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Lab report of
E-Commerce
(CSC 370)

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Case Study on status of E-Commerce in Nepal

Introduction

E-commerce in Nepal has been growing rapidly in recent years due to increased internet penetration and the availability of smartphones. However, the industry is still in its early stages, and there are several challenges that need to be addressed to further improve its status.

First of all, what is E-commerce? E-commerce, short for "electronic commerce", refers to the buying and selling of goods and services over the internet. In e-commerce, transactions are conducted online, often through a website or a mobile application, instead of in a physical store or by other traditional means. E-commerce has become increasingly popular in recent years, as more and more consumers have turned to the internet to shop for products and services.

Status of E-Commerce in Nepal

E-commerce is still in its nascent stages in Nepal, but it is growing steadily. According to a report by the Nepal Rastra Bank, the central bank of Nepal, e-commerce transactions in Nepal increased by 45% in the fiscal year 2019-2020, reaching a total of NPR 8.35 billion (approximately USD 70 million). With over 28.4 million people, or 95.4% of the population having the direct access to Internet in Nepal as of mid-January 2021, the growth of E-commerce in Nepal has been driven primarily especially for the purpose of comfortable shopping online.

In addition, the COVID-19 pandemic has accelerated the adoption of e-commerce in Nepal, as many consumers have turned to online shopping as a safer and more convenient alternative to traditional shopping methods. According to a report by Statista, the e-commerce market in Nepal is expected to grow at a CAGR (Compound Annual Growth Rate) of 23.7% from 2021 to 2025. The report also states that the number of e-commerce users in Nepal is expected to reach 3.3 million by 2025, up from 2.2 million in 2020.

Today there are many E-commerce websites that are providing e-commerce in Nepal along with delivery services. Below is the list of some popularly used E-commerce sites in Nepal.

List of E-Commerce Websites in Nepal

1) Daraz:



Daraz is undisputedly one of the top e-commerce sites in Nepal launched back in 2012. Daraz started as a Pakistan-based online fashion retailer owned by Rocket Internet, a German company. The company focused on creating e-commerce models all around the world. Daraz then spread across other countries like Bangladesh, Nepal, and Sri Lanka.

The company, which used to manage sales for one seller, is now a platform for thousands of buyers and sellers based in Nepal.

Daraz.com.np is an e-commerce website based in Nepal that offers a wide range of products, including electronics, fashion items, beauty products, home appliances, and more. It provides a convenient platform for online shopping, allowing customers to purchase products from the comfort of their homes. One of the unique features of daraz.com.np is its ability to offer a wide range of products from local as well as international brands. It also provides customers with different payment options such as cash on delivery, bank transfers, and online payments.

Overall, daraz.com.np is a reliable and efficient e-commerce platform that provides a hassle-free shopping experience to customers in Nepal.

2) Hamrobazar:



Hamrobazar is one of the most popular e-commerce websites in Nepal, providing a platform for buying and selling goods and services. It is based on Consumer to Consumer (C2C) business model. It operates as a classified ads platform, where sellers can post their products for sale, and buyers can browse through the listings and purchase items directly from the seller. Like Daraz, Hamrobazar also provides/offers a wide range of products, including electronics, vehicles, real estate, home appliances, etc.

One of the advantages of using Hamrobazar is that it allows buyers to communicate directly with sellers, eliminating the need for intermediaries. This makes it possible for buyers to negotiate prices and get more information about the product before making a purchase. In terms of payment options, it supports cash on delivery, bank transfers, and online payments, giving buyers a variety of options to choose from.

3) SastoDeal:

The logo for Sastodeal.com features the text 'sastodeal.com' in a bold, purple font. Below it, the tagline 'Be Genuine.' is written in a smaller, black font. The entire logo is set against a light blue background with a subtle gradient.

Sastodeal.com.np is a popular multi-product e-commerce serving consumers in Nepal that offers a wide range of products, including electronics, home appliances, fashion items, beauty products, books, and more. It was founded in December 2011, when the internet penetration in Nepal was just about 9%.

The website operates on a business-to-consumer (B2C) model, meaning that it sells products directly to consumers. One of the unique features of Sastodeal.com.np is its focus on providing customers with deals and discounts. The website features a "Deals of the Day" section, which showcases products that are on sale for a limited time.

In conclusion, Sastodeal.com.np is a reliable and efficient e-commerce platform that provides a convenient and affordable shopping experience to customers in Nepal. Its focus on providing deals and discounts makes it an attractive option for customers looking for bargains.

4) Thulo:



As its name suggests thulo.com is a big e-commerce website that offers you a wide range of products on just about everything you need. This includes everything from a variety of products on personnel health to fashion ware and electronics.

One of the unique features of Thulo.com.np is its focus on providing customers with a seamless shopping experience. The website has a feature that allows customers to create and save shopping lists, making it easier for them to reorder items they frequently purchase. It also has a "Quick Order" feature that enables customers to quickly reorder previously purchased items.

Thulo.com.np is also committed to sustainability, offering eco-friendly and sustainable products to customers. This includes products made from recycled materials, organic products, and products that are environmentally friendly.

5) Gyapu:



Gyapu is the most rewarding online shopping platform led by Nepali entrepreneurs. It began its journey back in April 2020 during the first COVID outbreak- with the realization that the nation needs utmost support in the pandemic. Just like other popular e-commerce websites in Nepal, it also provides variety of products including electronics, groceries, fashion products, appliances and many more.

One of the unique features of Gyapu.com is its focus on providing customers with a "buy now, pay later" option. This feature allows customers to purchase items and pay for them later in installments, making it easier for them to manage their finances.

Gyapu.com also offers a loyalty program for customers, which provides reward points for every purchase made on the website. These points can be redeemed for discounts on future purchases.

Besides there are many other e-commerce websites in Nepal that are providing quality services to the online community of Nepal. Some of them are: Dealayo.com, OkDam.com, Foodmandu.com, Smartdoko.com, Bhojdeals.com, Gajabko.com and so on.

Challenges of E-commerce in Nepal

The introduction of E-commerce do help in the easiness and comfortable shopping environment for the customer rather than the physical presence of oneself but there arises a lot of challenges in the context of a country like Nepal. Some of them are:

- 1) **Payment Infrastructure:** Many Nepali consumers are still more comfortable with cash-based transactions, which can make it difficult for e-commerce businesses to process payments. Additionally, many Nepali banks do not offer online payment options, limiting the available payment options for e-commerce businesses.
- 2) **Logistics:** The logistics infrastructure in Nepal is underdeveloped, which makes it difficult for e-commerce companies to deliver products to customers in a timely manner. This can lead to customer dissatisfaction and increased costs for e-commerce companies.
- 3) **Internet Penetration:** Although internet penetration is increasing in Nepal, it is still relatively low compared to other countries in the region. This limits the potential market size for e-commerce companies.
- 4) **Trust:** Many Nepali consumers are still hesitant to shop online due to concerns about fraud and the security of their personal information. E-commerce companies need to build trust with their customers by providing reliable products and services.
- 5) **Low Digital Literacy:** Another challenge is the low digital literacy of many Nepali consumers. Many potential customers are not familiar with e-commerce platforms and are more comfortable making purchases through traditional brick-and-mortar stores.
- 6) **High Cost of Goods:** Many products sold on e-commerce websites in Nepal are imported and subject to high customs duties and taxes, which can make them more expensive than similar products sold in traditional retail stores. This can limit the appeal of e-commerce for price-sensitive consumers.

Conclusion:

In conclusion, the e-commerce industry in Nepal has tremendous potential for growth, but there are several challenges that need to be addressed to further improve its status. These challenges present significant hurdles for e-commerce businesses in Nepal, but with the continued growth of internet penetration and increased adoption of digital payments, the potential for e-commerce in Nepal remains significant.

Therefore, with the right strategies and investments, the e-commerce industry in Nepal can continue to grow and provide valuable opportunities for businesses and consumers alike.

Overview of Electronic Transaction Act in Nepal

The Electronic Transaction Act (ETA) was passed by the Nepalese government in 2006 to provide a legal framework for electronic transactions and promote e-commerce in the country. The ETA defines electronic records, electronic signatures, and digital certificates, and provides for their recognition and validity in legal proceedings. The objective of this Act is to ensure the reliability and security of electronic transactions including the control of unauthorized use of electronic records or alteration in such records through illegal manner.

Here are some key provisions of the Electronic Transaction Act in Nepal:

1) **Electronic records and digital certificates:**

The ETA defines electronic records as data that is recorded, stored or transmitted electronically. It provides that electronic records have the same legal validity as paper records.

- **Electronic records:** The Electronic record is considered legally valid if the information, document, record or the matter is maintained in an electronic form as required by the prevailing laws upon fulfillment of procedures under the Act or its rules.
- **Digital Signature:** The digital signature is considered legally valid if the information, documents, record to be certified by affixing signature or any document to be signed by any person is certified by digital signature as required by the prevailing laws upon fulfillment of procedures under the Act of its rules.

2) **Electronic signature:** The ETA recognizes electronic signatures as legally valid, provided they are verified using a digital certificate issued by a certifying authority. The certifying authority is responsible for verifying the identity of the signatory and issuing the digital certificate.

3) **Digital certificates:** The ETA provides for the issuance and recognition of digital certificates by certifying authorities. The digital certificates are used to verify the identity of the signatory and the authenticity of the electronic signature.

3.1 Procedure of obtaining digital signature certificate

- a. An application must be submitted to the Certifying Authority along with the applicable fees.
- b. Certifying Authority must issue a digital signature certificate within 7 days affixing their signature if it decides to issue such certificate.
- c. If the Certifying Authority decides to reject the application, the applicant must be notified with the reasons for rejection within 7 days.

3.2 Suspension of certificate

The certificate may be suspended in following conditions:

- a. If the subscriber obtaining the certificate or any person authorized to act on behalf of such a subscriber, requests to suspend the certificate;
- b. If it is found necessary to suspend the certificate that contravenes public interest;
- c. If it is found that significant loss might be caused to those persons who depend on the certificate by the reason that provisions of this Act or the rules framed hereunder were not followed at the time of issuance of the certificate; or
- d. If the Controller instructs to suspend the certificate having specified the aforementioned grounds.

3.3 Revocation of certificate

The certificate may be revoked in following conditions:

- a. Where the subscriber or any other person authorized by such person request to revoke a certificate;
- b. If it is necessary to revoke in a certificate that contravenes the public interest;
- c. Upon the death of the subscriber;
- d. Upon the insolvency, winding up or dissolution of the company or corporate body under the prevailing laws, where the subscriber is a company or a corporate body;
- e. If it is proved that a requirement for issuance of the certificate was not satisfied;
- f. If a material fact represented in the certificate is proved to be false; or
- g. If a key used to generate key pair or security system was compromised in a manner that affects materially the certificate's reliability.

4) Legal recognition:

The ETA provides for the legal recognition of electronic records and electronic signatures in legal proceedings. It states that electronic records and signatures are admissible as evidence in court, and are given the same weight as paper records and signatures.

5) Offenses and penalties:

The ETA also provides for offenses and penalties related to electronic transactions, such as hacking, data theft, and unauthorized access to computer systems.

The Electronic Transaction Act has played an important role in promoting e-commerce in Nepal by providing a legal framework for electronic transactions and reducing the legal uncertainties associated with e-commerce. However, there are still some challenges that need to be addressed, such as the lack of a proper payment infrastructure and logistics, which can hinder the growth of e-commerce in the country.