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E-commerce Business in Bangladesh: The Possibilities and Challenges



Bangladesh's e-commerce sector is projected to be around USD 3 billion by 2023. It has been proved historically that consumers tend to spend more money on fashion, food, and consumables, when they have higher expendable income. Therefore, there is a potential for growth in the e-commerce sector, and the growth of mobile financial services and vast internet coverage in suburban regions have been credited to the growth of this sector in the past years.

Due to the Covid pandemic, e-commerce saw a huge worldwide growth after nationwide or regional lockdowns have been in place. While the companies tried to identify the need of the consumers for offering their products and services, the consumers were easily able to order consumables, conventional and non-conventional goods and services from the safety and comfort of their homes. One of the evidences in Bangladesh lies with the online sale of cattle during Eid-ul-Adha, as sales have been significantly higher in this year compared to last year.

However, recent turmoil in the industry has taught us that while there has been significant growth in this sector in the past decade owing to infrastructural and technological advancement in the country, the growth is nowhere close to that of our neighbors India, who from 2018–2020 has witnessed about 40% year-on-year growth. According to experts, Bangladesh has not been able to achieve similar growth due to several contributing factors to a weaker customer penetration ranging from operational challenges, culture, and overall poor digital literacy. Although there is strong road and railway network, it is undeniable that the Nation still do not have a strong and developed delivery channel.

We have a few conventional courier delivery services and in the past few years, modern app-based delivery service providers did try to facilitate a swift delivery but their services are mostly limited to Dhaka and a few other cities. Last-mile delivery refers to the specific journey of any good from the hub to the consumer's doorstep, and there is still a long way to go to develop a digitally equipped workforce for a more scalable and reasonable courier solution. While many parts of the world are exploring sustainable drone technology driven by Artificial Intelligence (AI) to deliver goods and services, we are way behind for not having a more dependable service industry. Another concern is the quality of packaging, as companies attempt to save costs by using cheaper packaging at the risk of damaging the goods.

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Seller behavior is a major aspect where Bangladesh lags behind in the e-commerce industry. Many vendors or sellers listed on many e-commerce websites or Facebook pages do not have their own goods' stock or business. These are generally resellers, who, upon order, will source the goods from another wholesaler or local vendor and then sell it on websites for a margin. Though a good business model, but when a significant portion of the sellers source goods upon ordering, there is usually a higher turnaround time stretching the entire process, and because they are delaying to send their product to e-commerce hubs, there is a delay in the entire delivery system. Thus many of the consumers prefer to buy from physical outlets rather than wait for a long period of time as there is no assurance that goods will be delivered on schedule. And unfortunately, there is also a small portion of sellers who takes undue advantage of the system and would sell subpar products or products of lower quality than that announced on their sites or pages.



All these combined results in consumers not being able to completely rely on online vendors or e-commerce sites. There have also been issues in recent times where several e-commerce platforms have not been quite transparent with the consumers in terms of the goods they will receive and when they will receive them. Factors like these are detrimental to industry growth and when these events occur repetitively, consumers eventually tend to lose their faith, while the entire industry tends to lose its true momentum.

Another challenge in the e-commerce sector is associated with the return or cancellation of goods. In case of advanced payments, there have been instances when the total refund process took as many as 45 days. Consumers opt for several different payment methods other than cash on delivery and at times use platforms such as MFS, or pay through local or international cards, bank transfer, etc. It becomes difficult to make refunds instantly due to challenges associated with the interoperability of different payment methods and services.

A major limitation to the path of growth is the poor digital literacy and education level of the majority of the consumers. Although, ordering through or operation of an app or a website does not require a strong command of the English language, however, there is still a rising concern for digital literacy. Often it is a significant challenge outside urban areas, especially in poorer or rural communities. Digital literacy refers to the skills and knowledge individuals possess that enables them to access and utilize information digitally and reap the benefits of different applications, websites, and social media platforms.

Although there are signs of faster technological adaptation of the consumers, and growth of MFS in Bangladesh is also increasing which combined serves as an indicator that e-commerce has strong potential ahead. Both local and international giants are already eyeing the Bangladesh market as there will be a lot of opportunities in the future for them

Building Construction & Applicable Legal Regime

The surrounding legal regime in relation to the construction of building within Bangladesh is governed by both primary and secondary legislations which are enacted and amended by the government from time to time. Some of these regulations cover both legal and technical issues or matters, to ensure standardized construction of building within the country in order to prevent any accidents or harm. However, with the rise in urbanization during the last twenty years or so,



the need of proper governance and applicability of the legal instruments evolving around construction of building has always been an issue. This paper will try to discuss the applicable legal regime of building construction and will also highlight a few examples of recent incidents where major accidents occurred due to severe violations of the applicable legal regime.

MAJOR SOURCES OF LAW

1. The Building Construction Act, 1952.
2. The Town Improvement Act, 1953
3. Real Estate Development and Management Act, 2010
4. Bangladesh National Building Code, 2020
5. Building Construction Rules, 1996.
6. Dhaka Metropolitan Building Construction (Construction, Development, Preservation and Removal) Rules, 2008
7. Land Development Rules for Private Residential Projects, 2004
8. Natural Water Body Protection and Preservation of Open Space and Playground Act 2000

A. Definition of Building

The Building Construction Act, 1952 sets out the definition of building which includes a house, out house, hut, wall and any other structure whether made of any other material whatsoever and similarly the Bangladesh National Building Code, 2020 (BNBC, 2020) in its definition of building states that, building means any permanent or semi-permanent structure which is constructed or erected for human habitation or for any other purpose. Mostly, almost any structure can be considered as a building.

B. Bangladesh National Building Code

While the legal and regulatory matters are governed by the Acts and Rules and other circulars or regulations, guidelines etc., published by the government from time to time, on the other hand, the BNBC talks more explicitly regarding both regulatory and technical matters. The BNBC is basically the guidebook for the end to end- start, continuation, completion and things need to be maintained even after completion in relation to a construction of a building.





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The BNBC contains eight (8) chapters with more than 2400+ pages. Noting in mind that, the construction of any building needs to be in strict alliance or compliance with the BNBC. The purpose of BNBC is to establish minimum standards for design, construction, quality of materials, use and occupancy, location and maintenance of all buildings within the country with the aim to safeguard, within achievable limits, life limb, health, property and public welfare and to ensure public safety, health and general welfare insofar as they are affected by the construction, alteration, repair, removal, demolition, use or occupancy of buildings, structure or premises, through structural strength, stability, means of egress, safety from fire and other hazards, sanitation, light and ventilation.

Common Examples of Violations of BNBC:

- Negating the designated use of land or using maximum coverage of land by violating the land use permit.
- Violation by exceeding the height number of storeys and area specified in the BNBC.
- Not providing any fire safety and emergency exit in case of fire and earthquakes.
- Using low quality materials in the construction of the building etc.

The examples provided above regarding violation of BNBC are few major ones out of many violations which are seen throughout the country but most of the time, the lack of supervision by relevant authority stems in these violations being adapted and continued one after another and over and over again. Resulting in accidents that we see from time to time through the country especially inside the urban areas. Under the BNBC every building or portion thereof and land use shall be classified according to its use or the character of its occupancy as a building of occupancy A, B, C, D, E, F, G, H, I, J, K, L or M as more specifically defined below-

Classification	Type of Occupancy		
Occupancy A	Residential		
Occupancy B	Educational		
Occupancy C	Institution for Care		
Occupancy D	Health Care		
Occupancy E	Business		
Occupancy F	Mercantile		
Occupancy G	Industrial		
Occupancy H	Storage		
Occupancy I	Assembly		
Occupancy J	Hazardous		
Occupancy K	Garage		
Occupancy L	Utilities		
Occupancy M	Miscellaneous		

C. Examples of Construction Fault

Bangladesh has a bizarre history of building collapse due to construction and other faults. One of the bizarre building collapses that happened in Bangladesh was the collapse of Rana Plaza building on 24th of 2013 injuring more than 2,500 people and causing death to at-least 1,132 people. Another incident occurred in Tazrin garments where at-least 112 workers died because of not abiding by the BNBC and lack of protection and proper measures.

In recent times, a factory located at Narayanganj in Bangladesh caught fire causing the lives of 52 people or more. The factory was not fit for purpose to operate as a factory, also, other safety measures were not in place which caused disastrous outcomes. In 2021 another incident reported was in Keraniganj, Dhaka- Bangladesh where a three stored building collapsed into a swamp due to weak foundation, faulty design, poor construction and not following BNBC properly. In 2019 a fire caught in Chawkbazar, Dhaka where chemical warehouses were located causing the death of 70 people. These all are examples along with plenty more both reported and unreported of faulty construction of buildings.

D. Regulatory Authorities

It is a matter of sorrow that in Bangladesh there are no ultimate or exclusive separate authoritative body that is liable to check and balance over the compliance requirements set out by the legal regime. Although, the Rajdhani Unnayan Kartipakkha (RAJUK) has the authority over Dhaka and Chittagong metropolitan and compliance of construction of buildings in other parts of the country is governed by local government authorities, but no supreme authoritative body has yet been established.

E. Further Reform

The legal regime or laws regarding and regulating the construction of building in Bangladesh is already well organized and may not instantly need any further reform but the regulatory regime lacks proper governance, inspection, manpower, skill etc., to held liable, responsible or accountable for the violations that occur for not abiding by the laws of the country especially on the violation of BNBC.



F. Government's Action

This is a matter for the government now to address this instant by taking appropriate measures to inspect proper implementation of BNBC and other prevailing laws of the country. These should include, proper interpretation of law, avoiding unhealthy practices, taking action to prevent corruption, end to end inspection from the approval to the final completion of construction of building and beyond etc. There should be regular visits by a relevant authority to ensure that all these measures are in place of implementation. The legal regime is already filled with proper laws indicating what to do and what not to do, but on top of all that, the more important issue is the proper implementation of the whole the legal regime, and if anything, new comes up during the time of implementation, from time to time there can be regular update or amendment of law.

Bangladesh is on the Tip of an Industrial Revolution

-HSBC Bangladesh Market Insights 2021

Bangladesh is on the tip of an industrial revolution as incomes rise and technology plays an ever-increasing role in the economy, according to The Hongkong and Shanghai Banking Corporation Bank (HSBC Bank). As per the global financial giant, urbanization, smaller households and more women at work are powerful consumption drivers that support high levels of growth in Bangladesh.



In the recent discussion on “Bangladesh Market Insights 2021: Consumption Propelling Growth“, HSBC’s Equity Strategist for ASEAN and Frontier Markets, Mr. Devendra Joshi stated that lot of investors do not know that Bangladesh's economy is not only larger than that of Vietnam but also growing faster, adding that this growth was in the face of some adversities such as a lack of infrastructure, power shortages and a banking system that has a higher rate of nonperforming loans.

Although now Bangladesh is getting more and more attention, it deserves even more as it has a strong external position with low external debt, strong foreign exchange reserves and remittances, adding that although foreign direct investment (FDI) remains low but is expected to improve as it moves up the value-added ladder fast, he added.

The Equity Strategist also said that while Bangladesh is one of the cheapest destinations to manufacture goods in Asia, it will need to diversify away from garments. In terms of ease of doing business, Bangladesh still lags behind Vietnam but is making efforts to improve. Fifty years past its independence, Bangladesh has grown into one of Asia's fastest growing economies with a very exciting long-term demographic story, adding that Bangladesh's economic growth exceeded 7% for four years in a row in the pre-pandemic period while its population grew at a fast pace to stand at around 165 million.

Chief Officials of the global financial giant added that in the past 50 years, Bangladesh's trajectory of economic growth has been a testament of the people's insatiable desire and effort to do better. Continued digitalization and up-gradation of technology, consistent rise in per capita income leading to incremental consumptions and demographic dividend have been opening up a world of opportunities for Bangladesh.



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