INTERNET COMMERCE IN UZBEKISTAN AND THE FACTORS AFFECTING ITS DEVELOPMENT IN THE AGE OF DIGITAL TECHNOLOGY

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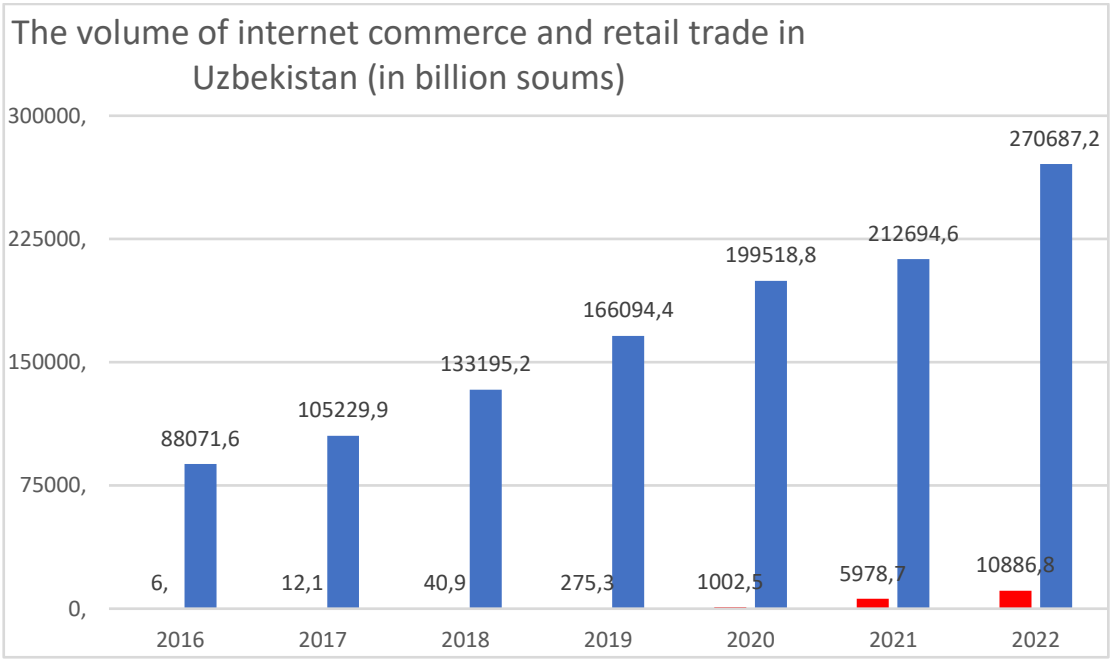
Abstract. *Today, the basis of the achievements in the economy, especially in the field of entrepreneurship, lies in the highly developed and effective use of information technologies.But this process takes place only if there is a certain level of informational readiness of the society, which is created by application of educational standards in the field of information technologies, modernization national telecommunication networks, and the formation of the proper legal framework.*

Keywords*: internet commerce, technology based society, open digital ecosystem, cyber security, logistics.*

The development of information technologies is the great importance in ensuring new economic relations. According to the analytical studies of Digital Economy Research Center, in recent years internet commerce has become one of the main elements of the digital economy in Uzbekistan.

According to the statistical portal of the Republic, the volume of internet commerce and retail trade in Uzbekistan is growing steadily. In 2022 the volume of Internet commercial sales increased by 1.8 times compared to 2021 and amounted more than 10,886.8 billion soums. This is more than 4 percent of the total retail sales volume.



According to the studie, the following Internet business models are widespread in Uzbekistan: "Business to Business" (B2B): includes auctions, tenders, electronic payment systems, insurance services;

"Business to consumer" (B2C): online purchases, auctions, electronic payment systems, electronic employment;

"Government to Business" (G2B): includes public procurement, statistical reports, tax collection, customs payments;

"Government to Consumers" (G2C): includes utility payments and social payments.

The e-commerce market has seen significant growth over the past four years, and the emergence of electronic payment systems and integration with the local payment system in 2019 has been one of the key factors supporting e-commerce. As the result of the connection of Humo and Uzcard Visa to Mastercard, Mir and Union PayInternational cards, international cardholders have been able to use the payment infrastructure, including ATMs and payment terminals, and payment operations in local currency. Accelerated digitization process due to the pandemic and the adoption of the "Digital Uzbekistan 2030" strategy and the cooperation processes between the Export Support Agency of Uzbekistan and Alibaba have facilitated cross-border transactions on commercial platforms, increased digital payments and made it easier for small businesses.

In 2021, the first online trading platform, Unisavdo, was launched, enabling companies to present their products and services and gain access to a wider customer base. In 2022 Uzum market and Trade.uz online platforms were launched, the platforms are designed to help small and medium exporting companies from Uzbekistan, find foreign partners and expand the geography of delivery of products from Uzbekistan. The entry of the Uzum online platform into the commercial market of Uzbekistan was an important step as the first local commercial platform using integrated technologies for electronic financial services. Moreover, the Government of the Republic of Uzbekistan has launched an internet commerce strategy in 2023, the main goal of which is to provide opportunities for Uzbek companies to expand their sphere of influence and improve their business models, resources and capabilities without significant financial constraints.

The following important agreements made by organizations in 2022-2023 serve as important steps in digitization in the country. During this period, 23 cooperation agreements were concluded and four from them are signed for the development of Internet commerce:

Zood financial-technological platform attracted investments of Uzbekistan-Oman investment company UzOman. Platform users promoted purchases of goods in the "Buy now, pay later" scheme. Up to now, the website offers products from more than 30,000 local and foreign sellers.

Cooperation agreement of Uzum Company with Click.

Acquisition of a full 100% share of the Payme payment service organization of TBC Bank Group of Georgia.

In 2022, the Broniboy platform of the Russian delivery company was launched.

One of the important factors determining the future of Internet commerce in Uzbekistan is the regulation of the sector by legislation. The government of the Republic supports the growth of the e-commerce industry by providing strong support and creating a favorable business environment.

Legislation and payment systems play an important role in creating a reliable and stable internet commerce ecosystem. From July 1, 2022, government introduced "Open Digital Ecosystem" to support e-commerce in Uzbekistan. The Digital Transformation Center oversees this initiative, providing a reliable infrastructure for online commerce. The adoption of the “Digital Uzbekistan 2030” strategy was an important stage in the digital transformation of Uzbekistan. The strategy aims to transform Uzbekistan into a country with a developed digital economy and benefit from a technology-based society by 2030.

On the other hand, with the advantages of the Internet commercial market in Uzbekistan, organizations are currently facing a number of barriers as well. This type of commerce relies on efficient logistics and transportation networks to deliver products on time.

According to the reports presented by the Center for Digital Economy and Research, by 2023, there are more than 100 delivery organizations are operating in the country and 30% provided by UzPost, 10% by private companies, and 60% by individuals. There are a total of 6,579 delivery points throughout the republic, of which 2,480 are located in urban areas and 4,099 in rural areas. Nevertheless, the lack of infrastructure development, especially the late arrival of products to destinations outside the city, has a negative impact on customer demand. Insufficient optimization of the transport infrastructure in the territory of Uzbekistan leads to the extension of delivery times and an increase the cargo transportation expenses.

Another factor that become important barrier for development of internet commerce is cyber security, fraud and problems related to online payments. One of the main obstacles to the development of e-commerce is ensuring the security of transactions and protecting customer data. The development and implementation of appropriate security measures, the popularization of Internet commercial services among the population, and increasing the awareness of users are becoming one of the important tasks of Internet organizations today. In 2020, 106 cybercrimes were committed by law enforcement officers, and by 2022, the number of cybercrimes has reached 4,332. Most of the cyber frauds committed are commercial frauds such as credit card fraud by attracting consumers to fake sites.

In general, participants in the market of internet commerce services in Uzbekistan face various problems mainly related to logistics, technology, internet quality and affordability. Also, reasons such as the conservative approach of consumers to shopping, the limited coverage of the Internet, and the public's lack of knowladge and experience in using online platforms have a negative impact on the development of Internet commerce in the republic. In addition, participants face human challenges such as the lack of talent in the e-commerce services market. Internet commerce is an important opportunity for economic growth and innovation in Uzbekistan. The government, business sector and other stakeholders should work together to create an enabling ecosystem for the growth and success of internet commerce in the country.

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