

# E-Commerce in Yemen: Reality and Challenges

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**Abstract-** This study aims to understand the development of electronic commerce and analyze the current trends of electronic commerce in Yemen as a model for the least developed countries. There are very few studies on the adoption of e-commerce in Yemen. Therefore, in this study, we presented the latest factual data and trends related to its various aspects. As well as finding a set of guidelines or recommendations on the best practices of e-commerce adoption that may help Yemeni e-commerce companies.

**Keywords-** E-commerce, E-business, Reality, Challenge

## I. INTRODUCTION

The cutting edge of business today is e-commerce. E-commerce means electronic commerce. Means dealing in goods and services through electronic media and the Internet. On the Internet, it is about a seller's website, which sells products or services directly to the customer from the portal using a digital shopping cart or digital shopping cart system and allows payment through credit card, debit card, or wire transfer (electronic money transfer).

E-commerce or e-business involves doing business with the help of the Internet and using information technology such as Electronic Data Interchange (EDI). More simply, e-commerce is the movement of business on the World Wide Web. E-commerce became almost overnight the dominant activity over the Internet. The effects of e-commerce are already visible in all areas of business, from customer service to the design of new products. It facilitates new types of information-based business processes to reach and interact with customers such as advertising, online marketing, online order taking, and online customer service.

Nowadays, e-commerce uses the World Wide Web (WWW) at least at some point in the transaction lifecycle. It can also reduce costs in managing orders and interacting with a wide range of suppliers and business partners, areas that typically add significant overheads to the cost of products and services. For developing countries like Yemen, e-commerce offers a great opportunity.

From an international trade perspective, e-commerce can provide low-income countries with access to high-income countries (Terzi, 2011). In Yemen, it is still in its infancy, but even the most pessimistic forecasts point to prosperity. There has been a rise in the number of companies doing e-commerce in the recent past. Many websites now sell a variety of products and services such as gifts and greeting cards to groceries, electronic gadgets, computers, etc.

## II. LITERATURE REVIEW

In an awareness seminar on "E-commerce in Yemen: Problems and Prospects Update" organized by the Internet Society (ISOC) – Yemen, in cooperation with the Lebanese International University - Yemen, March 2016 it stated:

The business sector has been much more advanced than the government regarding the use of information technology and e-commerce to transact business. ATMs were a successful example of the implementation of e-business in Yemen. In 2004, a leading local bank implemented a reliable ATM network that covered the entire capital city of Sana'a. The service was accompanied by direct salary deposits to the bank account. A free ATM card was provided to all retail customers to access their salaries via the ATM network. The bank also offered salary loans to support organizations and employees to move from manual desab-hsac salary payments to

online electronic salary payments to bank accounts with ATM cards. The first international electronic transaction via international networks was in 2005.

The growth of such transactions was very slow until 2011 after the high penetration of the ATM culture. No local bank provided internet merchant accounts. The main reason is that the local infrastructure for banking transactions was still facing several issues such as network problems, capacity building, interbank connectivity, lack of a regulatory body to settle disputes, increasing security concerns, political instability, economic hardships, and others (ISOC, 2016)

In 2006, another government bank decided to provide the same services to government employee salaries. This was a revolution in Yemen's banking industry and the EFT culture. The penetration was adamant that the total number of ATM cards reached over a million by 2010 (Alkibsi and Lind, 1AD).

According to the index issued by UNCTAD, Yemen ranked among the 20 lowest places in the B2C e-commerce index. UNCTAD said that Yemen needed to make more efforts to enhance the capacities of least developed countries to participate in and benefit from e-commerce. According to UNCTAD, the available data indicate that less than 1 in 10 Internet users shop online in less developed countries, while up to 8 in 10 Internet users shop online in developed countries. Other key indicators of ICT infrastructure indicate that Yemen needs to catch up, and additional investments are needed in the ICT sector. He advised Yemen to facilitate the growth of service provision in G3 / 4G by mobile network operators in a competitive environment (Geneva, 2022).

In a study conducted by the Institute of Banking Studies – Yemen (written in Arabic) focused on electronic payment services in Yemen, the executive summary of this study talked about the payment systems playing a major role in developing banking services and achieving financial stability, as they represent the channels through which funds are transferred between institutions, events, and economic, financial and banking activities. Although Yemen has issued Law No. 40 of 2006 regarding payment systems and electronic financial and banking operations, the payments function has not received the required attention, so the indicators of

payment systems in Yemen are considered the lowest at the Arab and regional levels, as the statistics collected in this study indicate that about Only 10% of Yemenis had accounts, including electronic money accounts, at the end of the year 2019, and for the purpose of expanding the circle of financial services spread, and because the banks did not achieve the required spread, as the number of electronic money accounts reached about 808 thousand accounts at the end of the year 2019 for the five licensed portfolios,

so the Central Bank recently issued Resolution No. 1 of 2020 regarding the regulations for providing financial institutions with services Electronic money, according to which financial institutions other than banks established for this purpose were allowed to provide electronic money services to contribute to the dissemination and development of electronic payment services on a larger scale (Al-Samawi et al., 2020). Global System for Mobile Communications (GSMA) also outlined the potential impacts of e-wallet and e-cash initiatives in its 2017 report that notes the impact of e-money operations in "supporting financial inclusion, helping improve financial resilience, and most importantly serving displaced people around the world." (Landscape Report, 2017) The literature review leads to the following question: What are the current trends of e-commerce in Yemen? What are the challenges and barriers that hinder the progress of electronic commerce?

### III.METHODOLOGY

We can answer these questions through an analytical study of the current situation of electronic commerce and the use of the Internet in general. Some websites offer any number of goods and services you want. And some offer a specific product along with related services.

**Multi-product E-commerce:** Some Internet portals provide almost all categories of goods and services on one site; Hence they target the buyer of every possible product/service. The most famous examples are [www.emahallat.com](http://www.emahallat.com), [www.bazzarry.com](http://www.bazzarry.com), [www.rationye.com](http://www.rationye.com), [www.wan.net](http://www.wan.net), [www.ok4shop.com](http://www.ok4shop.com), [www.ye.opensooq.com](http://www.ye.opensooq.com), [www.marketq.com](http://www.marketq.com), etc. These Yemeni e-commerce portals provide goods and services in a variety of categories such as clothes and accessories for men

and women, Health and beauty products, Books and Magazines, Vehicles, Real estate, Accessories, Programming, Consumer Electronics, household appliance, Jewellery, Audio/Visual Entertainment Goods, Gifts...and more.

**Single Product E-Commerce:** Some Yemeni online stores provide specific services and goods such as: Gifts and e-commerce: These days, you don't think about the shape or type of the gift, the ihcaT store [www.dotymn.com/item/fN6PLt1Svu](http://www.dotymn.com/item/fN6PLt1Svu) saves you the trouble of choosing the style you like from a variety of styles that suit your lifestyle and provides different categories of gifts such as collectibles like paintings and sculptures, Luxury items like leather goods, perfumes, jewelry boxes, Household curios and carpets, Toys & games, Chocolates, Flowers, Wood-craft & metal-craft...and more.

**Employment and e-commerce:** The websites [www.yemenhr.com](http://www.yemenhr.com) and [www.anamehani.com](http://www.anamehani.com) provide a wide range of different and constantly updated jobs and opportunities, as a large number of self-employed and experienced people in various fields benefit from them. Gaming cards and E-commerce: Recently, a new type of social game has emerged, which has found a huge market among the groups of society, especially the youth, which has increased the activity of some sites that sell supplies for these games, such as [www.emendeal.com](http://www.emendeal.com), which provides access to cards and wallets, game cards, gaming, and entertainment accessories. ...and many more.

**View of e-commerce trends in Yemen:** View of e-commerce trends in Yemen: Yemen is developing at an average rate, with the Internet user base in Yemen still only 8.24 million, which is very little compared to the US, UK, India or China, but it is expanding at an alarming rate. At 8.24 million internet users, internet penetration in Yemen is still at 26.7%. Indicator... Given the +2.2 percent annual growth rate of the Internet, the number of Internet users in Yemen is expected to increase to approximately 200 thousand each year according to the Kepios analysis, it can be assumed that in the coming years (Digital 2022: Yemen — DataReport – Global Digital Insights, 2022), retailers will feel the need to move to online business. According to statistics, e-commerce is estimated to contribute \$229 million which is equivalent to only 0.1% of Yemen's GDP (BCG, 2012)

according to a study published in IISTE (Al-Halili and Hongxin, 2019).

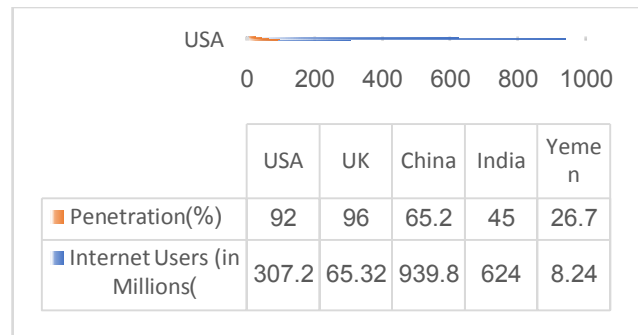


Figure 1. internet penetration in various countries  
(Source: [www.datareportal.com](http://www.datareportal.com))

**Social media statistics:** As we note in Figure 2, the number of social media users in Yemen at the beginning of 2022 amounted to 11.4% of the total population, and Kepios analysis reveals that social media users in Yemen have increased by 301 thousand (+9.4 percent) between 2021 and 2022. This is clear evidence of the spread of the culture of the need for the Internet and social networking sites in e-commerce.

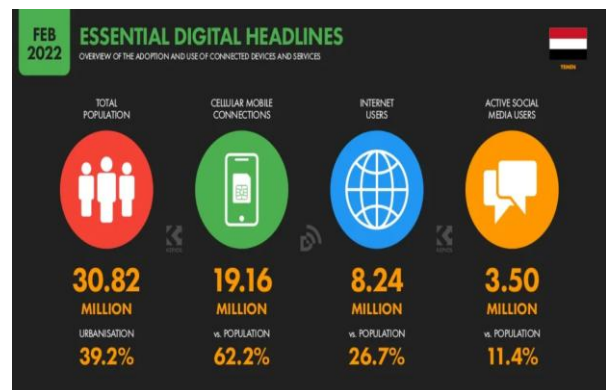


Figure 1: Figure 2. Internet penetration in various countries  
(Source: [www.datareportal.com](http://www.datareportal.com))

**Payment method-** The majority of online shoppers use credit cards as the preferred method of payment when shopping online. Cash on delivery, follow closely in second place and payment via bank accounts and transfers come sequentially.

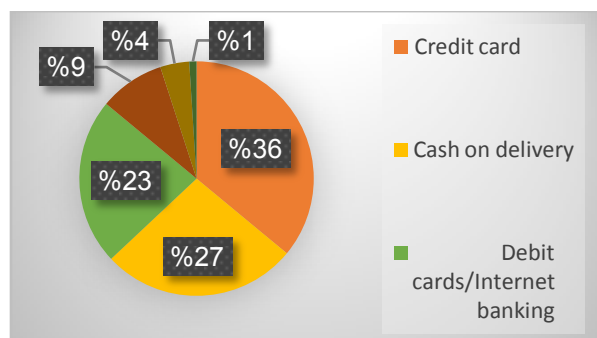


Figure 3. Payment method  
(Source: www.intsociety.org)

**Recommendations:** The most essential factor in the growth of e-commerce in Yemen is trust. As trust between retailers and customers plays an important role. Consumers do not trust retailers because they feel that they will not get the demand or that they will not have excellent and adequate service once the sale is completed. On the other hand, retailers do not trust customers because they feel that customers will seize the issue of returns and exchanges without consideration. The general lack of trust is the main obstacle impeding the growth of e-commerce within Yemen, along with other reasons such as the Internet and wide coverage of services. Below I recommend the following practical techniques that these online merchants can use to improve trust and build an environment where customers feel safe when making a purchase.

First, taking into account customers' opinions and allowing customers to share their positive and negative reviews about products or sellers, which enhances confidence among all parties, secondly, commitment to shipping and delivery in specified periods, which enhances customer satisfaction with the service, and third, having a trained customer service team that is highly efficient in solving problems They are experienced in their work, Fourth Fraud Protection An online retailer must not only ensure that proper security certificates are set up to handle payment-related transactions but that sensitive customer and payment information must be stored in an encrypted format. The messages on the site should indicate that the payment process is completely secure, which gives a sense of security to the customer. Fifthly, the stock updates in real-time where an updated record of the amount of stock available for all their products should be kept. E-commerce will witness significant growth in Yemen. However, a strong start can only be made by

building a strong level of trust with our clients - and winning them over, one client after another.

## V. CONCLUSION

E-commerce has become the hobby of every merchant or owner of a large or emerging company due to the huge profits that it achieves in the short term. E-commerce has revolutionized the digital world, changing the way companies and individuals buy and sell. It reduced the geographical distances that one had to endure to obtain a certain thing, and this was made easy through electronic screens with the push of a button. With the spread of third and fourth-generation wireless networks and competition between Internet service providers and telecommunications companies, the economy will continue to grow upward, not forgetting the government's initiatives to localize these services and increase the chances of adopting ideas for e-commerce, which helps the economy growing strongly. The government's role is also to provide a legal framework that deals with rights such as privacy, security, intellectual property, fraud prevention, and others.

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