Chapter XX
E–Business in Developing Countries:
A Comparison of China and India

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ABSTRACT

The Internet has changed the way many companies do business, but has also tended to increase the disparity between firms in developed countries and those in developing countries. As the digital divide seems to grow, the question becomes how will developing countries catch up? We examine two large developing countries, China and India, in an attempt to understand their approaches to developing e-business. While both countries had access to the technology at about the same time, each has taken a different path to utilizing it. These approaches are based on a number of factors, including government initiatives and focus, infrastructure building, experience and understanding of business operations, and culture, among others. China appears to be ahead of India in the mechanics and infrastructure, but India is ahead in e-readiness. Both countries are poised for rapidly increasing e-business, however, they have huge problems of poverty and inequality between urban and rural connectivity must be resolved to really take advantage of e-business.

INTRODUCTION

The personal computer and the Internet have changed the nature of business worldwide—in both developed and developing countries. People geographically isolated from each other are now able to communicate in real time. However, how has this ability to communicate affected global

businesses, especially among developing nations? This is not a trivial question, as the notion of the "digital divide" appears to be expanding, rather than contracting, as businesses in developed countries are increasingly connected, while those in developing countries lag relatively farther behind. The promise of the Internet and efficiencies of e-business are not equally distributed.

In this study, we examine the adoption and use of Internet strategies in furthering e-business in two large developing nations—China and India. We will see that each country has chosen a different path to utilizing the Internet in business. This may be instructive for other developing countries as they increasingly adopt the Internet and utilize its efficiencies for business and development.

Industrialized countries have adopted the Internet for business purposes at different rates. The U.S., where the Internet first developed, appears to be farthest along in business usage and near the top at a consumer level, although many other countries have significantly increased their use of the Internet (see Table 1). The Internet penetration of China and India are shown in Table 2. Most U.S. firms have an Internet presence, but not all use the Internet in the same way or to the same extent. Increasingly, U.S. firms feel the need to have a Web presence to reach their customers and to serve them efficiently. Sometimes the result is a full-service, e-business exchange site, but for other firms the result is merely an informational site. For marketers in developing countries, though, the question may be to what extent can the Internet be used in marketing products both locally and globally? Firms from industrialized countries have successfully done this, but there is little information about developing countries using the Internet to market their products internally or externally. This study examines the commercial use of the Internet in China and India in an attempt to understand their approaches to e-business. We examine several key areas we think may explain the adoption of e-business in these developing countries: regulatory issues, infrastructure, policy, and culture.

Table 1. Growth of the Internet—World Wide (Note 1: % Pop. is the Penetration Rate, expressed as population percentage; Note 2: Internet Growth Percent is between December, 2000 and June, 2005; source: The Internet World Stats News, No. 008, July 2005, http://www.internetworldstats.com/pr/edi008. htm, accessed August 6, 2005)

World Regions	Internet Users, 2000	Internet Users, 2005	Growth	% Population 2005
Northern America	108,096,800	223,392,807	106.7 %	68.0 %
Oceania	7,619,500	16,448,966	115.9 %	49.2 %
Europe	103,096,093	269,036,096	161.0 %	36.8 %
Latin America & Caribbean	18,068,919	68,130,804	277.0 %	12.5 %
Asia	114,303,000	323,756,956	183.2 %	8.9 %
Middle East	5,284,800	21,770,700	311.9 %	8.3 %
Africa	4,514,400	16,174,600	258.3 %	1.8 %
Total World	**360,983,512**	**938,710,929**	**160.0 %**	**14.6 %**

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