

E-Commerce – A Great Initiative to Complement Financial Inclusion

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Recently, the Central Bank of Solomon Islands (CBSI) through the National Financial Inclusion Unit (NFIU) has engaged with donor partners – United Nations Capital Development Fund (UNCDF), United Nations Development Programme (UNDP), and Funding by Australian Government to support BulkShop Solomons Limited successfully launch their e-commerce platform. This was part of the Broader Digital Marketplace Initiative launched in 2020 as a COVID-19 response to assist businesses derive innovative solutions that would ensure business operations and related supply chains function normally in the midst of the pandemic. The core objective of the initiative was to enhance businesses ongoing operations that would make businesses capable of effectively delivering essential supplies to households in the event of a lock down.

In this article, the focus will be on e-commerce and how it can complement the Solomon Islands National Financial Inclusion Strategy 3, 2021-2025 - a national stakeholder driven strategy that is administered by CBSI in coordination with key relevant stakeholders from the Government, Financial sector, Private sector, NGOs, Civil societies, donor and development partners, women and youth groups to achieve Solomon Islands financial inclusion goals.

What is E- Commerce?

The UNCESCO organization defines e-commerce as a method of ordering and/or delivering products by electronic means, such as through the internet or other computer-mediated networks.

Electronic commerce or e-commerce can be defined as the use of the Internet to conduct business transactions nationally or internationally. It mainly involves buying and selling products or services through online transactions, coupled with transport logistics for pickup and delivery.¹ In other words, digital payments among large private sector employers and associations reaching smaller employers and in business to business payments.

In this digital era where technology has played a key role for all businesses the use of e-commerce has increased and has been performing well especially during the COVID-19 pandemic.

According to the United Nations Conference on Trade and Development (UNCTAD) estimates, the global e-commerce sales has increased to \$26.7 trillion, up by 3 percent and this is fueled by COVID-19². An interesting fact is, online business to consumer sales of the 13 top ecommerce company sales stood at \$2.9 trillion in 2020. This trend is likely to continue in 2021 as e-commerce reached an all time high

¹Kinda, S (2019) E-commerce as a Potential New Engine for Growth in Asia. *IMF working paper WP19/135. Page 3.*
<https://www.imf.org/en/Publications/WP/Issues/2019/07/01/E-commerce-as-a-Potential-New-Engine-for-Growth-in-Asia-46950>

² UNCTAD (202), *Global e-commerce jumps to \$26.7 trillion, COVID-19 boosts online sales,*
<https://unctad.org/news/global-e-commerce-jumps-267-trillion-covid-19-boosts-online-sales>

16.4% of total global sales when countries went into lock down.³ Meanwhile, a report by Shopify also revealed that Asia/Pacific accounted for 15.5% of total retail e-commerce sales in 2020.

Brief Background of local e-commerce initiatives.

In Solomon Islands, the concept of e-commerce may seem foreign but it is a business notion that has been practiced informally at the micro-level via platforms such as Facebook buy and sell pages and groups, and online thrifting. These platforms offer informal sellers with niche products to advertise online by way of posting and interested customers would comment on their posts or direct message the sellers, for free. Depending on whatever arrangements made, goods can be picked up or customer may request for a delivery upon which payment will be made either via cash or through a bank account deposit. To temporary sellers, these platforms offers quick sale opportunities for fast cash while consistent sellers utilized these platforms as viable channels to support their income generating activities and help their informal businesses grow.

A classic example of this is a thrift online business owned by 25-year-old Ebony Samantha Finau from Malaita Province.

Ms Finau had made it convenient for customers to search and purchase clothes of their choice online. She would post photos of the clothes with their sizes and brands for her online clients.

If the items are sold, confirmation messages are sent out with an invoice to the customer with details of the location where the delivery or pick up will be conducted.

But Ms Finau is not the only one conducting this online informal business, there is now a number of similar competitors and the growing challenge is real with limited ways to enable a smooth process of transaction for their clients.

Besides, there are also few formal businesses who had already taken forward leaps in having their e-commerce platforms being set-up wherein the digital marketplace of goods is clearly displayed and the process flows for ordering, delivery, and making payments are visibly set-out.

These developments show that even with the current state of digital grid infrastructures and lack of payment gateways, individuals and business are already exploring innovative ways to leverage technology and drive their businesses online. Emergence of this tech-driven sellers and businesses provides a great appetite for driving the local e-commerce culture which has the potential to shape retail in the coming years if the enabling environment is conducive.

E-commerce businesses can be either small or large scale regardless of the core products and services they offer. As businesses will continue to explore opportunities in the e-commerce space, a crucial aspect which requires more consideration is the need to ensure that e-commerce set-ups are properly structured where key elements of e-commerce are strictly followed.

The rationale to this is to ensure that businesses get the basics right from the start so that it enhances the platform's commercial deployment and scalability as the business endures various stages of the business cycle.

³ Shopify (2021), *The future of E-commerce report 2021*, Shopify Plus' annual report on global commerce trends.

In acclimating e-commerce to our context, online shopping experience need to be carefully customized so that it assimilates well with the local market's social and cultural conditions because these elements shapes consumer behavior and influences their sensitivity to nascent way of shopping.

Among others, e-commerce adoption should take advantage of mobile phone-based shopping seeing that the current mobile subscriber base is 464,000⁴, representing approximately 66.3% of the overall population.

On the other hand, alternative hybrid solutions should also be considered to serve population segments that do not have mobile phones but can access other means to shop from online stores.

With these developments and the recent launch of BulkShop's e-commerce platform (digital marketplace), it is hopeful that such driven initiatives will continue induce innovation in the business sector, particularly among micro-entrepreneurs which would inspire growth of more e-commerce platforms and strengthen resilience of businesses against COVID-19. Additionally, given that the government is looking to develop a National Digital Economies Strategy for Solomon Islands, this will spur e-commerce initiatives to thrive.

What does development of e-commerce initiative mean for the Solomon Islands National Financial Inclusion Strategy 3, 2021-2025 (NFIS 3)?

As per the Solomon Islands National Financial Inclusion Strategy 3, 2021-2025, under Objective 2: "Amplify the reach and quality of digital finance services and channels", one of the activities is to promote payments in bulk private transactions of which the target is to pilot 3 digitization initiatives to promote business to business (B2B) transactions and Business to person (customer) – (B2P) transactions in the private sector. Essentially, the development of local e-commerce initiatives provides a leeway for increase uptake of B2B and B2P DFS transactions.

Therefore, it complements the NFIS 3 by encouraging more uptake of B2B & B2P transactions that happens digitally and is expected to increase in the future as our payment system becomes fully fledged and payment gateways become widely available to merchants.

The resulting appendage, will in general, broaden the availability of digital channels and facilitate wider access to financial services as the demand for digital finance products increases.

Finally, resilience of SMEs and households are other adjunct areas within the NFIS 3 wherein the development of e-commerce initiatives will complement.

In this article we also focus on the potential benefits of e-commerce and also highlight the potential challenges or constraints which are likely to hinder the proliferation of local e-commerce initiatives.

The following are the two potential benefits of e-commerce;

1. Supports local suppliers.

Operating an e-commerce platform does not guarantee the business is bound for succeed as technology constitutes only a small portion as an enabler of the entire e-commerce ecosystem. As customers demand

⁴ Telecommunications Commission of Solomon Islands (TCSI) Annual Report 2020:
<https://www.tcsi.org.sb/index.php/library/annual-reports/97-2020-annual-report/file>

speed and efficiency for online orders to be delivered immediately, there are value chain activities and processes that must work sequentially and succeed within the entire ecosystem in order for the whole e-commerce business to thrive and achieve customer satisfaction. Much of these value chain activities are derived from managing supply chains to managing the logistics required to deliver goods to customers.

Managing supply chains means ensuring the network collection of suppliers who consistently supply goods for the business remains effective. Example of Suppliers are farmers, fishermen, or intermediaries capable of supplying goods/services required by businesses. If more businesses integrate e-commerce, the resulting supply chain dynamics will potentially benefit local suppliers/producers such as farmers and generate spillover effects which would enhance the economic wellbeing of our rural population.

2. Generates job opportunities for low-skilled workers.

A crucial aspect of e-commerce is the logistics management – that is how goods can be physically delivered to customers after they placed an order and made payments online. Often, it involves hiring of gig workers to do deliveries and collect payments. As more businesses venture into e-commerce, the need for transportation and workers to do deliveries will increase. This offers greater job opportunities for our unemployed youths and unskilled workers as well as taxi/bus drivers to be hired as gig workers to do pickups and deliveries of orders.

Potential Challenges

As fascinating as e-commerce may seem, there are however constraints which are likely to hinder the proliferation of local e-commerce initiatives. First is the lack of technical expertise and support for businesses to set-up e-commerce platforms. There may be instances where businesses want to do online but they have limited or are lacking the necessary expertise to help them establish their e-commerce platforms. Similarly, some businesses may have already undertaken strategic approaches to set-up e-commerce platforms but fell short due to limited resources as additional investments are required. Among others, the absence of a localized payment gateways to plug in to e-commerce platforms and facilitate online payments for customers remains a huge challenge. The lack of proper street address also presents a huge challenge for proper navigation of goods and services delivery when a customer placed an order online. Similarly, the geographical scatteredness of our Islands presents numerous challenges which may become prohibitive for businesses to conduct domestic cross border deliveries.

From a market perspective, there are still considerable constraints most of which requires political consensus, especially to promulgate an enabling environment that would attract more businesses in the private sector to venture into e-commerce. A better option for such consensus to be achieved is if a national ecommerce strategy is in place that would outline the key market priorities to be addressed, and provides a roadmap to encourage proliferation of more local ecommerce initiatives.

From a consumer standpoint, given our local market contexts, its dynamics, and the nuances of online shopping, increasing levels of adoption among the customer mass will depend entirely on how capable and confident customers are in using ecommerce platforms. In this regard, there is a need for more digital and financial literacy awareness to educate customers on the know-how of e-commerce platforms as well as how to use various payment options available.

Conclusion:

In conclusion, it is clear then that the burgeon of local e-commerce initiatives has the potential to perpetuate economic opportunities such as job creation, supporting local businesses, and making shopping easier, that will improve our economic welfare and livelihoods. In addition, as e-commerce platforms expands, the demand for online shopping will increase DFS products as customers seek customized payment options that suit their needs. Moreover, the blooming demand will broaden availability of DFS products and channels, as well as contributing to increasing uptake of DFS transaction.

In its current form, the local e-commerce culture has the potential to gain traction and transform retail if the enabling environment is conducive and appropriate assistance is provided to encourage businesses transition part of the store into online and as well as e-commerce start-ups.

It is therefore fundamental that the potential constraints which hinders proliferation of local e-commerce be remedied with enabling policies, supportive infrastructures and incentives.

The End//

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