

Electronic commerce in Russia: problems and prospects of development

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Abstract — According to official statistics, the share of the digital segment of the world economy is 23% (USD 17 trillion). By 2020, the volume of the digital economy will increase by USD 4 trillion, and its share in global GDP will reach 25%. Digitalization is gradually infiltrating all sectors of economy. The analysis of the use of digital technologies in Russia and cross-country comparisons demonstrate that Russia lags behind world leaders, but the importance of digital technologies in the national economy is constantly growing. The most successful industry in terms of digitalization in Russia is trade. This paper studies the processes of digitalization in trade, because its share in the GDP of Russia has been constantly increasing since the '90s. It analyses the experience of implementing state programs and strategies for the development and stimulation of digital technologies of developed countries (Germany, Japan, USA, and the UK). The work indicates the main measures of state policy for providing necessary conditions for development of digital economy in Russia. Internet trading is described as a type of entrepreneurial activity. The problems that hinder the civilized development of Internet commerce in Russia are identified, and measures are called to eliminate existing problems. The paper reveals the problems that hinder the civilized development of electronic commerce in Russia and proposes measures for solving these issues.

Keywords — *digital economy, e-commerce, Internet stores, economy digitalization.*

I. INTRODUCTION

It is fair to believe that the creation of the internet in 1982 gave rise to the virtual world supplemented by new components: forums, on-line computer games, social networks, etc.

Due to different approaches to definition and measurement of the digital economy, it is difficult to quantify its scale. According to one estimate, the share of the digital segment of the world economy is 23% (USD 17 trillion). By 2020, the volume of the digital economy will increase by USD 4 trillion, and its share in the global GDP will reach 25%. As for the leading countries of the world, in China the share of the web economy is 11%, in the United States – 34%. In Russia, the contribution of the digital economy is estimated at 2.0–5.1% of GDP [1].

Digitalization is gradually infiltrating all sectors of economy. This paper studies digitalization processes in trade. Trade as a field in economics is chosen because its share in the GDP of Russia has been constantly growing since the '90s. During 2018, the largest contribution to GDP growth was made by mining, construction, wholesale and retail trade, financial and insurance activities [2].

II. RESEARCH METHODS

The concept of digital economy and the mechanisms of transition to it are considered in the works of the following Russian scientists G.N. Andreeva, S.D. Bodrunov, S.Yu. Glazyev, A.V. Keshelava, etc.

Different issues of theory and practice for online trading are analyzed in materials of well-known foreign researches such as Donald J. Bowersox, B. Gates, D. Kosiur, K. Patel and others. The theoretical basics of e-business and e-commerce are covered in the research works of V.N. Bugorsky, V.Yu. Grechkova, I.D. Kotlyarov, L.A. Myasnikova.

The theoretical and methodological framework of the research is based on scientific works of Russian and foreign researchers and experts in the theory of digital economy and development of socio-economic systems implementing digital technologies. The methodological basis of the study is formed by the general scientific principles of a systematic approach, methods of logical, factorial, comparative analysis and synthesis.

III. RESEARCH RESULTS

Digital technologies (the internet, mobile phones and all other means of collecting, storing, analyzing information and converting information into a digital format) are spreading rapidly. Over the past ten years, the number of internet users has more than tripled [3].

Nowadays government programs and strategies for the development and stimulation of digital technologies have been developed and are being implemented in almost all developed countries of the world [4]. According to the official data of the European Commission on March 2017, there were more than

30 national and regional initiatives for industrial digitalization just in the EU member states.

Germany is one of the recognized leaders in digitalization; it introduced the state strategy called Industrie 4.0 in 2011. In addition, other similar strategies are being implemented at the state level, for example, Smart Networking Strategy which became the basis for Digital Agenda. In July 2015 the French government launched the Alliance for the Industry of the Future (Alliance pour l'Industrie du Futur), the main purpose of this project is to connect various private business organizations from the scientific and environment sector, with government institutes and bodies [5].

In the UK, a new digital strategy (UK Digital Strategy 2017) was officially presented on March 1, 2017 [6].

In 2014, Japan introduced Smart Japan ICT Strategy, a main government document reflecting the country's long-term goals and objectives of digitalization.

Since 2015, China is implementing a national initiative 'Internet Plus', which identifies key areas for the further development of digital technologies in conjunction with other industries, agriculture, the financial sector and government institutions [7].

In the United States, there is no single state program of the development of digital technologies. At the same time, special technological initiatives are being implemented there in cooperation with private industries and the scientific community. For example, the Federal Cloud Computing Initiative (2009) or President Barack Obama's initiative to create a new network of institutes / centers for advanced industrial production (AMP - Advanced Manufacturing Partnership, 2011) with the participation of key federal ministries and major US technology companies [8].

In Russia, the 'Strategy for Information Society Development in the Russian Federation' was approved in May 2017, and the national program 'Digital Economy' was officially presented in July 2017. It defines the goals, objectives, directions and timelines for creating the necessary conditions for the development of the digital economy in Russia. To manage the program, five basic directions (normative regulation, personnel and education, the formation of research competencies and technical background, information infrastructure and information security) and three applied areas (public administration, smart city and healthcare) of the digital economy in Russia were identified.

According to the program, 97% of households in Russia should have broadband Internet access (100 Mbps) by 2024. All large cities in Russia with a population of over 1 million residents should be provided with sustainable 5G network coverage. It is also planned to establish ten leading high-technology enterprises and as many digital platforms for the primary sectors of the economy in Russia. Universities will train more than 120,000 IT specialists a year, and 40% of the population will get digital skills [9].

Internet-trading (online trading) is an entrepreneurial activity in the sale of goods and services over the internet. This form of trading can be either an additional service offered by an enterprise, or it can be an independent online business, which is a more effective way of keeping online trading. Online stores carry out all main business processes of a usual

trading company: customer selection of goods, order placement, settlement, delivery arrangement, order tracking and warranty service.

Online stores can sell tangible goods, services, and e-form products (books based on electronic content, video and audio products, software, etc.). At the same time, physical goods are traded with widespread use of internet technologies, and electronic products are sold by innovative ways which complete a full sales cycle (including delivery) electronically.

In the Russian Federation, legal regulation of electronic document management and electronic commerce is carried out in accordance with the Civil Code of the Russian Federation, federal laws 'On Information, Informatization and Information Protection', 'On Communications', 'On Electronic Digital Signature', 'On Participation in International Information Exchange' and others normative legal acts adopted in accordance with them. With regard to international law governing the electronic business, back in 1996 the UN General Assembly adopted the Model Law on Electronic Commerce, developed and approved by the UN Commission on International Trade Law (UNCITRAL), and guidelines for its application.

At the same time, the legal support for e-commerce is in its infancy in our country and requires significant improvement.

Thus, the internet and e-commerce allow the receipt of many products, such as music, books and software in e-form. Currently, there is no system of customs tariffs for products delivered in electronic form, but these products are subject to customs duty when they are physically delivered. According to the Russian legislation, goods crossing the 'electronic border' are regulated by customs legislation; however, no system exists for tracking this kind of import.

For the civilized development of e-commerce, it is important to provide a legal security framework for consumers by offering them an appropriate level of protection comparable to legislation for 'classic' sales in Russia and in other countries. This requires the adoption of the Russian Law on Electronic Commerce, which would fix basic rules for the e-commerce market and ensure the simplification and security of payments for purchases in online stores. Draft Federal Law No. 11081-1 'On Electronic Commerce' was introduced by the State Duma of the Russian Federation on October 3, 2000, but has not yet been adopted.

In addition, professional organizations should develop model contracts for e-commerce. New legal services and professions such as cybernotaries, cyber legal advisers, cyber lawyers, etc. should be actively introduced.

Other areas of law need to be worked out to eliminate risks and create conditions for the development of digital economy, for example:

- optimization of cross-border network trade and consumer protection (i.e., harmonization of the amount of damages for the supply of defective goods);
- harmonization of rules for concluding contracts for the purchase of goods regardless of its format (physical or electronic) (including clarifying and expanding the powers of the competent authorities, improving

coordination of their activities and creating a pan-European dispute resolution platform).

In addition it would be advisable to borrow some international legislative experience in electronic commerce from European countries and the USA, where the legal regulation of electronic business is at a higher level and has been tested in practice.

Considering the possibilities of access to banking operations, catalogues and other services, we should notice that payment for the services can be done both ways: using traditional methods or with 'electronic money'. At the moment, there is no legal clarity on paperless e-commerce transactions [10]. Given the fact that Internet banking (online banking) is developing rapidly in Russia, the Central Bank of the Russian Federation has decided to establish a department dedicated to banks' e-commerce supervision, which will be responsible for developing a legal framework to regulate this area of activity. But specific bills regulating internet banking have not yet been proposed to the State Duma of the Russian Federation.

Data breaches at banks websites and transferring funds from customers' accounts to other accounts without customers' knowledge are the most common internet banking frauds. Connection of mobile devices of millions of customers of various banks to online banking makes it technically easier to implement online banking thefts. Given the extremely poor development of the legal regulation for e-commerce, it seems important to focus the attention of government agencies on solving this problem by attracting a wide range of specialists for in-depth study of the theory and current practice in legal support of e-business, including foreign experience.

IV. RESULTS AND DISCUSSION

Scaling up the e-commerce business is an opportunity for new or recently established companies to export more products to more markets. It was found that a 10% expansion of internet use in an exporting country expands the product range in trade between two countries by 0.4%. A similar increase in internet use in both countries increases the value of bilateral trade per product type by 0.6% on average [11]. In Jordan, Peru, Chile, and South Africa, companies trading on eBay are 'younger' than companies operating in traditional markets.

In Morocco, rural artisans (some of them illiterate) sell their handmade goods worldwide on the Anou platform. Another example is a range of companies trading online via global e-commerce websites, such as Alibaba, which could increase the transaction volume to USD 6 trillion in the next five years. Using feedback and rating systems, online platforms solve the problems of trust and information; they also offer mechanisms for escrow funds and dispute resolution. Simplification of trade processes for semi-finished products contributes to the further 'dispersal' of production processes in the markets not only for goods, but also for services. Companies in India, the Philippines, and Jamaica have gained a share in these global service markets from traditional operating services to online distance education.

The set of digital technologies on the Russian market is quite extensive; it reflects global trends for their implementation. At the same time, in comparison with

developed countries there is a delay in implementation of certain digital technologies in our country.

During the implementation of projects using digital technologies, companies inevitably face a variety of problems and difficulties. Analyzing questionnaires for the determination of barriers to the wider use of digital technologies, it was revealed that respondents were worried about weak security measures tailored to protect digital technologies from criminal encroachments: 53% of medium-sized enterprises identified insecurity of digital technologies as a barrier to technology adoption [5].

It is necessary to note that the use of modern digital technologies is often carried out by companies completely outside the legal boundaries, because the legal regulation of relations in this field is, in many cases, confused, insufficient or completely absent.

This situation has obvious reasons, such as: no legal maturity regarding the use of modern digital technologies and lack of a sufficient understanding of their functioning, effect and real impact on public relations. At the same time, consistency, caution in adopting any measures of state influence, as well as the predictability of their effect should have a high priority with respect to the process of adopting regulatory documents in order to avoid excessive and inappropriate administrative barriers.

External barriers are no less relevant. First of all, they relate to the instability of the economic situation in the country, insufficient development of ICT infrastructure, and an unpreparedness of suppliers and consumers to use digital technologies.

V. CONCLUSION

Digital technologies are rapidly changing the habitual forms and methods of economic life around the world. Not only are business operations of individual companies changing, whole industries, regions and entire states are in the process of changing. Digitalization is beginning to go far beyond the changes in technology itself and in business; it is becoming a macroeconomic and political factor. The analysis of the use of digital technologies in Russia and cross-country comparisons demonstrate that Russia lags behind world leaders, but the importance of digital technologies in the national economy is constantly growing. The most successful industry in the terms of digitalization in Russia is trade. However, it is necessary to improve the regulatory framework for the further development of e-commerce in Russia.

The most difficult problems in this field are related to information risk management and provision of cybersecurity. Nowadays these problems seriously concern enterprises and individuals, and it is the state that must set up activities for finding solutions in this direction. The state should create a single digital environment through the development of such services as identification and authentication of interacting entities, protection against unauthorized access and document modification, etc. The development of a trustworthy digital infrastructure requires a single concept with a clear understanding of goals, objectives and tools used.

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