

# Chapter X

## E-Commerce Contribution to Economic Growth: The Case of Thailand

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### ABSTRACT

*As the trend of ICT development is gaining larger influence over countries' development and growth, e-commerce plays an important role in enhancing the growth of several developed and developing economies over the 21<sup>st</sup> century. This chapter aims to build the analytical base to support the importance of the development of e-commerce by investigating the role and contribution of e-commerce to economic growth and development. The chapter first investigates past contributions of e-commerce to economic growth in developed countries. Second, past research findings and frameworks are utilized to investigate the contribution of e-commerce toward economic growth, focusing on the case of e-commerce in Thailand. The study found that e-commerce plays an important role in enhancing the economic growth of Thailand. Two important findings supported the growth of e-commerce. First is the increase in sales generated by the use of e-commerce. Second, e-commerce induces the productivity development of firms through higher competition and innovation.*

### INTRODUCTION

Today the trend of ICT development is gaining larger influence over countries' development and growth. It would not be surprising to see the

elements that evolved from the developments of ICT (such as e-commerce, e-marketing, e-business, and e-learning) have increasingly provided support toward enhancing countries' growth and development, especially in highly sophisticated

industries. The introduction of e-commerce and e-business seems to create a tremendous contribution to the growth of many developed nations and is continuing its increasing impact on the developments of many developing economies over the 21<sup>st</sup> century.

Some recent literature pointed out the increasing contribution of e-commerce toward economic development in several developed countries such as the United States, Canada, Australia, and the United Kingdom (Adam, Mulye, Deans, & Palihawadana, 2002). It was found that from 1997 to 2000, the value of sales from e-commerce increased from less than \$20 billion to nearly \$300 billion. Moreover, some researchers expect that the contribution of e-commerce will grow faster than the contribution from traditional sales. Especially in the United States in the year 2000, e-commerce represented more than 80% of the worldwide e-commerce that took place, having a significant effect on the large economic sectors such as communications, finance, and retail where it accounts for 15% of the global gross domestic product (GDP).<sup>1</sup>

In Thailand, the idea of e-commerce utilized in business sectors and other electronic support systems in businesses have just started to gain attention from several government and private sectors during the past few years.<sup>2</sup> Major support went to the promotion of e-commerce for small and medium-sized enterprises (SMEs) and other businesses that wish to engage in online services. Moreover, an e-commerce resource center was established in 1999 to provide additional research and development in the field under the supervision of NECTEC (National Electronics Computer and Technology Center; ECRC, 2006). Although there seems to be increasing support for the development of e-commerce in Thailand, very limited findings and research have focused on the significance of e-commerce development and how such developments can contribute positively to the growth of the Thai economy.

## **RESEARCH OBJECTIVE**

As the study of the importance of e-commerce in Thailand is still in the initial stage and research in this field is quite limited, this chapter aims to build the analytical base to support the importance of the development of e-commerce. This will be done by investigating the role and contribution of e-commerce to economic growth and development.

The predominant concept of economic development has been broadly applied to four major areas including growth development, human development, social development, and other development aspects. To make the investigation of the contribution of e-commerce less complex, this chapter will emphasize only on the growth development perspective. This is because the growth element tends to be a universally accepted factor in evaluating a country's economic well-being as can be seen from the utilization of GDP, industrial output, and exports and imports figures as indicators of development in several research papers (Fraumeni, 2001; Steven & Session, 2002).

To find the role of e-commerce in economic development, first it is important to investigate the past contribution of e-commerce to economic growth in developed countries as opposed to developing countries. This is because experiences in developed countries can provide a sound base for supporting e-commerce in developing countries.

Second, the chapter will study the linkage between e-commerce and economic development to provide a framework for the significance of e-commerce in enhancing growth. Much research pointed out the benefits of e-commerce where it contributes to the increase of sales and output (Adam et al., 2002; Chuang & Shaw, 2005; Hanson, 2000; Ruengsrichaiya, 2004; Saeed, Grover, & Hwang, 2005). This chapter will adopt the research findings and framework utilized by past research as a base for developing the analysis on the contribution of e-commerce toward economic

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