

THE FEATURES OF ELECTRONIC COMMERCE AND THE IMPORTANCE OF DEVELOPING E-COMMERCE IN UZBEKISTAN

Kudratova Feruza Nasriddinovna

*The University of World Economy and Diplomacy
International Economics and Management Faculty
Master's degree student*

Zakirova Sayyora Alimovna

*The University of World Economy and Diplomacy
International Economics Department
Docent*

Abstract:

E-commerce also has a place in the process of developing the digital economy. Especially in the current era of globalization and technology, the use of online services is becoming popular. Electronic commerce is a relatively new concept that crept into the business vocabulary during the 1970s. In Uzbekistan, electronic commerce has become very popular in recent years. This article explains the concept and theoretical foundations of electronic commerce. In addition, its contribution and importance to the development of the digital economy in Uzbekistan, but also the development of the economy and other sectors has been highlighted.

Keywords: e-commerce, internet, platforms, web server.

Introduction

Contemporary communication and information technologies have the potential to bring about alterations in organizational frameworks and business procedures, significantly impacting the competitive edge of companies. Markets, as a means of coordination, are gaining prominence under their influence. Moreover, the dynamics and structures of markets are undergoing transformations owing to the widespread adoption of advanced telecommunication media. This contribution focuses

on exploring the drivers, nature, and extent of these changes, which serve as catalysts for electronic commerce.

The basic concepts such as “electronic commerce”, “electronic business”, and “electronic market” should be explained before determining the impact of electronic commerce on the world economy and considering current issues in this field.

Literary review and methodology. In a general sense, electronic commerce encompasses various economic activities carried out through electronic connections. It encompasses a wide range, from electronic markets to hierarchies, including electronically facilitated entrepreneurial networks and collaborative setups (electronic networks). The shared characteristic among them is the use of electronic market coordination mechanisms. Typical areas of application include services in tourism, finance, and insurance industries, as well as product distribution and customer services.

According to Y. A. Nanehkaran, “e-commerce is a powerful innovative process that has fundamentally changed human life, and e-commerce is also one of the main criteria of the revolution of information technologies and communications in the economic sphere¹”.

According to Jeffrey, “E-commerce is the buying and selling of goods and services on the Internet and the information source for consumers to compare prices and view the latest information on an Internet platform²”.

Based on the above, we can state that e-commerce is one of the key features in the automation and transformation of traditional business practices in the virtual space. In addition, the automation, i.e. digitization, of existing operations arising in this transformation increases business efficiency. Among other things, the digitalization of commerce is simplifying routine work and creating favorable conditions for retail trade.

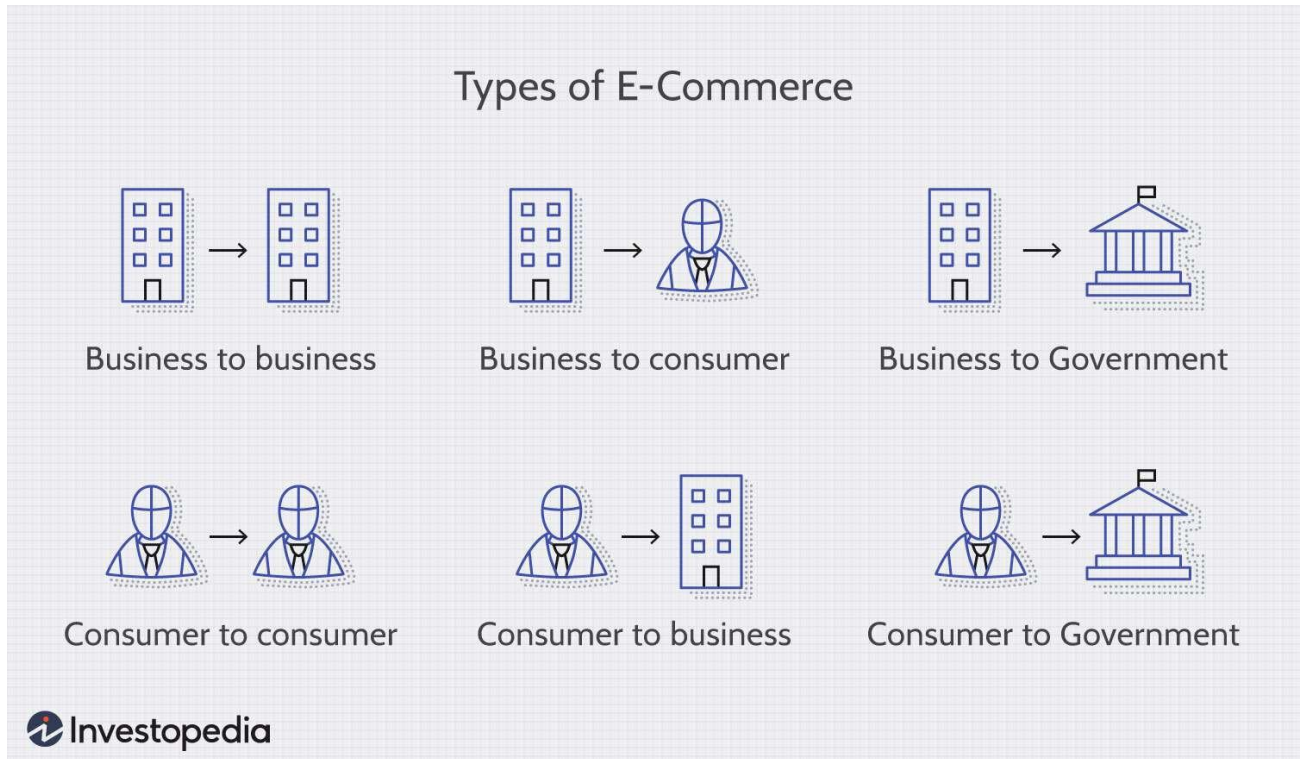
E-commerce is powered by the internet. Customers access an online store to browse and order products or services through their devices. When an order is placed, the customer's web browser communicates back and forth with the server hosting the e-commerce website. Information about the order is transmitted to a central computer known as the order manager. It is then routed to databases that manage inventory levels. Finally, it returns to the order manager. This is to make sure there is enough store inventory and customer funds to process the order.

After the order is confirmed, the order manager will notify the store's web server. It informs the customer that the order has been completed. The order manager then sends the order information to the warehouse or fulfillment department and indicates that the product or service can

¹ Nanehkaran Y. K. An Introduction to electronic commerce. International journal of scientific and technology research, 2013, vol. 2, no. 4, pp. 41-48. doi: 10.1109/CICC-ITOE.2010.39

² Jeffrey B. Defining international electronic commerce [Int'l L. & Bus]
Available at: <https://trends.rbc.ru/trends/industry/607fe4549a7947027eaffbe6>

be shipped to the customer. At this time, physical or digital products may be sent to the customer, or access to the service may be granted.



Picture 1. Types of E-commerce³

Business-to-Business (B2B)

Discussion and results. Similar to B2C, an e-commerce enterprise can sell products directly to an end user. The distinction lies in the fact that this user, in the case of B2B, is typically another business rather than an individual consumer. B2B transactions commonly involve larger quantities, more detailed specifications, and extended lead times. In situations where the purchase is intended for recurring manufacturing processes, the ordering company might also need to establish arrangements for a regular and repeated supply of goods.

Business-to-Government (B2G)

Certain entities specialize in serving as government contractors, supplying goods or services to various agencies or administrations. Comparable to a B2B relationship, these businesses create valuable products and deliver them to the respective government entities.

E-commerce businesses engaging in B2G transactions frequently need to fulfill government requests for proposal requirements, seek bids for projects, and adhere to precise criteria for products or services. Additionally, collaborative efforts among government entities may involve the joint solicitation of a single contract through a government-wide acquisition agreement.

Consumer-to-Consumer (C2C)

³ <https://www.investopedia.com> - an official website of Investopedia

Only established companies can sell items is a misconception. E-commerce platforms, like digital marketplaces, facilitate connections between consumers, enabling individuals to list their products and conduct their sales.

C2C platforms, whether in the form of auction-style listings like eBay auctions or discussions about the offered item or service as seen in Craigslist postings, utilize technology to empower consumers for both buying and selling, eliminating the necessity for intermediary companies.

Consumer-to-Business (C2B)

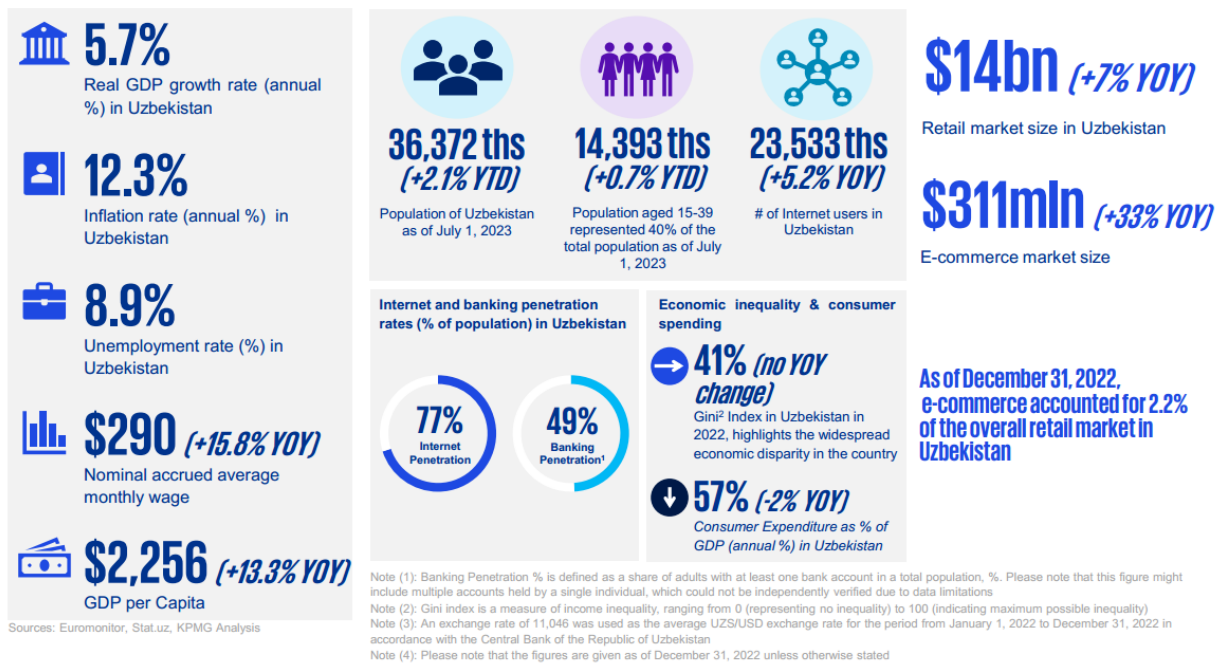
Contemporary platforms have simplified the interaction between consumers and companies, particularly in the context of short-term contracts, gigs, or freelance opportunities. Take, for instance, the listings on Upwork.

Consumers now can seek bids or engage with companies requiring specific tasks. This e-commerce platform serves as a bridge, connecting businesses with freelancers and granting consumers increased control over pricing, scheduling, and employment requirements.

Consumer-to-Government (C2G)

Less of a traditional e-commerce relationship, consumers have the opportunity to engage with administrations, agencies, or governments through C2G partnerships. These collaborations typically revolve around fulfilling obligations rather than engaging in a service exchange.

E-commerce is rapidly developing in Uzbekistan. In 2022, the e-commerce market in Uzbekistan achieved a remarkable milestone, reaching a size of 311 million US dollars. This signifies an almost fivefold growth over the past five years, solidifying its position as the fastest-growing e-commerce market in Central Asia. The robust expansion of e-commerce owes itself to multiple factors, including the increasing online presence of the population, government-backed initiatives that bolster the industry, and the emergence of local market players.



Picture 2. Key facts of economics and e-commerce in Uzbekistan⁴

According to Picture 2, as of December 31, 2022, Uzbekistan's e-commerce market was valued at \$311 million.

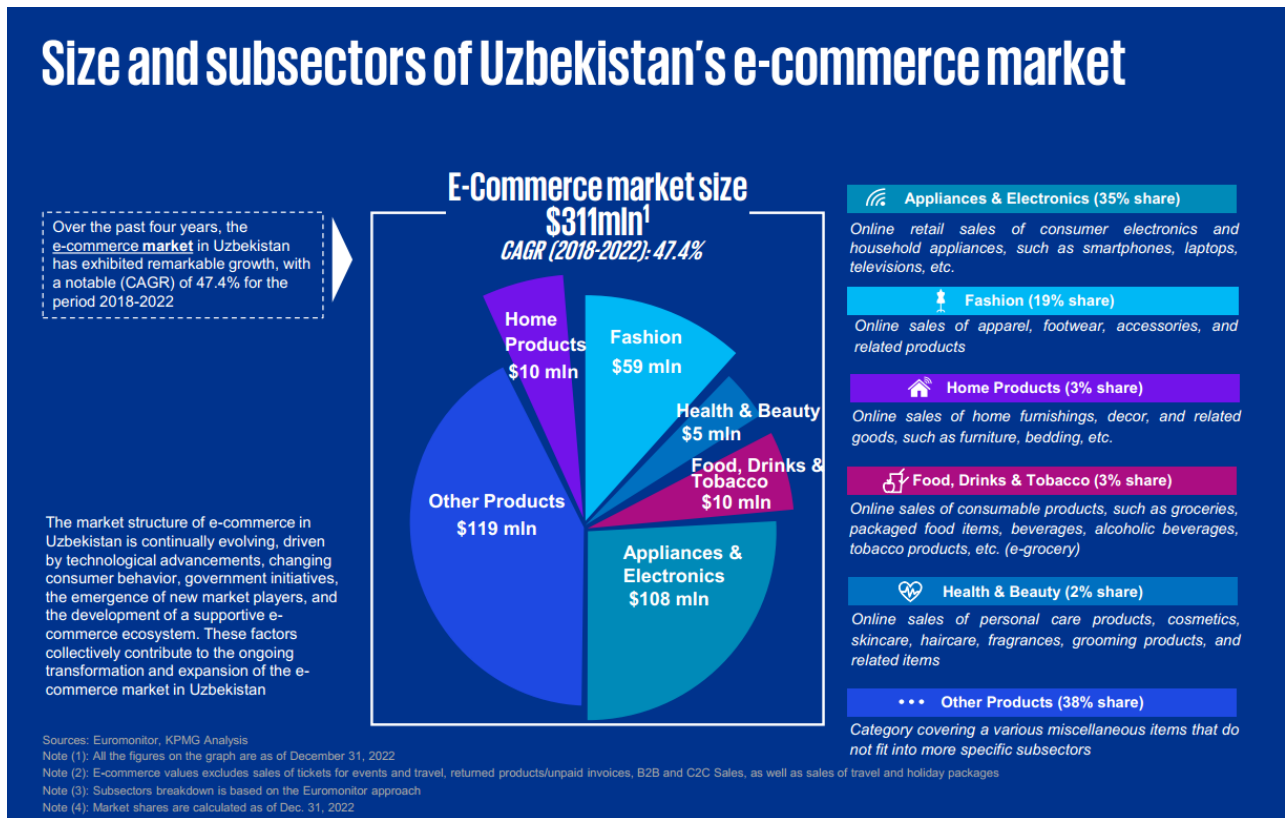
The E-commerce market is projected to grow a substantial milestone, with estimates ranging from \$1.8 billion (lower-end range) to \$2.2 billion (higher-end range) by the end of 2027, the estimated compound annual growth rate (2022-2027) ranging between 41.4% (lower-end range) and 47.4% (higher-end range)⁵.

Moreover, this market research on the e-commerce market in Uzbekistan delves into other aspects as key market drivers, opportunities, restraints, key market players, and their performance indicators. In essence, the report provides an overview of the current state of Uzbekistan's e-commerce market and, grounded in thorough analysis, presents a forecast for its future market size.

⁴ Overview of e-commerce market in Uzbekistan. KPMG. <https://kpmg.com/uz/en>.

⁵ Overview of e-commerce market in Uzbekistan. KPMG. <https://kpmg.com/uz/en>.

Size and subsectors of Uzbekistan's e-commerce market



Picture 3. Size and subsectors of Uzbekistan's e-commerce market⁶

According to Picture 3, the e-commerce market in Uzbekistan is divided into 6 categories. They are Appliances & Electronics (35% of the total market), Fashion (19% of the total market), Home products (3% of the total market), Food, Drinks & Tobacco (3% of the total market), Health & Beauty (2% of the total market), Other products (38% of the total market). The leading sectors of e-commerce in Uzbekistan are Appliances & Electronics and Fashion, which constitute more than half of the e-commerce market.

Over the past four years, the e-commerce market in Uzbekistan has exhibited remarkable growth with a notable of 47.4% for the period 2018-2022⁷.

In particular, in the decision of the President of the Republic of Uzbekistan dated April 28, 2020 “On measures for the wide introduction of digital economy and electronic government⁸” No. PF-6079 Decree on measures for its effective implementation, especially in paragraph 2.3 of this Decree, as “Priority directions for the development of the digital economy”, further development of e-commerce and improvement of factors directly related to its development events were determined.

In Uzbekistan, the field of e-commerce is at its stage of development. Today, the volume of e-commerce is about one percent of the country's GDP⁹. In order to further develop e-commerce, it

⁶ Overview of e-commerce market in Uzbekistan. KPMG. <https://kpmg.com/uz/en>.

⁷ Overview of e-commerce market in Uzbekistan. KPMG. <https://kpmg.com/uz/en>.

⁸ www.lex.uz – National database of legislation of the Republic of Uzbekistan

⁹ www.stat.uz – Statistics agency under the President of the Republic of Uzbekistan

is necessary to identify the factors affecting it, to study the appearance of connections between them, and to make forecasts for future periods on this basis.

They include the number of Internet users, the value of Internet service tariffs, the number of Internet stores, e-commerce transactions, the volume of e-commerce transactions, total transactions made through terminals, the number of plastic cards, and the volume of transactions with plastic cards, ATMs and several other factors.

For Uzbekistan, the development of information technologies is of great importance in ensuring new economic relations. However, this process takes place only if there is a certain level of informational readiness in society, which is created because of the increase of educational standards in the field of information technologies, the modernization of national telecommunication networks, and the formation of the legal framework.

Currently, state bodies in Uzbekistan follow the following principles, which are widely used in the world experience, in the development of electronic commerce:

- The corporate sector should play an active role in the development of electronic commerce;
- In relation to electronic commerce, it should not be allowed to impose various unjustified restrictions by state bodies;
- State authorities can intervene in the 419 electron commercial process to support the subjects of this industry and improve the legal base;
- When developing e-commerce management measures, the government should take into account the peculiarities of the Internet;
- The process of electronic commerce should take place on a global scale, regardless of administrative-territorial division and state borders.

Conclusion

Industrialization of high information technologies will create thousands of new jobs. The stabilization of the economy of Uzbekistan, the increase in the competitiveness of goods and services, and the development of e-commerce will lead to an increase in our export opportunities. Electronic commerce ensures the improvement of the standard of living of the population and the development of fields such as marketing and management.

The development of electronic commerce creates opportunities for our national manufacturers to open new markets and find new customers. Following the chosen and current path of e-commerce development will make the economy of Uzbekistan one of the leading representatives of the world market in the future.

Choosing the right way to solve the problems of electronic commerce in Uzbekistan is reflected in the well-being of the people, the progress of our society, and our economic development.

References:

Nanehkaran Y. K. An Introduction to Electronic Commerce. International Journal of Scientific and Technology Research, 2013, vol. 2, no. 4, pp. 41-48. doi: 10.1109/CICC-ITOE.2010.39

Jeffrey B. Defining international electronic commerce [Int'l L. & Bus] Available at: <https://trends.rbc.ru/trends/industry/607fe4549a7947027eaffbe6>

?? Overview of e-commerce market in Uzbekistan. KPMG. <https://kpmg.com/uz/en>

?? <https://www.investopedia.com> - an official website of Investopedia

?? www.lex.uz – National database of legislation of the Republic of Uzbekistan

?? www.stat.uz – Statistics agency under the President of the Republic of Uzbekistan