WEBINAR PROCEEDINGS: Future of e-commerce in South Asia

Context: While e-commerce has been flourishing in the developed countries for several years, the COVID-19 pandemic has compelled the developing ones (including in South Asia) with so far minimal e-commerce footprint, to embrace digital commerce. Some businesses have attempted to and have managed to make a digital transition, thereby creating value. Similarly, a segment of consumers has been able to shift to the digital marketplace. However, developing countries have a long way to travel in order to make e-commerce an alternative to the traditional marketplace. E-commerce requires quality internet access, computers, advanced skills among firms and service providers and good quality physical and digital infrastructure (such as secure and efficient electronic payment systems). Since most South Asian countries struggle to provision these requirements at the scale and quality required, several important questions concerning the ongoing digital transition and its sustainability arise. How can individual countries and the region shore up supply chains and logistics which continue to be of questionable standards? How will extremely small businesses often run by women in rural areas benefit from e-commerce? What about issues of skilling businesses and consumers? What is the status of digital infrastructures such as electronic payments in South Asia? In the third webinar, held on 29 September 2020, “Future of e-commerce in South Asia”, the speakers attempted to address these and other important questions:

Major opportunities in e-commerce but much work remains to be done: Dr. Ratnakar Adhikari, Executive Director, Enhanced Integrated Framework (EIF) Secretariat at the WTO, Geneva, set the context by emphasizing how e-commerce has risen in terms of significance with the COVID-19 pandemic and that this presents opportunities as well as challenges to South Asia. Although US$ 25 trillion in size which is 30 percent of the global GDP, e-commerce continues to be a miniscule proportion of commerce in most developing countries in South Asia and beyond. However, with COVID-19 making e-commerce the default mode of commerce for many including in developing countries, there has not only been entry of new players, but their retention has improved. Dr. Adhikari suggested that the ecosystem of e-commerce which includes large as well as extremely small suppliers, is such that there is potential for it to not just offer growth but also be inclusive.

To leverage the available opportunities, Dr Adhikari added that the South Asia region must embark on public-private cooperation to address constraints like poor physical and digital infrastructure as well as skills-related deficits. The constraints are perhaps among the factors that render e-commerce relatively less profitable compared to traditional marketplaces in South Asia; so, despite the ongoing pandemic which incentivizes digital trade. This finding—from a survey conducted between June and August 2020 or during the pandemic—comes of an unpublished UNCTAD study on e-commerce in Nepal, Bhutan, and Bangladesh. Ms. Shamika N. Sirimanne, Director, Division on Technology and Logistics, United Nations Conference on Trade and Development (UNCTAD), who discussed the findings in this webinar, suggested that compared to 57 percent firms in traditional marketplaces, only 35 percent in e-commerce markets were doing well. An insight to be drawn from this finding is that if opportunities are to be leveraged, the region needs to assess the critical challenges that disincentivize e-commerce and address them credibly. Ms Sirimanne observed, from the same study, that e-payments, considered a critical component underpinning e-commerce, was picking up.

Suggestive of the policy incentives required, Mr. Promod Chhetri, General Manager, Royal Securities Exchange of Bhutan, observed that post-COVID-19 when digital became the default market, e-commerce firms—nascent as e-commerce is in Bhutan—could not cope with volume of orders. Their websites went crashing and the delivery capacity was significantly low compared to orders.
Ms. Surakchya Adhikari, Co-founder and Chief Operating Officer, Thulo.com, a prominent e-commerce firm based in Kathmandu, highlighted that in the initial stages of the pandemic-induced lockdown, sourcing supplies in adequate volume was difficult even as orders kept ticking. Ms. Adhikari observed that absence of local production capacity was a factor in inadequate supplies. Hence, her firm was working with a group of women entrepreneurs to develop such capacity.

**Educating and skilling businesses and consumers:** Along with problematic access to internet, even electricity and logistical constraints, most people in the region including small businesses are ill-equipped to not only be suppliers but even consumers in e-commerce. Hon. Ms. Shandana Gulzar Khan, Member of the National Assembly of Pakistan, shed light on Pakistan and observed that while the vocational school and training system should have addressed the skills deficit, it was “out of touch when it came to skills requirements of today”.

A notable case of incremental improvements in educating businesses and buyers was from Bhutan. Mr. Chhetri suggested that given Bhutan’s low population (at 700,000), potato growers have marketable surpluses which are sold to traders from neighbouring India. Prior to the currently online mode via a commodity exchange, a project that has gained momentum since 2018, farmers in Bhutan auctioned their potatoes at auction yards. To take the physical trading online, both farmers as well as the buyers had to be educated – first on the rationale and subsequently, on engaging in trading online. A key issue in online trading was grading. Buyers graded the potatoes physically and prices offered depended on it. The problem was solved by mechanized grading. The grade was now posted on the e-commerce platform for the traders to place their prices. Having implemented the project with some success, Mr. Chhetri suggested that there were plans to take cardamom trading online.

Reflecting on her experience of successfully running an e-commerce platform for two decades, Ms. Deepali Gotadke, Founder and Business Owner, Web Dreams, Hubli, India, highlighted that with expansion, the knowledge intensity in e-commerce grows—such as knowledge of digital marketing—making it difficult for small businesses to grow without skilling.

**Infrastructure deficits and supply chains:** Quality of logistics which render supply chains inefficient and unaffordable internet—among factors that lead to poor access—were identified as the biggest challenge by e-commerce players, suggested Ms. Sirimanne from the previously discussed UNCTAD study. Several speakers drew attention to speeding up of trade facilitation reforms—such as automation of trade-related procedures—in improving quality of logistics. While automation of trade procedures has been generally been equated with automation in customs, Ms. Sirimanne observed that the customs, a key actor in trade procedures, in fact, stands fairly digitized and that it is the other actors and components such as delivery services, couriers, testing and certification labs that require automation.

Digitization is equally critical when it comes to payments. The payment settlements should be efficient but also secure. Ms. Gotadke observed how was a major obstacle in her business initially was being able to make payments instantly and in so in a secure way. A critical need for the latter arises due to rising incidence of cybercrime.

Almost all speakers highlighted problematic logistics and that this makes e-commerce less attractive. While in the case of Nepal and Bhutan, references were made on how both sourcing and delivery was a challenge when the pandemic-driven lockdown began. Ms. Adhikari outlined that part of these difficulties in the case of Nepal emanated from regulatory confusion which gradually eased as coordination improved.
**Confronting regulatory obstacles:** While e-commerce has expanded in countries like India, others in the region continue to lag. Given that digital trade is new to most South Asian contexts, multiple regulatory complexities have unsurprisingly arisen. Ms. Khan cited the example of Pakistan where e-commerce players suffered from taxation at multiple levels due to absence of defined regulations on activities that provinces could tax. Similar regulatory issues persisted in e-payment platforms. These regulatory challenges have remained in Pakistan even when policies from elsewhere like EU were carefully studied. Ms. Khan added that policymakers were exploring policy mechanisms—such as via the Digital Pakistan Initiative—to ensure that even the smallest of businesses benefit.

While India’s progress in e-commerce is looked upon in the region, Ms. Gotadke, indicating the incremental improvements that have come about in the past two decades, suggested that initially she faced obstacles in licensing and taxation. She added that a major regulatory issue for her firm is to protection of intellectual property as often the designs displayed on the e-commerce get copied.

An important aspect in devising effective regulations although certainly not the only one is availability of credible data which instead will require that relevant department and bodies, such as statistical offices, have mechanisms to collect data. Ms. Sirimanne observed that currently in the region (and perhaps in most developing countries), there were almost no structures and policies in place to collect data on e-commerce.

**Real threat of e-commerce becoming an elite phenomenon:** Without improved access to quality internet and computers, credible skilling and policy measures to ensure that the smallest of businesses do become part of the e-commerce ecosystem, elite capture cannot be prevented. On unequal and uneven development outcomes, Ms. Sirimanne drew attention to a macro phenomenon and argued that in fact digital trade has so far not benefited LDCs as such.

*We encourage you to visit SAWTEE’s work on the COVID-19 crisis [here](https://example.com) if interested in learning more about how, for instance, the economic sectors are impacted and coping up in Nepal. SAWTEE’s work on the COVID-19 has a Nepal as well as South Asia focus.*