

Sunday, 5 January' 2025



**NATIONAL UNIVERSITY**  
of Computer & Emerging Sciences

# Post-COVID Impact of E-Commerce on GDP: Exploring Growth Disparities Between Developed and Developing Economies

## Section A

PRESENTED to:

Professor Dr. Mushtaq Ahmed

# Group Members

Uzair Haroon

23K-3033

Syed Aehris Hashami

23K-0870

Muzammil Siddiqui

23K-2001

Haseeb Asif

23K-0539

Mubashir Ahmed

23K-0881

Shaheer Shakeel

23K-0888

# Table of Contents

---

Abstract

---

Introduction

---

Literature Review

---

Research Methodology

---

Challenges to E-commerce Growth in  
Developing Countries:

---

Conclusion

---

Citation

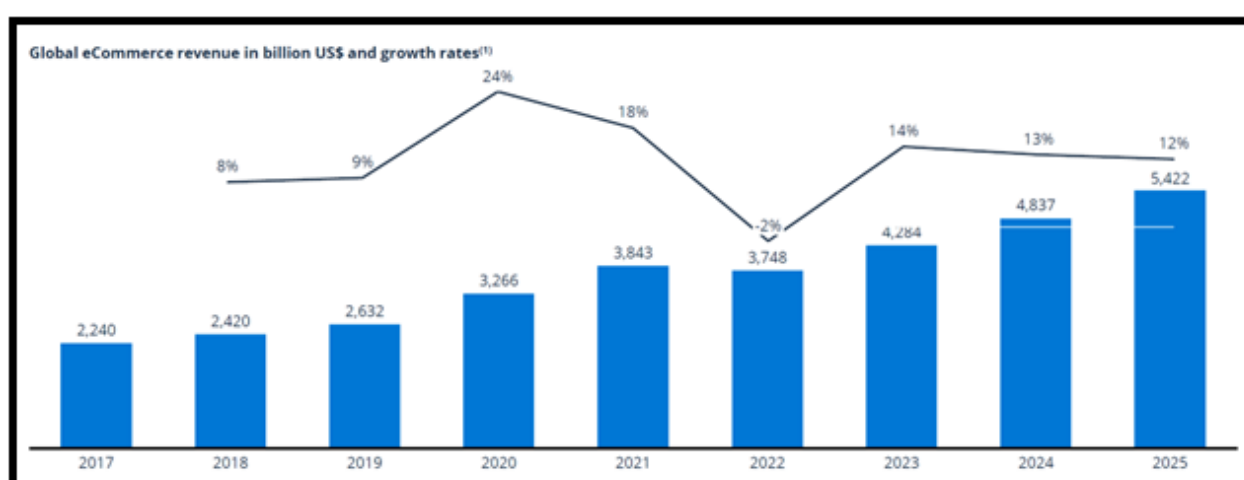
# Abstract:

The COVID-19 pandemic has accelerated the adoption of digital technologies, reshaping economic landscapes worldwide. E-commerce emerged as a vital driver of economic resilience, bridging gaps in demand and supply during lockdowns. This research examines the impact of e-commerce on GDP growth, focusing on the disparities between developed and developing economies, with Pakistan as a case study. While developed countries leveraged robust digital infrastructures for sustained growth, developing economies faced challenges such as limited internet access, weak logistics, and inadequate policy support. Despite these hurdles, Pakistan's e-commerce sector recorded impressive growth, with a 62.79% increase in registered businesses during the pandemic and a significant rise in digital banking adoption. However, the sector's true potential remains untapped due to persistent challenges like the digital divide, regulatory barriers, and lack of public awareness. This study underscores the need for strategic investments in digital infrastructure, inclusive policies, and public education to maximize e-commerce's contribution to economic development. The findings aim to provide actionable insights for policymakers and stakeholders to bridge the digital gap and unlock the transformative potential of e-commerce in developing economies.

# Introduction:

The COVID-19 pandemic has been a transformative event that reshaped global economies and accelerated the adoption of digital technologies. As governments imposed lockdowns and social distancing measures to curb the spread of the virus, businesses, consumers, and institutions turned to digital solutions to sustain economic activity. This unprecedented shift towards digitalization has impacted multiple sectors, including retail, finance, education, and healthcare, altering traditional economic structures and business models. In order to sustain their businesses, many countries started relying heavily on the e-commerce sector. This is something that was quite evident as shown in this pictogram.

## Diagrammatic Representation:



Source: <https://www.trade.gov/post-pandemic-ecommerce>

The above bar graph shows the boost in e-commerce sector activity worldwide right after the pandemic (2019-20)

## **Objectives:**

The main scope of this research is to study the contribution of e-commerce in the growth of GDP in third-world countries such as Pakistan with respect to the globe.

The research will focus on the following points:

### **Primary Objective:**

- 1.To analyze the contribution of e-commerce to GDP in developed countries and developing countries, mainly focusing on Pakistan.
- 2.To identify the possible reasons behind the lag in e-commerce-driven GDP growth in Pakistan compared to developed nations.

### **Secondary Objective:**

- 1.To assess the role of government policies in supporting local businesses pursuing e-commerce in Pakistan.

### **Research Questions:**

- 1.What is the comparative contribution of e-commerce to GDP in developed versus developing countries?
- 2.Why is e-commerce growth slower in third-world countries like Pakistan?
- 3.What are the key infrastructural and policy-related barriers to e-commerce in developing economies?

# Literature Review:

The COVID-19 pandemic significantly accelerated the growth of e-commerce, leading to a notable increase in its contribution to global economies. In 2019, global e-commerce sales were estimated at \$26.7 trillion, accounting for 30% of global GDP [1]. This proves the existence of a vital role of this sector before the pandemic too. However, the pandemic-induced lockdowns and movement restrictions in 2020 led to a surge in online retail sales, with their share of total retail sales rising from 16% to 19%. [1]. Although there was a slight dip in online sales in 2022 as pandemic restrictions eased, the trend toward e-commerce is still resumed.

In the context of developing countries, it cannot be said that e-commerce was not significantly relied upon. The COVID-19 pandemic boosted e-commerce growth in Pakistan, increasing its role in the economy. By 2021, e-commerce added about \$5.9 billion, making Pakistan the 37th largest e-commerce market worldwide [2]. Additionally, e-commerce businesses registered with the State Bank of Pakistan grew by 62.79%. There was also a significant rise in internet and mobile banking users, showing a wider move toward digital financial services [3]. This is a proof of willingness to adapt to an advanced mode of business.

In 2019(pre-pandemic), e-commerce sales in the U.S. were approximately \$571.2 billion, accounting for about 11% of total retail sales[4]. By 2023(post-pandemic), U.S. e-commerce sales reached \$1.119 trillion, representing 22.0% of total retail sales[5]. In Sri Lanka, e-commerce accounted for only 0.4% of the total annual retail sales in 2016, equating to an estimated US\$40 million[6]. And this was projected to grow only to US\$400 million in 2022[6].

If we compare the factual data of Sri Lanka, being a developing country to a developed country such as the USA, the difference is quite drastic. There can be a reason that it's due to the pre-existing firm e-commerce sector before the pandemic, which is understandable, but is it the only reason to consider?



# Challenges to E-commerce Growth in Developing Countries:

Challenges	Description
Infrastructure Limitations	<ul style="list-style-type: none"><li>• inadequate delivery services due to poor cargo facilities</li><li>• Poor internet access</li></ul>
Affordability Barriers:	<ul style="list-style-type: none"><li>• High taxation and duties on computer hardware and software.</li><li>• Most of the population below the poverty line can't afford such facilities.</li></ul>
Lack of trust and awareness from consumer's end	<ul style="list-style-type: none"><li>• Fear of fraud.</li><li>• Uncertainty of product quality and service provided.</li></ul>
Security concerns and less/no digital exposure	<ul style="list-style-type: none"><li>• Risks of personal and financial information being leaked.</li></ul>

Apart from these, there are many government policies that further slowed down the growth in this sector. Considering Pakistan, the government's intermittent blocking of social media platforms and internet services disrupts online businesses that rely on these channels for marketing and sales. For instance, in 2023, approximately 125 million citizens were affected by the government's decision to restrict access to social media platforms, leading to a 50% decline in major digital payment systems[7]. Ambiguous policies regarding e-commerce hinders growth as it causes uncertainty from consumer and seller perspective. Furthermore, the government's insufficient promotion of electronic payment systems limits e-commerce growth. The government needs to make it easier to open bank accounts and encourage the use of mobile money and other digital payments[8]. Only about 36% of Pakistanis have internet access. Since e-commerce relies on a large customer base with internet connectivity, both private companies and the government need to focus on expanding access, particularly in rural areas[8].

# Research Methodology:

---

To compare the impact of e-commerce on GDP post-COVID among developing and developed economies, we can use the quantitative and qualitative data to understand the economic patterns in the contrasting economies.

## Quantitative Analysis:

- Collect factual data regarding GDP and e-commerce growth patterns from reliable sources of national statistical agencies such as world bank and IMF.

## Qualitative Analysis:

- Interview and survey the stakeholders in e-commerce markets from developing and developed countries to get in-depth insights into the situation.
  - Refer to the pre-existing case studies to get an understanding of the possible causes.
-

# Conclusion:

Pakistan's e-commerce sector showed impressive growth, especially in terms of the percentage increase in e-commerce businesses. However, when compared to developed countries like the U.S., Pakistan's market is still smaller in absolute terms. Developed countries had a more robust infrastructure for e-commerce prior to the pandemic, which enabled them to sustain a higher volume of sales and a larger market share even during the pandemic. Nonetheless, Pakistan's e-commerce sector is catching up, with consistent growth projected over the next few years, given that the government supports this sector. If the government bridges the gap between opportunities and entrepreneurs, a larger figure of GDP can be driven from this sector.

# Citation:

1. <https://unctad.org/press-material/global-e-commerce-jumps-267-trillion-covid-19-boosts-online-retail-sales>
2. <https://www.nation.com.pk/12-Feb-2023/capitalizing-e-commerce>
3. [https://journal.nspp.gov.pk/index.php/jpa/article/view/75/63#:~:text=The%20Internet%20Banking%20users%20increased,%25%20\(SBP%2C%202021\).](https://journal.nspp.gov.pk/index.php/jpa/article/view/75/63#:~:text=The%20Internet%20Banking%20users%20increased,%25%20(SBP%2C%202021).)
4. <https://www.census.gov/library/stories/2022/04/ecommerce-sales-surged-during-pandemic.html>
5. <https://www.digitalcommerce360.com/article/us-ecommerce-sales>
6. [https://en.wikipedia.org/wiki/E-commerce\\_in\\_Sri\\_Lanka](https://en.wikipedia.org/wiki/E-commerce_in_Sri_Lanka)
7. <https://mhrc.lums.edu.pk/beyond-barriers-e-commerce-survival-pakistans-social-media-restricted-environment-friday-economist>
8. <https://urcapk.com/business-setup-growth/unlocking-pakistans-e-commerce-potential-challenges-and-opportunities>