Barriers Hindering Ecommerce Adoption: A Case Study of Kurdistan Region of Iraq

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ABSTRACT

Electronic commerce (EC) has the potential to improve efficiency and productivity in many areas and has received significant attention in many countries. However, there has been some doubt about the relevance of ecommerce for developing countries. The absence of adequate basic infrastructural, socio-economic, socio-cultural, and government ICT strategies have created a significant barrier in the adoption and growth of ecommerce in the Kurdistan region of Iraq. In this paper, the author shows that to understand the adoption and diffusion of ecommerce in Kurdistan, socio-cultural issues like transactional trust and social effect of shopping must be considered. The paper presents and discusses these issues hindering ecommerce adoption in Kurdistan.

Keywords: Developing Countries, Electronic Commerce, Information Technology, Internet, Socio-Cultural Issues, Trust

INTRODUCTION

The number of Internet users around the world has been steadily growing and this growth has provided the impetus and the opportunities for global ecommerce. The literature describes the Internet and ecommerce as an essential part of the development process (Kole, 2000). The environmental contexts and conditions in Kurdistan is not yet conducive to widespread adoption of ecommerce, the region still suffers from disabling deficiencies, scarcities and shortfalls in numerous areas of development. These different characteristics of infrastructural, socio-economic and socio-cultural have created a significant level of variation in the adoption and growth of ecommerce in developing countries, particularly in Kurdistan. Arguably the most salient obstacle to the development of ecommerce in many developing countries is the lack of necessary physical infrastructure particularly a cost-effective telecommunications system (Oxley & Yeung, 2001).

Ecommerce has been predicted to be a new driver of economic growth for developing countries (Humphrey et al., 2003). The opportunities offered by Internet technologies, a necessity for ecommerce has led many to believe that ecommerce will grow rapidly and help developing countries to overcome their problems of exclusion from the world economy and improve the terms of their participation (Odedra-Straub, 2003). It does present great opportunities to
business organizations in developing countries to gain greater global access and reduce transaction costs (Kraemer et al., 2002; Humphrey et al., 2003). However, previous research has found that developing countries have not derived the expected benefits from ecommerce (Pare, 2002; Humphrey et al., 2003). Consequently, there is still doubt about how ecommerce will actually lead firms in developing countries to new trading opportunities (Humphrey et al., 2003; Vatanasakdakul et al., 2004).

The obstacles to reaping the benefits brought about by ecommerce are often underestimated. Accessing the Web is possible only when telephones and PCs are available, but these technologies are still in very scarce supply. In addition to this problem, Internet access is still very costly - both in absolute terms and relative to per-capita income in most part of Kurdistan region. While PC prices have fallen dramatically over the last decade, they remain beyond the reach of most individual users and enterprises in Kurdistan. Add to this, the human capital cost of installing, operating, maintaining, training and support, the costs are beyond the means of many enterprises. There are significant disparities in the level of Internet penetration across parts of Kurdistan, which have profound implications for an individual’s ability to participate in ecommerce. Moreover, skilled personnel are often lacking, the transport facilities are poor, and secure payment facilities non-existent in most parts of the region.

Other than the insufficient physical infrastructures, the electronic transaction facilities are deficient and the legal and regulatory framework inadequate. Most consumer markets face severe limitations in terms of connectivity, ability to pay, deliveries, willingness to make purchases on the Web, ownership of credit cards, and access to other means of payment for online purchases and accessibility in terms of physical deliveries. Moreover, the low level of economic development and small per-capita incomes, the limited skills base with which to build ecommerce services (Odedra-Straub, 2003). While Kurdistan has abundant cheap labour, there still remains the issue of developing IT literacy and education to ensure the quality and size of the IT workforce. The need to overcome infrastructural bottlenecks in telecommunication, transport system, electronic payment systems, security, standards, skilled workforce and logistics must be addressed, before ecommerce can be considered suitable for this region.

The objective of this paper is to examine the barriers hindering ecommerce adoption, focusing on technological infrastructures, socio-economic, socio-cultural and the lack of governmental policies as they relate to Kurdistan region. It seeks to identify and describe these issues that hinder the adoption and diffusion of ecommerce in the region. Kurdistan region of Iraq is just like any other developing country where the infrastructures are not as developed as they are in developed countries of U.S., Europe, or some Asian countries, and these infrastructural limitations are significant impediments to ecommerce adoption and diffusion. The next section briefly presents background information about Kurdistan region of Iraq.

A BRIEF BACKGROUND SUMMARY OF KURDISTAN REGION OF IRAQ

This section briefly discusses Kurdistan region which form the background to this study.

The choice of Kurdistan as the context of this study is motivated by the quest to understand why the region is lacking behind in the adoption of ecommerce.

Kurdistan is an autonomous Region of Iraq; it is one of the only regions which have gained official recognition internationally as an autonomous federal entity, with leverages in foreign relations, defense, internal security, investment and governance—a similar setting is Quebec region of Canada. The region continues to view itself as an integral part of a united Iraq but one in which it administers its own affairs. Kurdistan has a regional government (KRG) as well as a functional parliament and bureaucracy. Kurdistan is a parliamentary democracy with
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