

# Enhancing e-commerce to sustain economy in Malaysia: Short Review

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## Abstract:

In the past few years, the landscape of Malaysian economy has shifted towards e-commerce in the perspective of production, planning and control. This short review focus on the enhancement of e-commerce to sustain the economy. Among the things that are discussed are the government initiatives on developing e-commerce, how e-commerce is being adapted in Malaysia, and obstacles of setting up businesses online. Apart from that, this paper also reviews the potential of e-commerce, building trust, and ways to improve security and enhance customers' satisfaction. Lastly, matters that are being reviewed in this paper are the challenges and advantages of Malaysia's e-commerce.



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## Introduction

The development of Information and Communication Technology (ICT) has improved the benefits of internet in the course of daily work. In Malaysia particularly, the internet has enabled people to conduct businesses using e-commerce. This is good news as the development of e-commerce applications is capable of boosting the economy and providing more favorable income. It was reported in the Star newspaper that the e-commerce sector has contributed about 6.1% of the nation's total gross domestic product (GDP) in 2016 and the intention is to double the figures by the year 2020. The government's move of launching the Digital Free Trade Zone (DFTZ) is to increase the number of involvement among entrepreneurs (<https://www.thestar.com.my/business/business-news/2018/03/14/e-commerce-sector-records-significant-growth>). Currently, e-commerce is believed to be the fastest and easiest way to conduct activities that involve financial transactions. Fast growing e-commerce website in Malaysia such as Fashion Valet which successfully attained investment from the nation's sovereign wealth fund, Khazanah Nasional shows that, e-commerce holds the future of Malaysia's economy (<https://www.nst.com.my/lifestyle/flair/2018/03/350715/fashionvalet-adds-its-success>). However, e-commerce has yet to be fully established in Malaysia to utilize its advantages to the maximum.

## e-commerce in Malaysia

The usage of internet in the course of daily work has been widely spread out that it has become a commercial tool used by firms throughout the world to conduct business marketing innovatively via computer-mediated environment. The development of Information and Communication Technology (ICT) especially in the field of trade is growing rapidly around the world which plays an important role in developing a country through sustainable economic growth and competitiveness. Meanwhile in Malaysia, the applications of e-commerce is still considered as a new medium where the Malaysian prefer to conduct hand to hand transactions in which a direct meet is compulsory, making this country a few steps behind those developing countries in term of e-commerce practicality. Government of Malaysia is very committed in implementing and promoting the advantages of using e-commerce applications so that the system will be accepted by all Malaysian and be used by all level of communities to ease their daily works. As an initiative, the government has introduced the 10<sup>th</sup> Malaysian Plan which the main objective is to continue improving the delivery and efficiency services to business by leveraging the use of ICT (Che Mohd Zulkifli Che Omar et. Al, 2014). Paper written by Muhammad Jehangir et. al (2011) discussed on the potential growth of ICT and the development of e-commerce in Malaysia. Result of the findings has found that e-commerce has a very high potential in boosting the economy development as well creating an optimal competitiveness between developing countries. The government of Malaysia realized that ICT is one of the strategic catalysts to driven the economy towards a more positive point and the contribution of ICT in sustaining economy in Malaysia is not to be taken easily. For that particular reason, Malaysia Communication and Multimedia Commission (MCMC) was established in 1998 to promote broadcasting, telecommunication and internet services (Muhammad Jehangir et. Al, 2011). Apart from that, government also encourages banking sector in this country to take part in the development of e-commerce by offering internet banking as one of the services. This initiative received positive feedbacks from banks across the country and in year 2000, Maybank was the first to offer this service. This action was then followed by foreign banks such as HSBC (UK), Citibank (US), OCBC and UOB which also begin to offer this service in 2002.

There are three business models in e-commerce which is *business-to-consumer* or also known as (*B2C*), *business-to-business* (*B2B*), and *consumer-to-consumer* (*C2C*). The most known business model in e-commerce is the *business-to-consumer* type because in this model, the businesses that are doing online sales will reach the consumers including the buying of items, services, and content online. Examples of e-commerce that apply this business model are online shops, content providers, services and community provider. The second business model is the *business-to-business*; this type of e-commerce involves two parties making a transaction. The advantage of this model is that it reduces cost of transaction and also saves time. This type of model includes vendor management, procurement, and also online support and services. Last business model that is known is the *consumer-to-consumer* model. This is a type of e-commerce where there is an online platform for customers and not businesses, to sell goods to another customer. Example of *customer-to-customer* e-commerce is Carousell and E-bay. Malaysia has a high number of web clients at 22 million. The Malaysian government is pushing to achieve the status of high income nation by 2020 and one of the sectors that are being robustly promoted is the e-commerce sector. Currently, there is only 5% of business online exists in the Malaysia's markets, which shows that there is still much room for growth in the near future. The growth will also be affected by the increase of people with smartphones and more people that have access to the internet.

There are a number of pulling factors for the growth of e-commerce sector through government initiatives, the trending of consumption among Malaysian consumers, and a lot more opportunities for global players to venture into Malaysian market. The government have outlined the National online business Strategic Roadmap and the objectives of the roadmap are to make vendors more inclined to receive online businesses, to accelerate the reception when an organization wants to acquire an internet business, to remove all the non-levy boundaries, to realign current monetary incentives, to make crucial interest in main internet business organization and lastly to promote Malaysian companies to build cross-fringe online business. Another thing that is looked into in e-commerce sector is consumer trends. Malaysia has about 14 million people that look up for products online. The factors that deter them from buying online are mainly because of trust issue. They feel reluctant in making big purchase online. Other than that, the current market trends also play an important role in adoption of e-commerce in Malaysia. Based on study conducted, it shows that the top three division that utilizes web-based shopping are in design and accessories, beauty and wellbeing, and also home and living. The study also shows that the top three online business websites in Malaysia is Lazada, 11street and Lelong.my (C. Yung Wei et. Al ,2018).

### **Obstacles online business**

There are many challenges faced by business owners in setting up their businesses online in Malaysia. Over the past few years, studies have been conducted in finding the cause of these barriers in order to establish a solution. Based on the survey conducted to a number of respondents consisting of business owners, the main issue that halted the setup is due to security concern. Consumers that uses e-commerce platform have the concern of breach of data when they use online platform since they have to reveal their credit cards number or other ways of accessing their money from different places. In order to attain the trust from the people, tight measure needs to be taken to ensure that the data given by customers will be safe. Apart from that, the next concern brought up by business owners is regarding contractual and financial issues. Since e-commerce sector is a relatively new sector in

Malaysia, there is barely any precedence on legal matters. An example chosen was about a Malaysian company that is purchasing an online product from an American company. The product will be delivered online and the payment will also be made through online. This issue raises cautiousness since there is not any proper contract tying the two parties should there be any legal issue arises in the future. The next concern is about intervention from hackers. This is a serious matter because even though there is already a firewall and security measures, it is still possible to be intruded because the internet spreads out globally across millions of computers. Other than that, lack of IT skilled personnel is another reason why it is difficult for businesses to venture into e-commerce. The next factor is regarding privacy. Personal privacy assurance is crucial in assuring the growth of e-commerce. People are more comfortable doing business online knowing there is a guarantee that their personal data is protected. The other factors are the factors that accounted less than 20% such as importance problems of deception, the issue of globalization, ownership, lack of computers, and the issue of censorship. (N. Abd. Mukti, 2014)

### Securities

Information access is essential to online customers; a productive web search tool is particularly required. The simple access to data is more critical and favoured contrasted with showing extensive items or service data. There is no need in having inexhaustible item or service, yet these data are hard to get to. This tied in with the next factor which is information elements is being well presentable. Poor presentation won't just neglect to ingrain trust in potential clients, yet more terrible, it can likewise push clients away to a contender's site and not urge them to return and furthermore prescribe the site in future. Since internet business transactions are faceless, a reasonable security arrangement amongst clients and the merchants is the following essential factor aside from easy access. Showing trust seal and merchandise exchange and a decent two way-correspondence channel with the seller are the best two vital components. Privacy is the following factor, giving a plainly expressed 'privacy policy' office will ensure clients feel that their exchanges with the merchant are selective and secure. (Zaiton Abu Bakar et. Al, 2010). To increase protection and security in transaction to consumer in e-commerce, merchant need take action to give protection to consumers, merchants should be aware and concern about many aspects. Related to product offered, merchants need to include in giving true, clear and honest information to consumers. Next protection must be given to consumers from all other merchants who offer products using misleading ways or unjust. Furthermore, customer needs protection for obtaining goods according to what has been promised or offered. Protection for consumers to have refund or compensation as a result of unsuitable products that are not as promised also needed. Merchant also need to give clear and visible contract if the contracts contains a clause that the merchant is free from responsibility. Lastly, merchants should give attention in ads or promotion and marketing to people who cannot completely understand information given.

The Electronic Commerce and Customer Protection Group (ECPG) had given guidance to merchants that involved in e-commerce transaction. Merchants should be totally open about their business, goods and also services offered, as well as the terms and conditions of the transactions. ECPG guidelines regulate openness. This contains vendor contact information such as name, address, telephone number, and e-mail address. Next, correct profile picture of service, goods, and other additional costs linked to transactions such as shipping, consumer service, guarantee information and support information. Merchants also need to establish a

clear policy about returned goods and cancellation that have been bought by the customers and also giving refunds. However, letter with a statement of freedom from claims must be required, where the level and scope of claims must be place on website. ECPG guidelines prefer the merchants “not to represent the content of the transaction or mislead or be dishonest or any cases to deceive” for merchants to do business in accordance with fair business cases. This guideline also required that merchants must take reasonable steps to save consumers transaction information. This includes use of portal password protection, encryption or similar technology. Next, merchant must implement a privacy policy which is fit based on industry standards and legal request. Merchant should utilise a fair process in determining disputes and finding a solution. ECPG guidelines use mechanisms for solving consumers’ complaints. Merchant should choose their own internal mechanism and contribute in a program of solving quarrels utilizing and independent and presumed third party. (A. H. Barkatullah and Djumadi, 2018).

### **e-satisfaction improvement**

In online shopping environment, customer satisfaction is very important. The e-commerce retailers constantly pursue to increase online consumer spending through refining offering wide product ranges, improving service quality and also updating customer expectations in a timely fashion. There are several key that can be measure in term of customer satisfaction by applying a cause and effect model. First key is perceived value is strongly affected online purchase intentions. Most online consumer will measure the reasonableness of the price depend on the price tag and each particular. Therefore, this key factor will affect the customer’s first purchase intention. Perceived value also is a measure between quality of the product when customers received the item and price that have been paid. Customer will measure whether the price is acceptable for the quality of the product that they get from the online sellers. Finally, it is prove that customer satisfaction is absolutely affected by the price perceptions. Next key is customer satisfaction. Online retailers have to perform service properly. Hence, customer expectation in relative to service can be gain if the service is not perceived as demand. Therefore, the sellers experience increase in customer satisfaction which results from the low in customer expectations. Meanwhile, enjoyment also describes the expectations of consumer concerning the potential entertainment of e-commerce shopping. Enjoyment also is a constant and strong precedent of good attitude toward online shopping. It can be prove when the more customer enjoy the online shopping experience, the higher positive attitude provided by the customer in terms of online shopping. Higher likelihood there is that customers will buy the item from e-commerce retailers. Furthermore, perceived quality is the key role of quality products regarding to customer satisfaction has been emphasized in various work. It also includes the order to achieve high customer satisfaction and to be successful in the whole online market; both the product and service quality is the most important factor that the retailers need to be considered. Consumer compare perceived quality and expected quality as consumer loyalty is a "post utilization" matter. Making more e-satisfaction by improving item quality, this would prompt a more positive result. In this manner, fulfilled consumer given proposals and keep up steadfastness towards the web drive the consumer to shop via the Internet frequently. Typically, it is hard to sustain loyal purchasers in the internet shopping. Another way to tied-up customer is by using customer e-loyalty which, it is one of vital precursors for the achievement of web based business. Loyalty is firmly connected to rehash buys. At the end of the day, when a customer does rehashed buys on the web, they are showing that they are loyal to a specific internet business retailer. Connection among satisfaction and loyalty is variable; it relies upon various

ventures, and factors including responsibility, trust, or the level of shopper inclusion will influence the quality of the relationship. In general, with regards to e-loyalty, online consumer can get to sites with only a click. As a conclusion, factors such as perceived value, customer expectations, perceived quality and e-loyalty as mentioned are contributor to customer satisfaction for online shopping environment. Improving it can increase and boosting consumer expenditure in the online shopping environment. (T. M. Nisar and G. Prabhakar, 2017).

### Challenges

M. K. Jehangir et. Al, (2010) analyzed that E-commerce in Malaysia is in an outstanding condition. There are some opportunities and challenges faces by Malaysian e-commerce. The strength of the e-commerce practices is Malaysia is a well-developed country in term of information and communication Technology (ICT) infrastructure. The government of Malaysia shows an interest by provided tremendous initiatives and strategic planning to enhance the online marketing efficiency. However, there are also several of weaknesses for e-commerce in Malaysia. The old staff and old generation is computer illiterate. Plus, the internet access are quite low throughout the whole country especially the rural areas. According to P.D.D Dominic, the e-readiness ranking is fall vertically among Malaysia citizen in 2009. The opportunity for e-commerce growth in Malaysia is high. By developing the ICT technologies which provide quick online transaction, this would be increasing in online buying and use e-commerce by the consumers. Not to be forgotten, the strategic geographical position of Malaysia contributed as the key factor of growth of e-commerce in Malaysia by the foreign investment. It helps in marketing e-commerce technology through this country. Negatively, there are many threats that popped out within the advantages of e-commerce which are privacy, security, and legal issues. Also, high cost producer for broadband services and bandwidth make it difficult for the consumers to rapidly use the e-commerce. (M. K. Jehangir et. Al, 2010).

### Summary

There is a huge emergence of e-commerce sector in Malaysia which will boost the economy of the country. Since e-commerce is part of the Economic Transformation Program (ETP), the government is putting huge effort in promoting growth of the sector. Malaysian government has introduced a lot of initiatives to booster the growth of e-commerce sector in the country and despite of all the barriers and challenges that have been identified, plenty of steps and measures are being taken to solve the problems. It is crucial that all the issues are addressed to ensure that Malaysian market remains attractive to investors and also to make certain that Malaysia remains competitive worldwide.

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