

Future of Digital Economy Democratizing and Decentralizing e-Commerce For All

While digitization, particularly the electronic delivery of public services and digital payments, has undoubtedly been a great equalizer across the board, some important segments of the Bangladesh economy remain underdeveloped and largely excluded. This is the issue when thinking about creating an inclusive, digital economy that will drive Bangladesh towards achieving high-income status by 2041.

The e-Commerce space has seen a significant transformation in the past decade. Following greater regulatory liberalization in 2013, the e-Commerce sector has grown to an estimated USD 2.07 billion as of 2020, and it is expected to continue growing to USD 3.07 billion by 2023. Entrepreneurs and businesses, particularly CMSMEs, significantly contribute to the country's GDP but have little presence in this vast digital market.

a2i focuses on accelerating the digital transformation of the cottage, micro, small and medium enterprises (CMSMEs) and championing rural e-Commerce to empower the youth, rural poor, and women, in particular, to build more prosperous and secure lives for themselves, their families, and their communities.

Digital transformation of the CMSME sector

Bangladesh is experiencing advancements in information and communication technology (ICT), the booming e-Commerce sector, incoming seed grants for technology startups, and the popularisation of e-government services. But the growth had mainly been centered around urban or semi-urban areas. It has increased the already significant 'Digital Divide,' widening the gap between various demographics and regions that may or may not have access to modern ICT. Required infrastructure and facilities are absent for using multiple technological devices, information exchange, and communication tools. As the digital revolution advances, it amplifies current social inequalities, such as the ever-widening rural-urban divide, making marginalized and disadvantaged people even more vulnerable.

Besides, there are still some significant challenges that Cottage, Micro, Small & Medium Enterprises (CMSME) face, hindering this thriving sector of Bangladesh, which employs 80% of industrial employment and contributes to GDP by around 25%. Their lack of proper knowledge about market and product, financing opportunities, business capacity to tap into new markets, and credibility stamp their growth.

And not to mention the importance of working on policy formulation and implementation of necessary tools to equip the national CMSMEs and e-Commerce ecosystem with accessibility, efficiency, and reliability.

The overarching incentive for financial service providers is cost-cutting to bring down the cost of lending to CMSMEs, which can be achieved through digital inclusion. To this effect, there are six key points:

1. Identity

Just as we have created a digital identity for individuals using eKYC, we need to create digital identities for our CMSMEs. This is the obvious first point: any entity that wishes to be included in the digital framework must have a digital identity.

How to go about doing this is another matter. If we are to take trade licenses of individual organizations as their identity, then obtaining separate trade licenses will be extremely difficult. a2i, however, is working on a centralized trade license system, and this could be a solution to simplifying the process.

2. Linked Transaction History

A CMSME may be conducting transactions, and digital transactions at that, through an MFS, but that does not provide them with a transaction history directly related to the entity.

The app TallyKhata is an excellent example of how this can be achieved. The existence of linked transaction history for a CMSME entity directly correlates with the next point. a2i-ekShop's "Bazar Bondhu" network in 4 districts is another example of an accounting system-enabled e-commerce link pushing financial inclusion and economic resilience together in the micro-merchant segments.

3. Credit Worthiness Criteria

The only way to reduce the cost of providing credit to a CMSME entity is to figure out the creditworthiness of the entity. There are some important caveats to this issue. Firstly, this creditworthiness must be achieved electronically; it would not be feasible to sit, interview, and review specific entities' documentation. This is where the eKYC and the linked transaction history come in to help provide a low-cost, electronic creditworthiness mechanism.

Second, with the millions of entities under the CMSME umbrella, this initiative must start small, with collaborative experimentation playing a pivotal role in establishing this creditworthiness in CMSMEs, where MFS providers and traditional banks can all play a part, with support from a2i.

4. Awareness and Skills

Any entity needs to know the benefits and potential drawbacks of being digitally included. For example, CMSMEs suddenly transitioning from paper transactions to a digital system may be slapped with a hefty VAT. Thus, we must be mindful of the need to help CMSMEs navigate such potential issues.

Specific skills are also required to be instilled into the personnel of these enterprises. For example, if TallyKhata is the tool provided, the skills developed must be complementary. For such a novel idea, with novel skill development required, a precise understanding of the context will be critical.

5. Safety Framework

This point harkens back to the original issue of transitioning to digital, namely, what problems could a CMSME entity face? Right off the bat, the formalities associated with the newer system will be challenging to adapt.

However, the bigger safety concerns are common to the digital space — for example, data privacy and the risk of digital identity theft. Therefore, there is also a need for specific safety frameworks focused on CMSMEs.

6. Partnership Framework

For all of the ideas presented above, there is a clear understanding that none of it is possible in isolation and that there must be multiple moving parts to achieve the desired outcomes. Just a bank, or MFS, or even the government — any one sector in isolation cannot do this. This has to be a collaborative effort working together.

What this means is a digital partnership framework — one built on agreements and APIs for electronic handshakes, so there is little need for signing multiple MoUs. The key here is to operate without losing business incentives and proprietary advantage for businesses, but keeping in mind that quick electronic handshakes will be key to reducing the cost of doing business for the providers.

a2i is keen to support and accelerate the development of such a framework, and it would be central to the success of future digitization initiatives concerning CMSMEs.

While the points mentioned earlier talk about the providers' actions to help facilitate the smooth transitioning to digital for CMSMEs, all activities are irrelevant if there is little incentive for the CMSMEs themselves to switch to digital. This is true for the CMSMEs' customers, who will also need to be incentivized to switch to digital payments from cash. Ultimately, it is only when all sides agree and are sufficiently incentivized to accept changes that the process of bringing CMSMEs under a digital financial framework will be possible.

ekShop: Digital Livelihoods for the Youth and Refugees

On her 18th birthday, Rity got a sewing machine as a birthday gift from her aunt. She was filled with joy and excitement about the possibility of realizing her dream of becoming a fashion designer and supporting her family. Rity and her mom took it to the bazaar. Alas, they couldn't fetch a fair price for her product.

At that point, Mitu, a Digital Centre Entrepreneur from Rity's village, came up with a different idea. Mitu snapped a picture of the dress. It was uploaded as an advertisement at major e-commerce marketplaces in Bangladesh, enabling customers in the capital Dhaka to see Rity's dress & buy it.

Rity's story is not unique; it is the story of millions of rural youth, artisans, and farmers in Bangladesh unable to secure a fair price for their products. And this inspired a2i, the flagship innovation and digital transformation program of the Government of Bangladesh and UNDP, to establish ekShop.

ekShop is an assisted aggregated e-Commerce platform bringing all major e-Commerce, payments, and logistic players into one platform. ekShop acts as a national e-Commerce infrastructure backbone, which the market participants can lean on. The 'ekShop model' has received many international recognitions, including the 2020 WSIS champion award, 2019 APICTA award, UN facility fund competition in 2019, and BRH catalytic fund winner in 2020. ekShop is termed the logistic backbone of the e-Commerce industry in Bangladesh.

ekShop's aggregated online marketplace has allowed entrepreneurs, small businesses, mom-and-pop stores, and the ubiquitous mudir doka (small grocery store typically offering FMCG products like snacks, lifestyle products, etc.) to enter the growing e-commerce sector. And to further spread the ekShop model, the team is currently running consultations with multiple countries to replicate it.

ekShop also integrates the countrywide physical network of nearly 7,000 Digital Centres. Through ekShop, Digital Center entrepreneurs assist rural youth, artisans, and farmers to:

1. Reach new, urban customers directly, bypassing multiple layers of traditional, high-cost intermediaries;
2. Secure a 'fair price' for their produce;
3. Open virtual shops to market and sell their products online;
4. Receive assistance from the Digital Centre Entrepreneurs on advertisement and promotion;
5. Connect and negotiate lower prices with logistics partners; and
6. Receive and make payments digitally.

In collaboration with the UNDP SDG Impact Accelerator, a2i is exploring ways to leverage ekShop to help the 3.5 million Syrian refugees in Turkey to secure digital livelihoods.

With the help of the UN Crisis Bureau, ekShop is planning to expand to 14 LDCs with the e-Commerce service modality, with work already ongoing in Yemen and South Sudan. There have been only 4 international platforms in the past year, including Dukaanye, Dukkan, and Lilbaye. We have expanded into 3 countries (South Sudan, Yemen, and Turkey), with 14 more in discussion.

As the flagship digital transformation program of the Bangladesh government, a2i strives to empower thousands of youth and entrepreneurs like Rity to realize their dreams and ensure no one is left behind.

Leveraging this sector's growth and logistic benefits can ensure that entrepreneurs get greater market access and promote and sell their products and services. By democratizing access to market and finance, ekShop has led the way for disadvantaged entrepreneurs by making something previously a complex and expensive service now free and much more convenient - e-Commerce.

Building The Capacity Of The Industry

ekShop acts as a platform as a service (PaaS) to other e-Commerce players. ekShop is opening doors for micro-entrepreneurs and enabling them in all of their problems through its back-end engine.

Firstly, ekShop provides micro-entrepreneurs access to multiple markets by leveraging the ekShop network.

Secondly, ekShop addresses the entrepreneurs' credentialing obstacles. With multiple government stakeholders and private partners, ekShop is running the backend of the DBID process, a unique business identification process. The target was to provide unique digital business identities (DBID) to all businesses, thus developing a central business profile. Micro-entrepreneurs trading from their homes can obtain a DBID and are eligible for many previously unavailable services. E.g., merchant accounts with MFS providers, banks, etc. They can avail of financial services through that account instead of a general account. With a DBID, the merchants/entrepreneurs gain credibility among consumers - they will trust a business-backed with legitimate credentials.

Thirdly, ekShop offers a way out of the traditional financial amenities a merchant might avail. The conventional way of financial inclusion is to have a merchant account with banks and MFS. As described above, it is a hassle to obtain that. ekShop created an easy payment collection process for micro-entrepreneurs called "buy-now"; it enables them to accept payments from any MFS, cards, and other instruments. An entrepreneur enters the website, registers with their NID, and creates a merchant account. They do not need to have any affiliations with any organization. The platform generates a link when the entrepreneur provides product details and prices and shares it with their customers on various social media platforms. Thus, ekShop is also creating an inventory for the entrepreneur.

Finally, ekShop realized that logistic connectivity is an issue for entrepreneurs and created a logistic aggregation platform, ekShop Delivery, to tackle it. Once an order is placed through any marketplace, ekShop Delivery picks it up from the merchant and delivers it to the customer. The platform has aggregated top logistic companies, Papefly, RedX, e-Courier, and the Bangladesh Post. The platform covers 90% of the country's delivery reach.

ekShop right now has 38 different platforms using the backend engine. Among them are government agencies working with different clusters of CMSMEs and micro-entrepreneurs who have developed their platforms with the help of ekShop. Those entrepreneurs are easily able to reap all the benefits of ekShop. Some examples are the SME Foundation (SME Mela), Joyeeta (e-joyeeta), BSCIC (bscicemarket), JDPC, BTMC, and UNDP-owned Anondomela. There are 17 such organizations, and among these agencies, they congregate about 7.9 million entrepreneurs.

Reforming Policies Regarding Digital Business

ekShop wants to become 'The one-stop solution center' for CMSMEs to get,

Access to market

Access to finance & payments

Access to logistics

Access to Capacity development & technology

The past year and the pandemic have pushed the need and move to the ekShop Network modality. It allows for playing to our strengths: easy access within the government domain, deep insider understanding of the regulatory environment, and technology capabilities. We have a network of partners unlike others and easy geographical access. It will be less costly to run, less people-intensive, and more asset-light. ekShop will be forging towards automation and will be unique in the market

The ekShop Network will have unprecedented access to national frameworks with the regulatory sandbox of DBID, CCMS (Central complain management system, and CLTP (Central logistics tracking platform), all of which are being developed by ekShop and are being operated by it. To have a logical progression of DBID and equip the national business ecosystem with interoperability, accountability, and efficiency for all the stakeholders, the government is adopting a Central Complaint Management System (CCMS), Central Logistics Tracking Platform (CLTP), and an interoperable payment system. CCMS will handle complaints and resolve them through e-Commerce platforms in collaboration with e-Cab and the Ministry of Commerce. Otherwise, it will be forwarded to the government agency to take appropriate action. CLTP will also be an interoperable digital platform, tracking a product's progress.

There will be income via eCab per complaint resolution and integration revenue with a high margin. Additionally, there will be income via Bangladesh Post for every transaction for CLTP, and network partners will get auto connectivity. It will enhance ekShop delivery reach, and ultimately ekShop becomes the data depository for the whole e-Commerce market.

The businesses will have a legal identity & direct entry into the government business database, access to government grants and subsidies, and reduce the regional imbalance. DBID will increase reliance on digital commerce through a regulatory framework, thus ensuring transparency and accountability in the e-Commerce sectors and building a competitive situation that helps new digital entrepreneurs. Also, since businesses have to adopt mandatory DBIDs and the government will have all the information needed to protect the ecosystem, there will be no chance of any speculative entities embezzling money from customers. This will increase customer satisfaction and make business transactions faster and more transparent. As a result, the country will move towards rapid trade development and a cashless society.