-commerce should be handled: private sector led, with minimal regulation. Confident in the power of ICTs, the US designated technology as a national priority as early as September of 1993, with the announcement of the National Information Infrastructure initiative by then Vice President Gore (Coppock and Maclay, 2003).In the mid-1990s there was immense optimism and enthusiasm about the New Economy and its ability to transform the economic paradigm to one based on continual productivity growth. The US was cited as a perfect example of this new phenomenon, as it was at the forefront of the technological revolution and had achieved high levels of growth and employment, while maintaining stable inflation (IMF, 1997) ) Numerous e-commerce related initiatives have been endorsed by the organization, with varying degrees of success in reaching the implementation stage.

eEurope and its associated e-commerce activities, were treated as any other EU-level project, in that they were designed to leverage existing EU policies and programs, rather than supplant them. The first Action Plan, eEurope 2002, focused on "accelerating legal measures, re-focusing existing financial support programmes, and benchmarking". This two-year plan (2001-2002), consisted of 64 action items organized under three main objectives (EU, 2002). The second Action Plan, eEurope 2005, was adopted in May of 2002 and has a slightly different "tone" reflecting a "change in the approach", the EU put in place a half dozen important legislative measures for e-commerce, and having done that, it is natural for eEurope 2005 to focus down at last on the necessary and complementary self-regulatory initiatives for codes of conduct etc. for business to lead on."

Across the European Union, "Go Digital" banners were waving. No, it was not an advertising campaign by a major IT company, but rather it is the logo for the European Union's initiative to promote e-commerce among Small and Medium Enterprises (SMEs). One of the initial agenda items of the 1999 eEurope initiative was to encourage SMEs to 'go digital'. Recognizing the power of brand recognition, the European Commission "branded" the Go Digital campaign, unveiling the associated logo. According to Frank Cunningham, Head of the Go Digital campaign, the logo "enabled many players to conceptualize the whole campaign as a platform from which many various kinds of activities – customized to local needs – can be launched". Furthermore, unlike the private sector, which fiercely guards its logos and brands, the Commission readily provided the logo to any

organization – local, sub-regional or regional - which wanted to support SMEs to Go Digital and allowed them to tailor the logo and brand to their particular needs (Coppock and Maclay, 2003).

Two distinct paths were taken by the US and EU to move the vision to fruition. The EU Commission used a multi-tiered method to operationalize the respective vision statements. The EU adopted a series of two year Action Plans, each building on the last and shaped by the input from benchmarking studies and the current environment. After announcing its overarching vision, it built a framework of key areas of focus and then began to develop concrete strategies to achieve the objectives of each of the broad areas of emphasis. APEC on the other hand, took a more fluid approach, highlighting the contrast between the highly structured, top-down decision-making process and the trial-and-error, bottom-up strategy exemplified by the APEC and the US. Although APEC announced a strategic vision, its path toward that vision is circuitous, with various, often uncoordinated, activities and project being employed to achieve this overarching goal (Coppock and Maclay, 2003).

China's government expenditures and policies for the high-tech industry and the information communication industry are the main driving force behind the booming success of those industries. Research studies using correlation and regression analysis tried to determine whether China's government expenditures have reaped economic benefits through providing significant financial aid to the development of the high-tech industry in China and non-empirical data to determine if government expenditures and policies have aided the information communication industry. The empirical and non-empirical data results suggest that China's government did not rely on traditional strategies, such as increasing government expenditures, to promote its ICT industry but employed various types of strategic methods to support the development of the industry. China's government expenditures have not significantly aided the development of the high technology industry, but their policies have aided the information communication industry as is evident by this sub-sector's 10% contribution to China's GDP in 2010. The results denoted that China's government expenditures in the high-tech industry did not have a very significant effect on the development of the indigenous high-tech industry. However, non-empirical data showed that China's government policies had a significant effect on the development of information communication industry, which had become one of the most popular industries in China, having contributed 10% of China's GDP in 2010. After analyzing various non-empirical data, it was concluded that one of the "true" ICT market driving forces were foreign-owned enterprises" investments into China's ICT industry. This was not the original intention of the government's policies. As a result, China has very recently embarked on new strategies for developing its indigenous ICT industry. These strategies include capitalizing on China's extremely successful telecommunications and internet/broadband industries (Amiri et al, 2013).

Alibaba.com is currently the hottest topic of discussion among investors because it has proven to be one of the world leading B2B e-Commerce corporations in China. It makes it simple for everyone to buy or sell anything online anywhere in the world. Because China's credit system has much room for improvement and poses a great barrier to China's e-trade development4, Alibaba has designed the payment instrument Alipay with Chinese characteristics. Before the emergence of Alipay, the seller felt reluctant to ship his goods to the buyer in most cases until the buyer has effected payment. With the participation of the third party in the mode of Alipay, this practice greatly lessens the risk of the e-transactions and relieves the buyer of his concern over the failure of the delivery or the delivery of fake and faulty products. Alibaba develop a payment instrument named Alipay in China which contributed a part of the success of Alibaba. Before the emergence of Alipay, many sellers felt insecure to ship goods to the buyer due to many reasons until the buyers has clear off the payment. However, when Alipay has been introduced in Alibaba, this credit system has been very much lessens the risk of e-transactions and ease buyers and sellers concern upon failure of delivery or delivery of fake and damaged products.

The first phase (1998-2001): Providing free information for companies to enter the market. At that time, China's e-trade was still in the initial stage and involved only information flow. Alibaba looked into the needs of the small and medium-sized enterprises (SMES) in China, classified the enterprises' information in order to enter the B2B e-market by providing them with free and information services online according to their different industries and characteristics. The second phase (2002): Carrying out the enterprise credit certification for making profits. As the credit has been the biggest obstacle to China's e-trade development, Alibaba firstly adopted its method for credit authentication named Trustpass in order to relieve the buyers and sellers of their concern over fraud and deceit. By providing the Trustpass services to SMEs, Alibaba began to generate its income(Wang and Lim, 2011).

Far more complicated than identifying barriers to e-commerce, however, is the process of creating, prioritizing, sequencing and implementing practical solutions. This paper begins by summarizing the fundamental features of the e-commerce strategies of a sample of developing and developed countries. Although much work remains to be done (notably in the developing countries), a significant amount of experience that can be assessed, adapted and eventually replicated is already available. As a contribution to that process, this paper tries to outlines key policy options that countries can consider in the design and implementation of policies to stimulate, support and maximize the effect of ICT. As suggested by the United NationsConferenceon Trade andDevelopment of E-Commerce Strategies, for the development of some basic elements for an enabling environment for E-Commerce in its Executive Summary, we can broadly classify three

broad policy areas that are addressed by the large majority of country. These are (i) awareness building, training and education; (ii) access and infrastructure; and (iii) legal and regulatory issues

**Awareness building, training and education**

Most policy makers agree that unless businesses and consumers are educated about the opportunities and benefits offered by ICT, and unless they are trained to use the Internet,e-commerce will not take off. While access to computers and the Internet is essential, it is not enough; it is equally essential to create a demand for the new technologies and for e- commerce. Some have even argued that education, and not connectivity, is the main challenge for most developing countries seeking to participate in the digital economy.Myths, misperceptions, and missed opportunities surround e-commerce especially should be addressed. Awareness at all levels, ranging from policy-makers (in order to launch reform processes) to local communities and entrepreneurs (to help them identify new opportunities); Training and education to provide consumers and enterprises with the necessary skills to use the new technologies efficiently. A key element of the European Union's e-commerce strategy was to promote e-business for SMEs and encourage them to "go digital.In order to enhance digital literacy a number of countries have invested heavily in improving computer literacy among their citizens. For example, the Republic of Korea has introduced mandatory computer education at all primary schools. It has also established basic computer and Internet training classes for senior citizens at 50 universities across the nation, with the goal of training about 100,000 seniors by the end of 2001.14 The Government has also targeted housewives, through a programme called "Cyber Korea 21", in its nationwide campaign to teach Internet use, given Korean mothers' important role in educating their children. The Malaysian government took special care to overcome its multilingual culture – the Malaysian government developed content in all major medium of communication and for this purpose it introduced the Networked content development grants . The Networked Content Development Grant (NCDG) facilitates and encourages Malaysians involvement in development of networked competitive local content on domestic and international level. In addition to the Government, private sector NGOs and Universities are also involved in the support of creation of local content (UNESCO, 2007).

**Access and infrastructure:**

In order to access the e commerce potential of a country, it is useful to consider a simplified e-commerce process. Several facilitating factors influencing the scope for implementing successfully such transaction are affordable internet access, mechanisms for paying for goods and services online and finally efficient delivery system.E-commerce sites require security software, one widely available proxy for the quality of e-commerce infrastructure is the number of secure servers using encryption

technology for Internet transactions**.**Infrastructure, connectivity and access, which includes aspects related to telecommunication sector reforms, enhancing access to computers, the promotion of open-source software and the possibilities offered by low-cost access devices are some of the important keys.A number of middle-income countries have included high-speed access as part of their infrastructure development policies. For example, improving Internet connectivity is one of the key elements in Jordan's e-commerce strategy as well as a priority for the Government of the Republic of Korea. Korea, which already has the highest broadband density worldwide, plans to provide more than 80 per cent of telephone users in the country with access to a high-speed Internet connection at very affordable price. Most online payments are still made via debit /credit cards but the role of other methods is forecasted to expand in the future. Other alternative methods of payment include automated mechanisms for bills payment, online wallets, in which case the user must register with a payment provider and upload money using a debit/credit card, escrow services, wherein a party intermediary is responsible for holding a buyer's payment until the buyer receives and approves the merchandise.

**Legal and Regulatory Issues**

Online disclosures should be clear, accurate, easily accessible and conspicuous so that consumers have information sufficient to make an informed decision regarding a transaction. Such disclosures should be made in plain and easy-to understand language, at a relevant time, and in a manner that enables consumers to retain a complete, accurate and durable record of such information.Legal and regulatory reform to remove barriers and uncertainties and to build trust and confidence among customers should be of utmost importance. Special care should be taken for data protection and privacy safeguards should be ascertained. Broad principles on consumer protection should be incorporated in the primary legislation as it provides more legal clarity.

**Conclusion**

This paper has discussed a number of issues that have been central to the development of national e-commerce strategies. Neither the list of issues covered here nor the substantive discussion of each issue should be considered exhaustive. Rather, the paper's goal is to identify selected key elements of e-strategies that can be discussed in depth by the experts attending the meeting. A final issue that needs to be considered in the debate on national e-commerce strategies concerns the methodology of the design and implementation of the strategies. Here a participatory approach is essential. Creating awareness at the political level or adopting a state-of-the-art regulatory framework will be fruitless unless the elements of an e-commercestrategy are rooted in the reality of the national economy. This can only be achieved through a consultative process that allows the involvement of all the

stakeholders of the development process, especially the private sector and the NGOs. Therefore, experts are particularly encouraged to introduce into the debate their experiences in designing and implementing e- strategies as well as identifying the successes and failures of specific policies.

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