



MERITS AND DEMERITS OF E-COMMERCE IN REPUBLIC OF UZBEKISTAN DURING PANDEMIC PERIOD

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ABSTRACT

Due to the development of information technology and globalization, E-commerce started to develop rapidly in the world, affording small businesses and individuals to enter the market. COVID-19 also pushed this type of economic activity spread as the only way for business to customer (B2C). However, there are several aspects as logistics, legal regulations, social and economic situations in and outside of the country that should be improved for smooth development of this type of economic activity. The authors also considered the merits and demerits of e-commerce, the state of E-Commerce in the Republic of Uzbekistan.

CCS CONCEPTS

• e-commerce cost-efficiency; • advanced IT; • economic activity; • consumer; • small business; • logistics.;

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1 INTRODUCTION

From ancient times nations used to deal with economic activity which involves exchanging goods, services, and valuable items - commerce. The development of information technology made sharing information quick and easy, which, certainly, influenced the sphere of this type of economic activity as well, causing new types and formations. Revolution of Internet system and technology era followed to E-commerce has become popular in a quick period as well as it is flexible as we could say 24x7 refers to 24 hours of each seven days of a week, and cost-efficient, due to the fact, this transaction generated over Internet. As we know, from economic classes that commerce is a distribution of goods and services on a large scale which gives to a whole economic system as a product; it touches on several aspects as logistics, legal regulations, social and

economic situations inside and outside of the country. While importing and exporting services and goods between countries were affordable for only in a large-scale business, the development of e-commerce gave SMEs a chance to enter the sphere, where individual consumers and small businesses may exchange their goods and services. So as Erdal Aydin [1] mentioned "Low investment costs and lower fixed costs made e-commerce much more attractive for the companies. In addition to the low costs, e-commerce may reach to large scale geography and can be reached out of boundaries and addition to that service time is unlimited which provided a great competitive advantage to the businesses sphere. This structure dissolved the agents that share their profit margins of companies and reduced the distance between producer and customer". However, as every coin has two sides, e-commerce has its disadvantages, as not being responded to in time or lack of updates or full information on the sites. This study was intended to discuss all these merits and demerits of e-commerce, facilitating companies to pick up all challenges and demonstrate the real activity of e-commerce in Uzbekistan.

The novelty of the study is that this kind of study has rarely been done in our country, which makes international business challenging to do business here. It consists of abstract, keywords, literature review, merits of e-commerce, and demerits of e-commerce, e-commerce in the Republic of Uzbekistan, conclusion, and references.

The paper structures as follows: Section II provides the literature review, while Section III presents the Research methodology. Merits and demerits of E-commerce are discussed in Section IV and V, Section VI state E-commerce in the Republic of Uzbekistan, and finally VII concludes the research paper

2 LITERATURE REVIEW

In today's world in order to do a business is not enough to have entrepreneurial skills and knowledge, you should have a piece of information about potential customers and networking skills. It does not matter how quality and cheap product a business has, if it is lacking information, it cannot make a profit. According to the data a company has, it can build a customer-oriented marketing technology strategy, which uses the information and this information goes frequently up to date information.

Choi et al (1997) [2] offered the Electronic Commerce Areas model (Figure 1). This model shows variances between e-commerce and traditional commerce. Choi et al show e-commerce as a three-dimensional space, with purely traditional commerce in the front bottom left area and purely electronic commerce in the back top right area. All other areas characterize a combination of the two traditional commerce and e-commerce. This model also identifies

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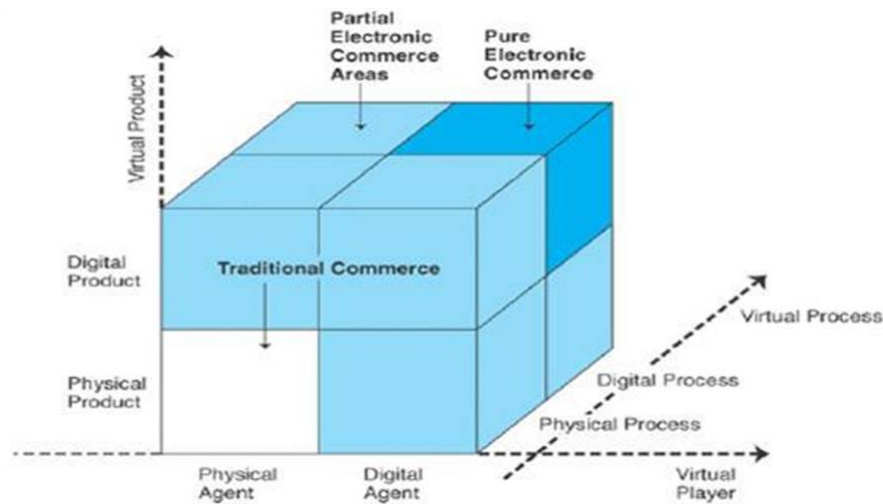


Figure 1: Electronic Commerce Areas model [2]

the product, agent, and process as three main measurements differentiating e-commerce from traditional commerce. The illustration emphasizes the element that e-commerce may be applied to complement a current or innovative venture, or may be used to launch a completely electronic venture. The model may also assist in identifying the location of an enterprise in the marketplace and be useful in determining the organization's focus in connection to technology. It contributes to developing an e-commerce strategy.

Internet influenced all spheres of social life, as well as, business development. Consumers are making investigations of products, purchasing goods and services, and communicating via the Internet with product developers or distributors. It created employment and unemployment not paying attention to the status of the country, it advanced for developed and developing countries, impacting international business positively. All process has been done online which increases job opportunity for information and communication specialists, while chances for ordinary agents, sellers may decrease.

If before commerce was an economic activity between nations, nowadays due to e-commerce it is business-to-consumer activity, it involved individuals taking part in this process. The Internet is dramatically expanding opportunities for business-to-business and business-to-consumer e-commerce transactions across borders. For the business to consumer transactions especially, the internet sets up a potential revolution in global commerce: the individualization of trade [3].

Common e-commerce models include: Business-to-business, Business-to-consumer e-commerce, Consumer-to-consumer, Information retrieval [4]. Advanced IT and communication technologies cause it to be more accessible, cheaper, more effective, and efficient, increasing the number of users of Internet effect to the spread of e-commerce all over the world positively, attracting more and more companies and people to use it actively.

3 METHODS

In this article to hv up to dt results nd informtion, sondry dt hs bn implemented. Tht's why in thrtl mthods s obsrvtion, bstrtlogil thinking, nd systmtipproh of sondry dt hvlso bn usd s on of th min mthods.

3.1 Merits of E-commerce

There is doubt that e-commerce is applied in every sphere of life: economy, education, medicine, culture, etc. creating opportunities and challenges, affecting positively and negatively. It is one of the rapidly growing economic activities in the global retail business. E-commerce volume as a whole amounted to 29 trillion USD in 2017 based on the United Nations Conference on Trade and Development [5] estimates. This would grow with the spread of the Internet and information and communications technologies (ICTs), which have room for further dissemination. In 2018, the share of e-commerce in global retail sales had reached 12.2%. In 2019, e-commerce comprised 14.1% of the global merchandise trade. This share is forecasted to rise to 22% by 2023 (see Table 1) [6].

In the article "E-commerce development in rural and remote areas of BRICS countries" Karine HAJI [6] investigates the development of e-commerce to the areas for potential cooperation by BRICS countries in e-commerce development across rural and remote areas to fight poverty by analyzing the current state of e-commerce development in rural and remote areas in each of the BRICS countries, including cases of public and private initiatives to support it and concluded that though BRICS countries are in a different stage of e-commerce cooperation on e-commerce development in rural and remote areas looks a promising sphere for collaboration of mutual interest. The author emphasizes that E-commerce is not simply the supply of business opportunities and market access, but conjointly a bridge for digital technologies penetration into the remote and rural areas. To assist transfer folks out of poverty, e-commerce ought to help make and strengthen a culture of mutual

Table 1: Retail sales and retail e-commerce sales estimations from 2021–2023[7]

Year	Retail sales (trillion USD)	Retail e-commerce sales (trillion USD)	Growth rate of retail services	Growth rate of e-commerce (%)	Growth rate of total retail sales (%)
2021	27.243	4.927	4.5	17.1	18.1
2022	28.472	5.695	4.5	15.6	20.0
2023	29.763	6.542	4.5	14.9	22.0

Source: Composed based on statistics, provided in Lipsmane (2019)

respect, help, responsibility, and honesty, based mostly on the core human values: truth, righteousness, peace, love, and non-violence.

One of the main aspects of e-commerce is negotiating and bargaining process also enjoys information technology development, A Negotiation Support System[8], which makes the decision-making process easy during bargaining activity with other agents. Studying closely the implementation of automated complex negotiation systems in manufacturing multi-firm environments the author agreed that it should support the management of buyer-supplier relationship during negotiation phases and facilitate the supply process, as the process goes on over the Internet no need to travel or face-to-face meeting, it, certainly, saves time, finance, human resources, etc. All of these factors speak for advantages of e-commerce in the global retail, which make this economic activity influence positively to enhance international trade bringing acceptability to a wide range of audience saving time and finance, however, increasing effectiveness and efficiency.

3.2 Demerits of e-commerce

The main issue for e-commerce may be obtaining customer satisfaction as a product, service, or information, which potential customer is eager to buy is available only online, i.e. the purchase cannot be touchable. A potential customer is in danger to lose not only finance, but time either while waiting for the product delivered; he is in hesitation regarding size, color, quality, and other indicators of the purchase, which has been done online. It is companies' interest to make the purchase enjoyable and fruitful for consumers, which is the right way to intend the customer for repeat purchase and earn his loyalty.

OECD [9] mentions four barriers, which should be paid attention to succeed in e-commerce: "ensuring access to the information infrastructure, building user and consumer trust in information systems and electronic transactions, minimizing regulatory uncertainty in the new electronic environment, and easing logistical problems for payment and delivery". These areas still attract severe attention, especially, when this type of economic activity is a new phenomenon for society. As e-commerce is an economic activity that involves many nations and countries, the laws of one country may not apply to the next, causing difficulties in protecting the security of customers' information. Due to mass media, news we are aware of different types of hacker's crimes in stealing debit/credit cards, information in different level of establishments, according to BBC [10] "over 300 million pounds is spent every year stolen credit/debit cards worldwide. Anybody who has access to a credit/debit card number and expiration date can buy anything over the internet". Authors emphasize as a solution of the problem

to a set iris image as a biometric, for customer identification and authentication to secure e-commerce transactions. Figure 2 gives some examples of biometric devices, which can be used to secure customers' inviolability.

One of the main problems in e-commerce that every nation faces is logistics, though it is, has been developing dynamically and rapidly [12] the percentage of return items is sometimes lower or higher. For example, the books by 10–15%; the computers and components by 10–18%; clothing up to 30–40%; mass consumption goods 5–15%. Returns and complaints are an integral part of e-commerce. Online retailers are more likely to receive goods returns than their counterparts in traditional retailers. Returns of purchased goods using the Internet can be 20–80%. Other studies have found that at least 30% of all e-commerce orders worldwide ends up like returning package, compared with 8.89% of regular sales in stores (Mokhirev (2016), Pei et al. (2018), Kvasnicova et al. (2016), Hudák, M., Kianičková, E., & Madleňák, R. (2017), Das et al. (2020). The type of problems should be discussed and regulated among countries by making bilateral agreements.

4 E-COMMERCE IN THE REPUBLIC OF UZBEKISTAN

The development of legal e-commerce in the country is in its early stage, there are several barriers for the development of e-commerce in Uzbekistan:

1. Weak telecommunications infrastructure and connectivity;
2. A significant gap between urban and rural areas;
3. Lack of digital skills and literacy.

The government is paying much attention to advancing this industry by creating different legal regulations, online trading platforms, giving tax preferences. In May 2018, the Uzbek President signed a decree "On measures for the accelerated development of e-commerce" [13] and approved the "Program for the Development of E-commerce in Uzbekistan for 2018–2021"[14]. The main achievement in this field is the legalization of freelancing in the sphere e-commerce for the youth of the country.

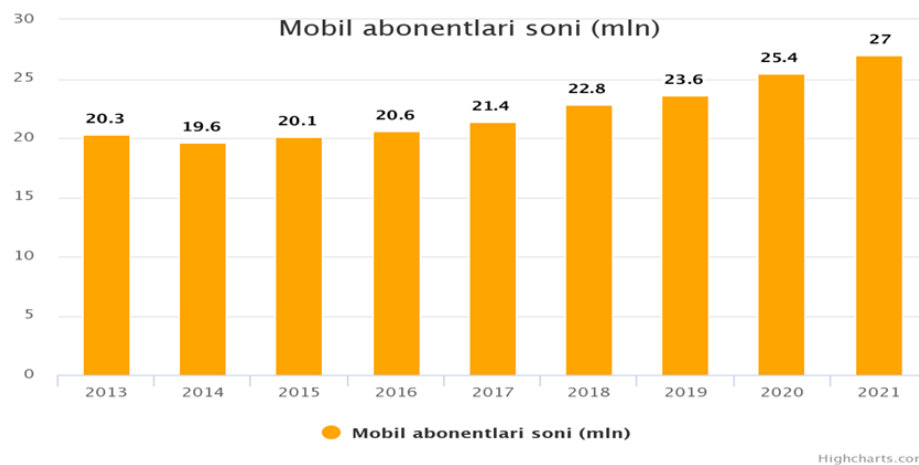
However, a severe push to the development of e-commerce in the country served a lockdown during COVID-19 quarantine time. Most of the industries, which had to close according to quarantine regulations, switched on e-commerce, were not only hoping to recover but increased their turnover regarding B2C. If until 2017, only 52% of Uzbekistan's overall population use the Internet that is slightly below average levels for CIS member countries [16], as it was shown in Figure 3 their number is increasing year by year. As creation and development of local and international trading sites,

Exhibit 5.2**Examples of Biometric Devices**

MIS, Chapter 5

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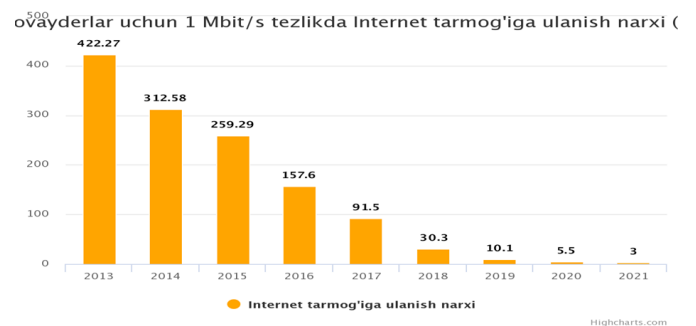
Figure 2: Examples of biometric devices [11]**Figure 3: Total number of Internet users [15]**

customers can process online payment through mobile applications, smartphones, and bank card and mobile payments.

However, as Figure 4 illustrates that the cost of internet connection is decreasing significantly, which push people may use it actively which, certainly, influence to the development of e-commerce positively.

5 CONCLUSION

In conclusion, e-commerce is rapidly developing due to advanced IT and globalization, which affords small businesses and individuals to enter the market. Though in developing countries lack of appropriate experience and resources may cause challenges its spread in a fast level, the right policy and investment influence to the situation positively. As it was discussed that e-commerce brings a

**Figure 4: Cost of internet connection [14]**

lot of advantages to the buyer and seller as cost-efficiency, time-saving, and creation of new job places. Solutions to the problems appeared according to the type of economic activity as information security, logistics i.e. can be picked up with appropriate usage of advanced IT as biometric devices, creation bilateral agreements among countries.

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