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THE ROLE OF E-COMMERCE IN FINANCIAL SERVICES INTEGRATION AND IT'S IMPACT ON INTERNATIONAL TRADE AND EMPLOYMENT

***Anupa Singh, Research Scholar, Department of Commerce, Kolhan University, Chaibasa**

**** Dr. Jyotish Kumar Singh, Asst. Professor, Department of Commerce, Kolhan University, Chaibasa**

ABSTRACT

Electronic commerce is a relatively new phenomenon. Its rapid expansion since the mid-1990s has drawn attention to the impact it will have on promoting trade, economic growth and development. In addition to the many benefits associated with e-commerce, concern has been rising in regards to the widening technological gap, 'the digital divide' among countries and sectors within countries. Electronic commerce and the Internet are posed to stimulate trade by lowering the cost of gathering and processing information from distant markets, by creating global access to specific goods and services and by making it possible to send over the Internet goods and services that traditionally required physical delivery.

Integrating financial services into e-commerce apps entails combining numerous financial tools and features that streamline the purchasing process. These integrations are designed to improve the user experience, build consumer trust, and ultimately drive revenue for businesses. E-commerce, through the Internet, will increasingly permeate human activity altering relations and transactions in the economy, stimulating trade and bringing about fundamental yet uncertain changes in the labour market.

Keywords: E-commerce, Financial Services Integration, International Trade, Employment

INTRODUCTION

Electronic commerce offers unprecedented opportunities to both developing and developed countries. In the short run, the gains are likely to be concentrated in developed countries but, in the long run, developing countries have more to benefit. In the short run, developing countries lack the infrastructure necessary to take full advantage of Internet. But in the long run, they can leap frog, skipping some of the stages in the development of information technology through which developed countries have had to pass. The advancement of technology has aided international business. Millions of people worldwide use the Internet to do everything from research to purchasing products online. The Internet is profoundly affecting almost all businesses. The various uses of the Internet by business entities include the ability to advertise, generate, or otherwise perform regular business functions. Therefore, many firms are embracing the Internet for many of

their activities. One impact for e-commerce is to intensify competition and producing benefits to consumers in lower prices and more choices.

Integration of Financial Services in E-commerce Apps: Enhancing Customer Experience

E-commerce has had significant development in recent years, and it continues to evolve swiftly as technology advances. Customers today expect seamless, safe, and convenient shopping experiences. And as the e-commerce industry is always changing, and firms are always looking for new methods to attract customers' interest and devotion. Smoothly integrating financial services is one of the important features that can distinguish an e-commerce platform from its competitors.

This integration enables them to create a full and sophisticated shopping experience that increases not just consumer pleasure but also sales and loyalty. So, in this blog, we'll look at the importance of financial services integration in e-commerce apps and the advantages it provides for your business and customers.

The Rise of E-commerce and Changing Customer Expectations

The widespread availability of smartphones and high-speed internet has transformed the way people purchase, making e-commerce an essential component of modern retail. Consumers have embraced internet shopping like never before, thanks to the convenience of browsing products and making purchases from the comfort of their own homes. But, as the number of internet shoppers increases, so do their expectations.

Customers nowadays expect more from an e-commerce platform than just a selection of products. They expect a smooth experience from beginning to end. This includes a user interface that is easy to use, quick and secure payment choices, and clear shipping and return procedures. E-commerce enterprises have developed new solutions to meet these demands through financial services integration as financial technology (FinTech) has improved.

Understanding Financial Services Integration in E-commerce

Integrating financial services into e-commerce apps entails combining numerous financial tools and features that streamline the purchasing process. These integrations are designed to improve the user experience, build consumer trust, and ultimately drive revenue for businesses.

1. Secure Payment Gateways

Any e-commerce software must integrate with secure payment gateways. Customers want to know that their financial information is secure when making online purchases. E-commerce apps can offer encrypted transactions by working with trustworthy payment processors, lowering the risk of fraud and increasing client trust.

2. Mobile Wallets

With the growing popularity of mobile wallets, it is critical to incorporate them into e-commerce apps. Users can utilize mobile wallets to securely store their credit or debit card information and make purchases with a single tap. This feature improves convenience and simplifies the checkout process, which reduces cart abandonment.

3. Buy Now, Pay Later (BNPL) Options

BNPL services have grown in popularity since they let customers pay for their products over time. By including BNPL choices, e-commerce apps can reach a broader audience, particularly those who are apprehensive to make larger upfront purchases.

4. Personal Finance Management

Some e-commerce apps have begun to include personal finance management capabilities, allowing clients to track their spending, create budgets, and measure their financial health. By empowering people to handle their funds successfully, this holistic approach creates trust and customer loyalty.

5. Reward Programs and Loyalty Points

Integrating loyalty programs with financial services provides clients with an incentive to return to the platform. These programs can provide cashback, loyalty points, or discounts to customers, so increasing client retention and driving repeat purchases.

Benefits of e-commerce on economy

The benefits of e-commerce on economy are classified into three groups: firms, prices, productivity. A combination of technological and market forces has compelled companies to examine and reinvent their supply chain strategies. To stay competitive, firms have searched for greater coordination and collaboration among supply chain partners to wring out the inefficiencies that might exist within firm transactions. Many of the transactions can be done externally, via electronic markets. The Internet and its applications have thus served to enhance the process to increase efficiencies in supply chain management. Moreover, ICTs allows firms to identify the market for the inputs they need in production and substantially reduces the cost of gathering and processing information about the prices and input characteristics of different goods and services. In addition, information and communication technologies make it easier to integrate and control remote operations without incurring prohibitive costs. Better ICTs enable optimized operations to be established in low-cost domestic locations and countries where comparative advantage is present for the outsourced task. E-commerce thus facilitates the efforts of companies to separate and spin out every conceivable activity in the production process to entities outside the firm. The available empirical evidence on price is mixed. Some of the first studies found that prices of goods sold through the Internet were on average higher than their equivalent purchased through traditional retailers. A more recent study, however, found prices for books and CDs on average to be about 10 per cent lower on the Internet compared with traditional retailers in the United States. Evidence on demand sensitivity to price is also mixed, with some work suggesting a low and others a high price elasticity of demand.

Moreover, several studies conclude that information and communication technologies were an important factor in improving the overall efficiency of labour and capital, in the United States. Most importantly, productivity increased not only in the information and communication producing sectors but in sectors of the economy that do not produce information and communications technology. In other words, users of these technologies also benefited from increased productivity. In addition, the data seems to reveal that workers in the US may have also benefited from increased productivity induced by e-commerce and ICTs.

Electronic Commerce, International Trade and Employment

1. International Trade Advancements

In information and communication technologies have the potential to reduce considerably the costs associated with gathering and processing information. By making information more readily available to all economic agents, information and communications technologies reduce the costs associated with trade and will likely stimulate it, both locally and internationally.

Collecting information is a costly activity, particularly so when it involves acquiring information across national borders. In fact, these costs can be so high that they can be considered a substantial barrier to trade. Finding the right supplier, specifying the product's requirements and quality, negotiating the price, arranging deliveries and marketing products is also very costly. With the Internet and e-commerce applications, a whole range of these activities can occur without having buyer and seller in close physical proximity. The use of

electronic means and the Internet can make the process of initiating and doing trade a lot easier, faster, and less expensive. In this respect, the Internet will likely promote trade much in the same way as lifting other trade barriers would. Thus, it is expected that, the volume of international trade will likely increase.

The Internet, especially when organized via electronic markets through e-commerce applications, reduces information costs and allows consumers and sellers to be matched and interact electronically, reducing the significance of geographic proximity and traditional business networks. Freund and Weinhold (1999) found ample evidence that, development of global markets via the Internet makes historical linkages less important and suggest that countries with the fewest past trade links - most likely developing countries - have the most to gain from the Internet.

In this regard, world trade in digitizable media products amounted to about US$44 billion in 1996, less than 1 per cent of total world trade. For most countries, trade in digitizable media products was less than 2% of total trade. The rate of growth of trade in digitizable media products is high and above the average rate growth of total trade: the growth in trade for digitizable media products on average was about 10% between 1990-96, 1.5 times faster than total world merchandise trade. (Mattoo and Schuknecht, 2000).

E-commerce will have a significant impact on trade in services. In fact, it has been estimated that electronic services could be worth over half a trillion US dollars globally by 2008, making this sector the fastest growing portion of international trade.

Obviously, some sectors and activities throughout the world are more prone than others to be affected by developments in e-commerce. In this respect, there have been attempts to identify industries or sectors that may be more predisposed to the effects of developments in e-commerce and technology. For example, Mann (2001), based on criteria that weighed the effect of cost savings, increases in productivity, industry readiness and product fitness to e-commerce, has elaborated an index of Internet intensiveness. Preliminary findings based on data from the United States and Europe suggests that the most Internet intensive sectors are electronic components, food, pharmaceuticals and forest/paper products. It is likely to expect that in other regions, these same sectors and industries will be affected by e-commerce via outsourcing. At the same time, recent evidence suggests that transnational corporations (TNCs) are likely to be the most intensive users of electronic commerce (Kuwayama, 2001).

2. Employment and Equity

Since e-commerce is still a new phenomenon and quantitatively not large, its overall effect on employment is yet very small and the statistical evidence thus scant (OECD, 1999a). Thus, presently, any discussion of its effects is necessarily tentative. As mentioned earlier, e-commerce is changing the way of doing business and fostering changes in the organization of work, including the facilitation of outsourcing. The state of technology, now allows companies to obtain work independently of location. With greater ease, firms can take advantage of external labor India Benefits from E-Commerce: Telemarketing, helpdesk support, medical transcription, back-office accounting, payroll management, maintaining legal databases, insurance claim and credit card processing, animation and higher-end engineering design -are among the new services delivered via telephones, computers and the Internet. The National Association of Software and Services Companies (NASSCOM) forecasts India's revenues from information technology-enabled services to multiply by 20 by 2008, to $16.94 billion. NASSCOM estimates that the Indian IT-enabled services industry employs about 68,000 people, but markets for inputs of short-term duration. Therefore locations, both domestically and internationally, that have the adequate mix of infrastructure and skills in their labor markets can benefit by participation in new global value chains, and in product markets such as software development or data processing.

As e-commerce continues expanding, its impact on employment and wages will be the result of a complex set of interactive forces. Electronic commerce is expected to directly and indirectly create new jobs as well as cause job losses. New jobs will be gained in informationrelated goods and services, entertainment, software and digital products, for instance. Indirect creation of jobs will occur via increased demand and productivity.

Jobs will be lost when e-commerce substitutes for the traditional way of doing business. The jobs most likely affected, as preliminary evidence suggests, are those in the retail sector, postal offices and travel agencies. However, the effects will not be uniform across countries, geographic areas, industries or skill groups.

In addition to the net employment gains and losses, e-commerce will have an impact on the demand for certain skills. The evidence suggests that ICTs and e-commerce demand a whole set of new skills where responsibilities and decision-making become more information based. This "skilled-bias technical change" generates demand for individuals with skills and talents to manage not only the information technology but also to exploit the large quantities of information about customer demands and production processes. In fact, preliminary findings in Brenashan et al (1999) note that new technologies will increase the demand for high-skilled workers to run them, but also of new managers that have to make decision in more information intensive organizations.

It is premature to speculate on the employment effects of e-commerce on developing countries in general and the region in particular. As in the case of countries where e-commerce is more pervasive, it is expected that new jobs will be created, especially in the service sectors. Demand would be expected to increase for workers in labour-intensive high-skilled services and information-intensive sectors. Essential ICT skills, software development, etc., will be in everincreasing demand.

Electronic commerce, though growing at very fast rates, is still a small fraction of the world trade in goods and services. However, as electronic commerce continues spreading and more goods and services become suitable for electronic delivery, its impact on trade and employment will become more dominant. In the region, electronic commerce has been spreading rapidly, though wide differences exist across and within countries. Though the development of e-commerce may be in its early stages, the risk of being left out of the electronic global market demands consideration. While much has been accomplished throughout the region, the realization of the full potential of ecommerce will require addressing further challenges. Among them:

1. Information Infrastructure

Building and expanding the information infrastructure on which the e-commerce economy depends is the first step in realizing the e-commerce opportunity. This infrastructure necessitates the availability of high-speed interactive communication infrastructures that facilitate access, low network delay and reasonable access and usage prices to both customers and service providers.

2. Regulatory Frameworks

Proper regulatory frameworks need to be devised with the capability of fostering competition, ensuring an efficient allocation of resources, and protecting the interests of consumers.

3. Legal Security

Security and privacy are fundamental to support the expansion of electronic commerce and promote user and consumer trust in information systems and electronic transactions. The protection of availability, confidentiality and integrity of information systems and the data that is stored and transmitted is the most pressing security concern. Protecting the integrity of transaction related information is paramount for the development of e-commerce. In an electronic environment, logos, brand names and trademarks are easy to replicate, and it can

be easy for buyers and sellers to misrepresent their financial and legal status, or even their physical locations.

4. Payment and delivery

The lack of online payment facilities and scattered use of credit cards among the general population, determines that consumers use the Internet at present for information collection purposes but conduct their business offline. If e-commerce is to be widespread in the region, reliable and secure payment systems need to be developed. Improvements in the postal service infrastructure for distributing goods and services are also needed.

5. Skills

Expansion of Internet use and electronic commerce will depend upon the development of human resources. The transition to a knowledge-based economy requires significant investments in human capital so that the knowledge that transmitted via computer and communications networks can be adapted to fit the new production needs.

6. Digital Divide

Special measures must be taken to ensure that the potential benefits of e-commerce are distributed efficiently and equitable among the population. In this regard, ECLAC (2000) has suggested various elements that might be included in a Latin American and Caribbean public policy agenda to ensure a more equitable transition to an information-based society.

Effects of e-commerce on international trade and employment

Electronic commerce offers important opportunities to both developing and developed countries. The development of e-commerce is likely to have both direct and indirect impacts on international trade as well as the labour markets.

1. E-commerce and International Trade

The use of electronic means and the internet can make the process of initiating and doing trade a lot easier, faster, and less expensive. Collecting information is a costly activity when it involves acquiring information across national borders. In fact, these costs can be so high that they can be considered a substantial barrier to trade. Finding the right supplier, specifying the product's requirements and quality, negotiating the price, arranging deliveries and marketing products is also very costly. With the internet and e-commerce applications, a whole range of these activities can occur without having buyer and seller in close physical proximity. In this respect, the internet will likely promote trade much in the same way as lifting other trade barriers would. Thus, it is the volume of international trade will likely increase. Especially, the internet when organized via electronic markets through e-commerce applications, reduces information costs and allows consumers and sellers to be matched and interact electronically, reducing the significance of geographic proximity and traditional business networks. A study found ample evidence that, development of global markets via the Internet makes historical linkages less important and suggest that countries with the fewest past trade links have the most to gain from the Internet, especially for developing countries. An evident from a 1998 survey of enterprises in 15 low and middle-income countries suggests that firms in these countries use search engines to research market opportunities.

The potential benefits from international e-commerce to a developing country arise from a reduction in the cost of imports as much as from an increase in the price received for exports. Even if a country does not export any services, it can benefit from imports of services, paying for them in terms of goods. Cheaper availability of medical, engineering and architectural services, long-distance learning and reduced costs of transactions can confer benefits even if the country does not immediately export the services traded through Internet. Several recent studies have suggested that trade also stimulates internet use. For example, a study suggests that the extent to which a country is integrated into the global economy can play a role in its access to IT. Countries with greater contact, either via trade, tourism, or geographical location, with the outside world, are more likely to be advanced in digital technology than other countries. Similarly, another study argues that countries open to imports from high-income OECD economies will benefit from knowledge spillovers and, hence, be more likely to adopt new technologies. Following figure and table shows world trade volume and the growth of world internet usage. Although world trade volume fluctuated between 2000 and 2010, it had a positive situation until 2008. After 2008, it declined because of the global financial crisis and then started to increase again. World internet usage increased all regions between 2000 and 2010.

World Regions	Growth 2000-2010
Africa	2,357.3%
Asia	621.8%
Europe	352.0%
Middle East	1,825.3%
North America	146.3%
Latin America/ Caribbean	1,032.8%
Oceania/Australia	179.0%

Empirical studies of internet adaption have found that internet use is correlated with openness to trade, even after controlling for other factors, that might correlate with both. For example, one of the studies found that internet users made up a greater share of the population in developing countries that were more open to trade. Other studies have also found that additional measures of ICT use and investment are correlated with various measures of openness. For example, research, which looks at the determinants of IT used in 54 countries in Africa, found that IT use tended to be higher in countries that are more open.

One research shows that enterprises that are more internationalized are more likely to engage in business-to-business e-commerce, but not in business-to-consumer e-commerce. Another research shows that ICT investment is higher in countries that import more manufactured goods from countries in the OECD. Finally, a study, which uses enterprise country level data on Internet use in Eastern Europe and Central Asia fails to find a positive correlation between openness to imports at the country level and internet use at the enterprise level. In fact, in some model specifications, same study finds a negative correlation. This negative result, however, be due to imports from low and middle-income countries. Imports from high-income countries are positively correlated with Internet connectivity. For example, a study shows that the correlation between openness and investment in ICT is stronger for countries that do not export computers.

2. Employment and e-commerce

As e-commerce continues expanding, its impact on employment and wages will be the result of a complex set of interactive forces. Electronic commerce is expected to directly and indirectly create new jobs as well as cause job losses. New jobs will be gained in information-related goods and services, entertainment, software and digital products, for instance. Indirect creation of jobs will occur via increased demand and productivity. Jobs will be lost when e-commerce substitutes for the traditional way of doing business. The jobs most likely affected, as preliminary evidence suggests, are those in the retail sector, postal offices and travel agencies. However, the effects will not be uniform across countries, geographic areas, industries or skill groups. Evidence for the United States and the European Union reveals that employment in ICT-related industries and in the finance, business and commerce-related sectors account for almost one- third and one-fourth of total employment, respectively. More importantly, they accounted for 28% and 35% of job creation in 1993-96. In addition to the net employment gains and losses, e-commerce will have an impact on the demand for certain skills. The evidence suggests that ICTs and e-commerce demand a whole set of new skills where responsibilities and decision-making become more information based. This “skilled-bias technical change” generates demand for individuals with skills and talents to manage not only the information technology but also to exploit the large quantities of information about customer demands and production processes. In fact, preliminary findings in a study note that new technologies will increase the demand for high-skilled workers to run them, but also of new managers that have to make decision in more information-intensive organizations. This increased demand for high-skill workers, with augmented managerial and executive responsibilities and a greater need for specialized expertise, who will command higher wages are viewed by some researchers as a cause of worsening of income distribution. Evidence for the U.S. seems to suggest that demand has shifted from low and middle-wage occupations and skills toward highly rewarded jobs and tasks requiring specific talent, training or management ability. Much of the labor demand shift is being explained by skill-biased technical change. Overall, low wage, low-skill production, did not enjoy the wage increases that IT-intensive, high productivity growth industries experienced. Thus, real wages grew in IT-intensive industries, where wages were already relatively high and did not change in IT-poor industries that faced workforce reductions and were already employing low-wage workers.

Conclusion

This research concludes following results. Internet will promote international trade much as lifting other trade barriers would. Thus, the volume of international trade will increase via e-commerce. The countries open to imports from high-income economies will benefit from knowledge spillovers. E-commerce can also have a significant impact on trade in services. In addition, electronic commerce is also expected to directly and indirectly create new jobs as well as cause job losses. New jobs will be generated in the information and communication technologies sector, while the indirect creation of jobs will occur via increased demand and productivity. The net employment gains and losses will depend on the demand for certain skills.

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