FACTORS AFFECTING E-COMMERCE POTENTIAL OF ANY COUNTRY USING MULTIPLE REGRESSION ANALYSIS

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Abstract
The advancement of Information Technology and Telecommunication has opened new avenues for business. These astonishing developments have led to rapid diffusion of e-commerce which is gaining popularity around the globe and it is contributing to the economic growth of country. This study aims to develop an integrative model based on different factors which can affect the growth of e-commerce in any country. For this purpose, data of 145 countries for year 2014 was obtained from different sources. Nine different Multiple Regression Models were proposed by combination of different factors in order to analysis their relative effect on growth of e-commerce. Result of the study show that the sensitivity of the e-commerce potential was highest for GNI per Capita and Readiness Sub-Index respectively. Similarly, other factors such as education level, urbanization and social media user were also found significantly associated with e-commerce potential. However, Cyber Security and Business Prospects were found to be statistically insignificant in few of the models. The paper concludes with few suggestions for government and policy makers to increase e-commerce growth in the country.

Keywords: E-Commerce; GNI per Capita; Infrastructure of ITC; Mobile Subscriptions; Trade Logistics; Cyber Security

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INTRODUCTION

During the last three decades, there has been a rapid advancement in information processing and telecommunication, and it has profound effect on the society and organization [1-48]. Internet, along with information technology, has become an active source of conducting commercial activities [16,49]. This has opened new avenues for business firms and led them to make drastic in their business activities. An ever growing number of internet users have encouraged many firms to enter in online business [22] which has been warmly welcomed by their traditional customers. Consequently, an increasing number of conventional brick and mortar
firms are also operating their business online. Use of internet for conducting businesses has given rise to a new form of transaction between buyers and sellers which is known as e-commerce. E-commerce is defined as “sharing of business information, maintaining of business relationship and conducting of business transactions by means of telecommunication network” [50-56].

Businesses that are conducted on the World Wide Web are different from the conventional brick and mortar business since there is no physical interaction between the buyer and the seller [57-62]. Buyers can now shop from their homes without having to physically travel to shops. E-commerce has extended unique prospects for firms and customers as it reduced the need of physical markets [3]. Now both buyers and sellers can transact in virtual market [27], and it has given new opportunities to both sellers and buyers.

In spite of its importance, incorporation of e-commerce in a country is gradual, evolutionary process and this process is affected by economic, socio-cultural, political and legal factors of that country [14,42]. However, a review of the extant literature in the field of e-commerce suggests that most of the studies have been limited to a single country [1,15,16,24,39,44,59,63] and individual factors have been considered in it [7,10,25,30,51]. Most of the studies have focused on technical factors such as information system, cyber security, marketing and business models [16]. Little work is done in determining those national factors that may prove to be critical in determining the success or failure of e-commerce in a particular country. In order to fill this gap in literature, this study aims to develop integrative models through combination of different factors in order to see how these factors interact together in determining the potential of e-commerce in a country. Main focus of this study is Business to Consumer which is driven under and influenced by local factors of a country’s [11]. Therefore, it is more suitable to develop an integrated framework that incorporates a number of different technological, social, and economic factors having potential affect in the growth of e-commerce.

This study is conducted to shortlist such factors which will help governments and their policy makers to take necessary steps for facilitation of e-commerce. E-commerce is still relatively new, and it is in infancy stage in developing countries
where micro or small size enterprises could become driving force of a nation’s economy [48]. But, SMEs face economic, legal, technological, infrastructure and social impediments while entering into e-commerce [16]. Therefore, growth in these SMEs has not been as rapid as other large firms [37]. For developing countries, e-commerce can bring about a breakthrough by enhancing the growth of SMEs and bring positive social and economical changes. For this purpose, this study demonstrates the impact of technological, social and economic factors on e-commerce potential as these are most pertinent to the growth/inhibition of e-commerce especially in developed countries [21].

The structure of this study is as follow. We will begin with the study of the extant literature on e-commerce. Then we will give a brief overview of different factors and their effect on the growth of e-commerce. Afterwards, in the model section, different regression models will be developed to study relative effect of different factors, which will be followed by certain recommendations to policy makers and governments.

**E-COMMERCE: A REVIEW OF LITERATURE**

Electronic business and commerce started in 90s when few firms started to take advantage of growing internet use for carrying out different business functions. Tremendous growth in information technology and communication has encouraged the firms to conduct their business and financial transactions through internet. E-commerce and its related capabilities have enabled firms to create different value propositions [64-67]. It has change the way businesses are conducted and it has put forth new ways of conducting business transactions [17]. Contrary to other technologies, internet and e-commerce is not limited to big enterprises. Small and medium firms are also using internet to expand their operations and these micro-electronic commerce initiatives are gaining popularity [64]. For SMEs, internet can reduce cost and enable them to operate in a particular market niche [63]. They can also present their product and service to global client which were previously inaccessible [27]. Such changes have presented unique opportunities for the business firms as well as a threat to their very existence if they are not embracing this immanent change.
Nowadays, internet has become an integral part of modern firms. Firms are using internet and social media before and after sales. It has also enables firms to perform important non-financial activities at their own level at minimum price which were hitherto either too cost ineffective or carried out by third party. These activities range from information about the product and services provided to the customers, online tracking of orders, and digital catalogues to customize any product to specifics needs of the customers [67]. Firms are using internet as a tool to gather valuable information about their suppliers and competitors. Development in the Information and Communication Technology has assisted in reaping advantage from e-commerce. In addition, ICT is helpful in cost reduction, better customer relation and market niche development [24]. These ICTs have produced positive changes in participation of customers, product advertisement and promotion. All these factors combined with expansion in the field of ITC has encouraged firms to conduct their business online and become digital [22].

All this is resulting in popularity of e-commerce among sellers. Firms can enter into online business at a comparatively lower cost as there is little capital cost associated with startup or subsequent advertisements of e-business. E-commerce gives firms a chance to directly interact with their customers through interactive websites [4,67]. This direct interaction also helps in reducing costs of product and service which tends to be high in traditional business because of the market intermediaries. Moreover, conducting business through internet allows interaction with distant partners [48]. This can reduce the bargaining power of suppliers and stakeholders. Organizations that are using internet as a tool to conduct business online can reap benefits of lower cost, better customer service, and easier access to pertinent information [39]. Lastly, e-commerce has enabled firms to use internet for better information sharing, improved logistics, superior customer service and “back-end integration” [67].

On the other side, it has given a certain degree of luxury to buyers who can shop irrespective of their time and place. These benefits include easier access to information, comprehensive comparison between similar products, convenience in conducting purchase, and saving of time and money [18,44]. Now customers can
make purchase and book their order online from virtually anywhere in the world. Many prospective buyers conduct an online search about products or services before making the actual purchase. E-commerce has extended greater bargaining power to the customers through in depth comparison between products. Better access to information about available products and services results in reduced transaction cost for customers [37]. This has induced changes in the buying behavior of the customers, which has presented incentives for the business to move their business online [16].

Without doubt internet and e-commerce has proved to be of extreme use people are adopted it rapidly. This has inspired firms operating in online business to make e-commerce more and more user friendly and interactive for their customer. However, there is a high degree of risk associated with e-commerce. These risks stem from certain characteristics of e-commerce as well as few intentional or unintentional practices being carried out in this business. These characteristics and practices act as cognitive barriers to adoption of online business [21]. For example, the difficulties encountered in returning of sold goods [1] create distrust among buyers. In addition, there is a severe lack of brand awareness of online firms. People have the habit to buy from well recognized brands because they doubt the level of service of unknown brand. These doubts are giving rise to various issues of trust among buyers [44]. As a result, all these factors inhibit growth of e-commerce.

Factors Affecting Growth of E-Commerce
Aim of this paper is to investigate and shortlist factors which are important for spread of e-commerce in any country. For this purpose, certain technological, social and economic factors are considered. Due to time constraint, only a limited number of factors have been included in this study. These factors operate at national level and are widely cited in the literature of e-commerce. A brief description of these factors is as follow.

TECHNOLOGICAL FACTORS
Infrastructure of Information Communication Technology
An important national factor contributing towards the growth of e-commerce in a particular country is the infrastructure of Information Communication Technologies
(ICT). ICT is defined as “diverse set of technological tools and resources to create, disseminate, store, bring value addition and manage information” [34]. The explosion of e-commerce today can be attributed to the revolution in the field of ICT [47] since e-commerce is combination of progress in ITC with traditional institutional framework [37]. Organizations are now using ICT to improve their logistic system [41], supply chain management and reverse logistics. ICT facilitates firms in improved coordination, better information processing, superior decision making, and effective data and knowledge management [63]. ICTs also provide means for interacting with customers, stakeholders, suppliers, dealers, business regulators as well as communicate with both downward and upward side of supply chain [57,67]. In short, e-commerce facilitated through ITC has become a potent weapon for organizations to achieve long term profitability and competitive advantage in the market [16].

Like most of the advanced technologies, e-commerce was originated in the developed countries. Companies in such countries took advantage of the infrastructure for ITC which was developed by their government. A major factor which contributes to lower diffusion of e-commerce in third world countries is their poor overall infrastructure in general and ICT infrastructure in particular. This hurt their ability to start business online [45]. Thus, any government should work in providing the necessary infrastructure for the growth of ICT. A prominent example in this regard is Singapore where appreciable existing infrastructure of ICT has facilitated easy diffusion of e-commerce (Wong, 2003). In addition to infrastructure, it is imperative that the citizens of a country posses the required skills for effective use of modern technologies. Many entrepreneurs in the developing countries fail in e-commerce due to their lack of knowledge and skills in ICT [63].

With a better infrastructure and skill level of the citizens, the usage of e-commerce will increase. This will encourage people to carryout majority of their routine purchases from internet which will further boast economic activity. Jalava and Pohjola [15] research demonstrated that in Finland the increase in multi level factor production caused due to growth in ITC was around 60% which was almost 66% more than that of electricity. Therefore, it can be concluded that infrastructure of ITC in a country coupled with better skill level of its citizen can enhance the growth of e-commerce.
**Mobile Phone Subscription**

Mobile phone is one of the most preferred equipment for ICT. There has been an exponential increase in the mobile phone users throughout the world. The innovation of 3G and 4G communication system has turned mobile phone into an all round device. This has also led to the emergence of M-commerce which is considered an extension of e-commerce. Any transaction, whether monetary or non-monetary, carried out with the help of wireless telecommunication is referred to as mobile commerce [5]. M-commerce complements e-commerce [62]. In 2012, an increase of more than 50% in mobile commerce was observed [64] which has in turn increased the volume of online business [19]. Due to mobile phones, internet traffic to e-commerce websites has increased from 3% to 37% [46]. In 2013, people in US made 7.4% of their online purchase through tablets whereas contribution of mobile phones for this purpose was 5.3$ [54]. These figures are likely to grow as more and more people are using mobile application for various online retail purchase. Resultantly, many firms such as E-bay, Amazon etc have developed their own mobile applications in order to capture a larger market segment. Mobile phones and tablets have become an important source to excess global e-market. Therefore, mobile phone subscription can have a positive effect on the growth of online sales.

**Social Networking Sites**

Social media is defined as an online platform which allows people to share their experience and opinions with each other [26]. The use of social networking sites is also on the rise. Zhao et al. [66] believe that rapid growth of social networking sites is blurring the boundary between e-commerce and social networking. Numbers of firms who are using social media to promote revenue are steadily increasing [13]. Firms are effectively using social media in creating brand and product awareness. Social networking sites such Facebook, Twitter, Instagram and many other similar websites help firms in socially relating with their target customers [31]. Many social networking sites are being used by the sellers to interact with buyers. These websites provide an excellent platform for advertisement of product and service as they allow paid content and advertisement [14].

Another interesting use of social media is the spread of word of mouth which is an
extension of Electronic Word of Mouth (EWOM). The later term is described as an informal communication which tells customers about characteristics of product or service through digital means [6]. The emergence of Web 2.0 has increased the User Generated Content (UGC) on networking sites [61] which is quickly becoming a wide source of word of mouth. After every shopping, customers share their experiences and opinions about their purchases on different social networking sites [61]. Many people refer to these online reviews, blogs and other forms of UGC before making actual purchase [9] in order to improve their product/service selection related decision. Therefore, UGCs and EWOM have an impact on the buying decisions of people. However, there is a negative side to such endorsements as people are not aware of the authenticity and reliability of the reviewer [61]. Therefore, organizations are giving due care to this and they are constantly monitoring different social forms to check their brand and product image [20].

On the basis of above review of literature, we can propose our first hypothesis.

**Hypothesis No 1:** Different technological factors such as Infra-structure of ICT, Number of Mobile Subscribers and Social Virtual Network Users are positively related with e-commerce potential.

**SOCIAL FACTORS**

**Urbanization**

An understated factor that has promoted the use of e-commerce is the migration of people living in rural areas to urban settlements. Throughout the world, people are migrating to urban cities in order to get better education, health, jobs and business opportunities. They work relentlessly in order to have better earning and meet ends. Such people try to give much of their time to work and there are, thus, left with very little time to spend on shopping. In an attempt to save their time, they resort to online shops and place orders ranging from common grocery items to home appliances. Many firms are offering their product by keeping in view the specific needs of such customers.

The development of ICTs has made matters simpler and people can save their time by shopping from online stores. Moss in [32] has predicted before time that good infrastructure of ICT in cities will helps their residents in doing online shopping. Firms
also use this infrastructure to their advantage [48]. On the other hand, people and SMEs working in the cities enjoy access to internet and better roads facilities [25]. On the contrary, rural areas of countries are usually less developed due to lack of good roads and telecommunication infrastructure [35] and they have less access to computers and internet. This halts the growth of entrepreneur SMEs in rural areas. Due to urbanization, industries usually form clusters in urban areas and cities [8]. They are concentrated in a particular area to obtained geological benefits from it [38] or proximity to buyers and suppliers [29]. These clusters are important for economic activities in a particular region as buyers take advantage of low transportation cost for being closer to firms [29]. Therefore, urbanization is an unsung factor increasing the use of e-commerce.

**Education and Technical Literacy**
In addition to urbanization, education and technical literacy level is another social factor which affects the use of internet and online shopping. Wu et al. [60] consider employees with relevant knowledge of e-commerce to be critical for the success of any firm carrying out business online. The same reasoning can be extended to countries. Education and literacy level of entrepreneur of SMEs interested in conducting their business through internet also effect the growth of e-commerce [25]. Taiwan government has managed to become leaders of B2C through the used technical oriented literature and scholarships which has equipped their citizen for better diffusion of e-commerce in the country (Ahmed and Hassan). On the contrary, low level of education of entrepreneurs can affect their ability to handle technology and make them more prone to cyber attacks [25]. Kumar, Normala and Harvi [22] has argued that Generation Y is more connected and familiar with internet than their preceding generations. Due to their better education level and awareness, Generation Y is using internet for shopping and buying of products and services. To conclude, education level of citizens of a country can significantly increase the adoption process of e-commerce.

**Cyber Security**
Yet another important factor which can potentially be detrimental to the growth of e-commerce is the threat of online frauds and cyber crimes. E-commerce security entails protection against risks and threats that tend to target the sensitive
information and system being used in e-commerce activities [25]. As stated earlier, there is no physical interaction between buyers and sellers in online business [12]. The perpetrators of cyber crime take advantage of this anonymity and they commit crimes to make illegal money for themselves. Payments in online businesses are made to firm’s own account or third party system. For this purpose, buyer has to provide his/her credentials and important personal information. This poses the threat of identity theft, stolen credit card number, stolen national security numbers and abuse of similar information. The situation is made worst by the development of sophisticated hacking software [10]. Since mostly buyers in e-commerce and some sellers are ordinary people with little knowledge about cyber threats, they remain unable to detect such perils.

These fraudulent practices are a serious challenge to e-commerce because the more an online business grows; higher are the chances of such malicious practices [26]. Unfortunately, firms also give less attention to these security aspects and are somewhat complacent towards cyber threats [25]. To make things worse, several governments have done little to protect their citizens from transactions disputes and online frauds. All these factors contribute towards low level of trust exhibited by the customers towards online transactions. For instance [23] reports 60% Indians don’t trust online payment channels. At their own level, firms operating in online businesses should work hard to increase their technical capacity in combating this threat [22]. Similarly, governments should take appropriate steps to protect consumer’s interests by making strict legislation in this regard.

Based on above argument, our second hypothesis is given as under.

**Hypothesis No 2:** The social factors such as Urban Population, Expected Years of Schooling and Cyber Crime Security are positively related with e-commerce potential.

**ECONOMIC FACTORS**

**Income Level of Citizens**

Many studies have concluded that e-commerce is particularly less popular in developing countries. People in developed countries are more inclined to shop through online means. A major region is the economic progress and higher per
capita income. According to Information Economy Report 2015, the top 10 countries with highest B2C revenue are those who enjoy higher GDP and GNI. In the same report, it is highlighted that largest internet retail companies in US, Europe, Asia and Latin America for 2012-13 are based in US, UK, Germany, China, Brazil and France. This shows that an active economy will provide more business opportunities to its nationals. Also, economic and financial factors decide whether venture capitalists have enough resources to start online business [11]. Contrary to this, poor economy and lack of financial resources in developing countries have adversely affected spread of e-commerce [28]. Lack of ability to generate constant streams of funds from their own resources or stockholder is a big reason in failure of e-business firms [63]. Furthermore, there exists a substantial difference in the business models for e-commerce between developing and developed countries [16]. All these factors lead us to assume that level of income in a country will encourage its buyers and firms to venture into online business.

**Business Activities**

Advancement in e-commerce has enabled governments to expand business activities in their countries as ICTs have provided thrust to local and global business. Computer, internet and ICTs are quickly becoming part of any firm's business setup [14]. Countries are now effectively utilizing their previously untapped resources. Due to this, their economies are approaching the optimization state resulting in improved economic status [2]. E-commerce helps in development of secondary and tertiary industries in the countries [41]. These better business prospects will encourage firms and enter into online market to tap its advantage. However, the role of a stable political and economic system; and an effective legal system is essential for growth of e-business. Ahmed and Hassan [1] notes that many countries such as Singapore, Taiwan, Malaysia, Thailand etc have used tax reliefs to encourage entrepreneurs and venture capitalists to start business. Contrary to this, various policies and red tapes in starting e-commerce has badly hurt Arab countries in online ventures. Therefore, the level of business opportunities in a country and incentive given to entrepreneurs has a positive effect on the growth of e-commerce.

**Logistics Network**

Turban [26] regard that e-commerce is marketing and distribution of goods and
services through internet. This definition highlights the role of trade logistics and an efficient infrastructure in the advancement of e-commerce. But, this has gathered little attention in e-commerce related research [58]. Unlike conventional brick and mortar system, the online firms have to deliver varying quantities on order to their respective customers; therefore, an extensive and well managed logistic system is required [43]. Researchers have indicated that an efficient distribution system is an indicator of better customer service. Arano et al. [3] have proved a positive relation between logistic capabilities and firm performance in an e-market; thereby suggesting the importance of logistics in the success of e-commerce.

The above arguments lead us to hypothesize that

**Hypothesis No 3:** Economic factors such as GNI per Capita, Logistic Performance Index Score and Distance to Frontier Score are positively related with e-commerce potential.

The above three hypothesizes independently postulate about the role of different technological, social and economic factors in supporting or inhibiting growth of e-commerce in any country. It will be interesting to note how these three factors mutually reinforce each other in determining the overall potential of e-commerce in a country.

**Hypothesis No 4:** Different technological factors (Infra-structure of ICT, Number of Mobile Subscribers and Social Virtual Network Users), social factors (Urban Population, Expected Years of Schooling and Cyber Crime Security), and economic factors (GNI per Capita, Logistic Performance Index Score and Distance to Frontier Score) are positively related with e-commerce potential.

**Operationalizing and data sources:** This study is aimed at determining the country specific factors which may affect growth of e-commerce in a country. This is different from other empirical research in e-commerce as the later were more interested in determining the firm and customer specific factors, while none of them have taken into consideration the national factors which may increase online business activities. Therefore, the variables were divided into three categories.

1. Technological Factors
2. Social Factors
3. Economic Factors
The Technological factors included infrastructure of ICT, Mobile Phone and Virtual Social Network. Data of Infrastructure of ICT and Use of Virtual Social Network was obtained from Global Information Technology Report for Year 2014. This report is published by World Economic Forum, and it ranks countries on the basis of Network Readiness Index which is an aggregated score of four sub-indices. For Infrastructure of ICT, Readiness sub-index was used. This sub-index is based on three pillars which are infrastructure, affordability and skills. Similarly, use of Virtual Social Network under the pillar of individual usage of ICT was used as a measure of social media usage. The measure of mobile phone usage was adopted from the Mobile cellular subscriptions (per 100 people). Data of this variable was obtained from World Bank site.

For social factors, Urbanization, Education Level and Cyber Security were considered as relevant constructs. Data of urban population (as a percentage of total population) was obtained from World Bank site. To measure education level of a country, Expected Year of Schooling score from Human Development Report was used. Global Cyber Security Index (GCI), developed by ABI Research, was used to represent the cyber security rating of a country.

For economical factors, Income Level, Logistic Capabilities and Business Opportunities were considered. Data of GNI per capita was obtained from Human Development Report. Information regarding logistics capabilities of country was gathered from Logistic Performance Index. For Business Opportunities, Distance to Frontier Score from Doing Business Report, published by World Bank, was used as measure.

For the dependent variable, e-commerce potential of a country was measured from UNCTAD B2C E-Commerce Index from Information Economy Report. This index explains the potential of a country in carrying out B2C e-commerce.

**Result Section:** Data of above mentioned variables for 145 countries were obtained from various sources as mentioned in Table 1. Year 2014 was taken as the base year for data collection. Descriptive statistics was used to perform Uni-Variate Analysis on the variables. Means was used as a measure of central tendency;
however, for those variables whose Skewness Index Coefficient was outside the permissible limit, Median was used. Standard Deviation was used to indicate spread of the variables. Results on these Descriptive Statistics of variables are shown in Table 1.

After performing Uni-Variate Analysis, Bi-Variate Correlation Analysis was carried out to check the association between variables. Pearson Correlation was used as it is the most appropriated variable in case of continuous variables. A strong correlation of E-Commerce Potential Score with other variables was found. All these relations were positive suggesting that all these variables have a positive effect on e-commerce potential. Furthermore, all relations were statistically significant. E-Commerce Potential Score has strongest correlation with the Readiness Sub-Index as the value of Pearson Correlation was greatest between these two variables. On the opposite side, E-Commerce Potential Score has the weakest relation with Mobile Phone Subscription. Results of Bi-Variate Correlation analysis are shown in Table 2.

<table>
<thead>
<tr>
<th>Name of variable</th>
<th>Data source</th>
<th>No of obs</th>
<th>Mean/Median</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2C e-commerce index</td>
<td>Information Economy Report</td>
<td>122</td>
<td>49.24</td>
<td>24.17</td>
</tr>
<tr>
<td>Readiness Sub-Index score</td>
<td>Global Information Technology Report</td>
<td>140</td>
<td>4.56</td>
<td>1.14</td>
</tr>
<tr>
<td>Mobile phone subscription</td>
<td>World Bank database</td>
<td>149</td>
<td>110.18</td>
<td>38.11</td>
</tr>
<tr>
<td>Use of virtual social network</td>
<td>Global Information Technology Report</td>
<td>140</td>
<td>5.48</td>
<td>0.72</td>
</tr>
<tr>
<td>Urban population</td>
<td>World Bank database</td>
<td>149</td>
<td>58.87</td>
<td>22.75</td>
</tr>
<tr>
<td>Expected years of schooling in years</td>
<td>Human Development</td>
<td>149</td>
<td>8.25</td>
<td>3.16</td>
</tr>
<tr>
<td>Cyber security index</td>
<td>Global Cyber</td>
<td>145</td>
<td>0.35</td>
<td>0.22</td>
</tr>
<tr>
<td>Gni per capita</td>
<td>Human</td>
<td>149</td>
<td>12190.00*</td>
<td>19,513.35</td>
</tr>
<tr>
<td>Logistics performance index</td>
<td>World Bank database</td>
<td>149</td>
<td>2.80*</td>
<td>0.76</td>
</tr>
<tr>
<td>-----------------------------</td>
<td>---------------------</td>
<td>-----</td>
<td>-------</td>
<td>------</td>
</tr>
<tr>
<td>Distance to frontier score</td>
<td>Doing Business</td>
<td>149</td>
<td>63.03</td>
<td>12.47</td>
</tr>
</tbody>
</table>

* Since the value of skewness index was outside the range of -1.3 to 1.3 therefore, median is taken as a measure of central tendency. For all others, value represents mean value.

In order to prove hypotheses, Multiple Regression Analysis was used. Table 3 shows the results of different Regression Models. Models 1, 2, 3 and 9 are used to test the research hypothesis while the remaining models are developed through combination of different variables. Each of these models was found to satisfy all requisite conditions of Regression Analysis.

The first model demonstrates the effect of technological factors such as infrastructure of ITC, mobile phone subscriptions and number of social networking site users. Un-standardized coefficient of all three variables has positive sign which shows that all these three factors are positively related with e-commerce potential. This result is consistent with views of Schoder, Ding and Campos (2016) who regard growth of ITC, mobile phone and social media to have significant impact on e-commerce. Out of the three factors, infrastructure of ITC has the highest value of un-standardized coefficient which means that e-commerce potential is more sensitive to this variable. The result of Model No 1 shows that our first hypothesis is proved.

**Table 2**: Correlation between variables.

<table>
<thead>
<tr>
<th>Name of Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>B2C e-commerce index</td>
<td>1**</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Log GNI per capita</td>
<td>0.846*</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Readiness sub-index score</td>
<td>0.915**</td>
<td>0.678*</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mobile phone subscription</td>
<td>0.555*</td>
<td>0.527*</td>
<td>0.571</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Use of virtual social network</td>
<td>0.801**</td>
<td>0.628*</td>
<td>0.780</td>
<td>0.5</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Urban population</td>
<td>0.733*</td>
<td>0.693*</td>
<td>0.645</td>
<td>0.5</td>
<td>0.6</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Expected years of schooling</td>
<td>0.859*</td>
<td>0.587*</td>
<td>0.865*</td>
<td>0.5</td>
<td>0.7</td>
<td>0.6</td>
<td>1</td>
<td>-</td>
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</tbody>
</table>
The second model shows the impact of social factors on the success of e-commerce. The three variables involved were not only positively related with the e-commerce potential score but also statistically significant. This proves our 2\textsuperscript{nd} hypothesis. The overall strength of the model was pretty high which means that 80% variation in the value of E-Commerce Potential Score is described by these three variables. This model also demonstrates that among different social factors, e-commerce is most sensitive to cyber security.

Table 3: Different Regression Models.

<table>
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<tr>
<th>Name of Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
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<tr>
<td>Readiness sub-index score</td>
<td>16.96</td>
<td>-</td>
<td>-</td>
<td>13.09</td>
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<td>8.359</td>
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<td></td>
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<td></td>
<td></td>
<td>(1.21)</td>
<td></td>
<td></td>
<td>(2.50)</td>
<td>(2.11)</td>
<td>(2.51)</td>
</tr>
<tr>
<td>Mobile phone subscription</td>
<td>-0.059</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.167</td>
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<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>(0.45)</td>
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<tr>
<td>Use of virtual social network</td>
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<td>4.718</td>
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<td>14.669</td>
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<td>(3.03)</td>
<td></td>
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<td>(2.84)</td>
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<td>(3.91)</td>
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<tr>
<td>Urban population</td>
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<td>-</td>
<td>0.217</td>
<td>0.11</td>
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<td>(0.05)</td>
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<tr>
<td></td>
<td>Expected years of schooling</td>
<td>Cyber security index</td>
<td>Log GNI per capita</td>
<td>Logistics performance index</td>
<td>Distance to frontier score</td>
<td>Constant</td>
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<tr>
<td></td>
<td>4.419***</td>
<td>24.153**</td>
<td>35.50 4***</td>
<td>4.085**</td>
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<td></td>
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<td>4.525**</td>
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<td>4.990**</td>
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<td>(1.23)</td>
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<td>-</td>
<td>3.744**</td>
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<td>88.071***</td>
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<td>(1.89)</td>
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<td>2.76**</td>
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<td>89.962***</td>
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<td>Probability of Shipro-</td>
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<td>0.066</td>
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<td>Durban Watson Statistics</td>
<td>1.922</td>
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<td>1.932</td>
<td>1.817</td>
<td>1.802</td>
<td>2.164</td>
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<td>1.886</td>
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<td></td>
<td></td>
<td>0.923</td>
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</table>

Note: Values represent un-standardized coefficients while those in parenthesis are standard deviation of un-standardized coefficients.

Model No 3 shows that the third hypothesis is also supported as all three variables
involved in it are positively related with e-commerce potential. Among all three variables, GNI per Capita had highest sensitivity towards e-commerce since its value of un-standardized coefficient was 35.5. The value of $R^2$ for this model was 0.884. This result gives a plausible account on why development of e-commerce is more conspicuous in developed countries such as USA, China, UK etc. [37]. Citizens of these countries enjoy higher income level which promotes buying online. Moreover, superior business regulatory system in these countries is also important in the growth of e-commerce [16].

Model No 9 represents the effect of all variables on online business potential. This model shows that a unit increase in GNI per capita and Readiness Sub-Index produces a respective increase of 15.6 and 8.6 units in the value of e-commerce. In the same model, Use of Virtual Networking Sites and Urban Population are positively related whereas Mobile Phone Subscription Score is negatively related. The remaining four variables were statistically insignificant. Result of this model partially supports our fourth hypothesis. This model has the highest value of $R^2$ and this model explains 92% variation in the value of E-Commerce Potential Score.

In the remaining models, different combinations of variables were used to examine their effect on the outcome. Models No 4, 7, and 8 demonstrate the importance of infrastructure and affordability of ITC in the growth of online business. In all these models, the score of Readiness Sub-Index was statistically significant and positively related with E-Commerce Potential Score. This is true since countries have higher potential of e-commerce are characterized by superior infrastructure of ITC. For example, Singapore with better infrastructure and higher readiness was able to ensure diffusion of e-commerce at a faster pace [59]. On the other hand, poor infrastructure of ICT is a biggest problem which developing countries fact during the adoption of e-commerce. In most of these countries, a large population doesn’t have access to internet [36] which is creating a digital divide in the country. Governments should take immediate steps to minimize this digital divide.

Similarly, considerable effect of GNI per Capita on online business can be observed from Models 5, 7 and 8. In all these models, the value of un-standardized coefficients was very high. This confirms the notion that countries with higher income have more
budding prospects for growth of e-commerce. Country with higher level of national income have different consumer behavior and business environment [16] as compared to developing countries. Their high level of income allows them to carry out bulk of their shopping from online market. This leads to creation of more online firms which in turn leads to more economic activities in the country.

Same is the case for Virtual Social Network which appears to be a positively related with the potential for online business. Many people are now part of social networking sites. Taking advantage of this, online firms are using these sites for marketing and advertisement of their products. Scholars believe that social networking sites are being used as a platform for advertising for both traditional brick and online firms [14,65]. Firms are reaping good return from such advertisements as around 5% of all online sales are attributed to social media and volume of such sales are estimated to be around 14 billion [46].

Urban population was found to be significantly associated with E-Commerce Potential Score. But, the value of un-standardized coefficient for this variable was low as compared to other variables which indicate its impact is not as strong as other variables considered. These results indicate that the recent global trend of urbanization will facilitate growth of e-commerce since people living in the urban areas resort to online shopping in order to save time. However, such benefits are not limited to urban population as people living in the rural areas of countries are also obtaining benefits from e-commerce [44]. Same is the case with education level which is found to be positively and significantly related with e-commerce. This supports previous studies investigating the role of education and e-commerce. For example, Zaree (2004) has found a positive relationship between knowledge of computer, internet and similar capabilities and e-commerce.

Result of this study is aligned with the previous studies that Logistics Performance had a substantial effect on e-commerce. Off late, flexibility in both location and time of delivery is becoming demand from customers [46]. For this purpose, an efficient logistic system is required. Therefore, importance of a reliable and extensive distribution network is evident in any online business [40] since it can facilitate or inhibit growth of such businesses.
Surprisingly, Cyber Security Index was insignificant in many of these models. This variable was significant when few variables where included in the model. However, inclusion of other variables renders cyber security non-generalisable. Likewise, the impact of Business Opportunities (Distance to Frontier) was very little and it was insignificant in the presence of variables such as Readiness Sub-Index and GNI per Capita.

RECOMMENDATIONS

Business conducted through internet presents equal opportunities to both developed and developing countries. Since every country can benefit from e-commerce, it has enabled developing countries to keep abreast with developed countries. The use of e-commerce can lead to economic growth of the country for it may provide a new direction for economic growth [62]. Rao, Zhang and Li [41] in their research on relationship between Chinese e-commerce transactions and GDP have concluded that there is long term positive relation between e-commerce and economic development of China.

In order to do so, governments of these countries should develop social and economical policies that are supportive for e-commerce [16]. Local, regional and national governments should work to build up necessary infrastructure and devise policies for the growth of ITC [48] because this infrastructure has positive effect on the confidence level of important stakeholder [49]. A better regulatory frame for online business can be beneficial for growth of e-commerce. Although this study could not establish the importance of cyber security in the growth of e-commerce, in spite this, the importance of cyber security cannot be ignored. Today, both buyers and sellers have serious reservations about the security of online transactions [17]. Therefore, dedicated efforts towards sophisticated legislation are required by governments to thwart fraudulent practices in e-commerce [33].

Likewise, higher education institutes should also customize their curriculum of e-commerce according to market demands. Wu et al. [60] note that mangers of e-
commerce firms complaint about qualified e-commerce graduate while e-commerce graduate feel skeptical about appropriate job opportunities. Literature shows that e-commerce related education and curriculum should be more theory-driven [51]. The curriculum of e-commerce should adopt a multi-disciplinary approach [51]. There is a need to relate e-commerce education with business management [50].

Similarly, firms should also develop innovative business models for e-businesses in order to attract customers. There is a strong need to develop trust between buyers and sellers which becomes more paramount in online shopping. Good quality of relationship will increase customer loyalty in e-businesses. In order to build customer loyalty, online firms should strive toward providing better quality service to their buyers by meeting or even exceeding their expectation [20]. Use of ITCs can serve the purpose for firms. For instance, firms are using social media as a potent tool to attract large number of online customers. Therefore, development of dedicated apps can also use to increase traffic towards online shopping sites.

Firms should also work to develop an efficient logistic network. In urban areas, there is a growing apprehension about increase in the level of air pollution caused due to large number of vehicles. Therefore, an environmental friendly logistic system is need of the time. For example, e-commerce firms can switch to horizontal cooperation and crowd logistics distribution points for supplying parcels to urban and highly dense areas [55]. Such third party delivery arrangements can be used to overcome delivery and environment related problems.

**CONCLUSION**

The aim of this study was to investigate the impact of different social, technological and economic factors on growth of e-commerce in a country. E-commerce Potential was found to be positively associated with different social, economic and technological factors. GNI per Capita was the most important factor in the growth of online business. The second most important factor was Readiness Sub-Index (which is an aggregated measure of Infrastructure of ICT, Affordability and Skills level). Variables such as Urban Population and Virtual Networking Sites were a significant
predictor of E-Commerce Potential. However, the results of factors like Logistic Performance Score and Expected Years of Schooling were mixed as sometimes these variables become statistically insignificant. To utter surprise, Cyber Security had persuasive effect on e-commerce in few, cases but more often it was found to be non significant in many instances. Similarly, the impact of business prospects was found to be very little and non-generalisable.

REFERENCE

Countries: With focus on e-Business (ECDC), 2015 9th International Conference on.


