

# E-Commerce in the Chechen Republic: Current State, Problems and Solutions

Mentsiev A.U.

Faculty of Information Technology  
Chechen State University  
Grozny, Russia  
a.mentsiev@chesu.ru

Anzorova A.I.

Faculty of Information Technology  
Chechen State University  
Grozny, Russia  
anz\_a97@mail.ru

Abubakarov M.V.

Faculty of Technology and Management in Education  
Chechen State Pedagogical University  
Grozny, Russia  
magomed.abubakarov2015@mail.ru

Cheldieva Z.K.

Faculty of Economics  
SKGMI (GTU)  
Vladikavkaz, Russia  
z.cheldieva2012@yandex.ru

Sugarova V.B.

Faculty of Information Technology and Electronic Engineering  
SKGMI (GTU)  
Vladikavkaz, Russia  
sugarovavi@mail.ru

**Abstract** – The emergence of Internet technologies contributed to the formation of e-commerce. It is a dynamically developing industry worldwide. As a result, there is a continuous growth in the e-commerce market, both globally and in Russia. The article defines the concept of e-commerce, e-banking, Internet marketing. This paper examines the current state of electronic commerce in the Chechen Republic. The authors studied the existing problems of e-commerce in the Chechen Republic. The main reasons for inhibiting the development of e-commerce and representing such factors as mistrust on the part of the consumer, the lack of decent offers and the lack of highly qualified specialists in the industry have been identified. The study examined technologies that are being introduced into commercial activities, developed e-commerce industries, and problems that impede their improvement.

**Keywords** – digital economy, e-commerce, online trading, Internet marketing, online banking

## I. INTRODUCTION

E-commerce refers to the established practice of applying traditional commerce to any economic activity based on the use of electronic information technologies.

It is important to note that the concepts of e-commerce and online commerce differ slightly. The concept of e-commerce is broader, since it includes all types of commercial activities carried out electronically without using the Internet: for example, banking services through the Client-Bank system; internal enterprise resource management systems, etc. [1]

E-commerce includes:

- electronic information exchange (Electronic Data Interchange, EDI),
- electronic capital flow (Electronic Funds Transfer, EFT),
- electronic commerce,
- e-marketing,
- electronic money (e-cash),
- electronic banking (e-banking),
- electronic insurance services (e-insurance) [3].

In the current economic situation, enterprises need serious IT support for their own business. Companies that focus on the application of information technology increase the efficiency of their activities several times. This is especially true during high rates of e-commerce development. Therefore, an enterprising manager should invest in IT-support, not bringing the organization to the volume of accumulated archival data, where it is impossible to find the necessary information [2].

The main factors that prompted the most active use and introduction of the latest information technology:

- Increased competition;
- Global changes in consumer behavior;
- Availability of information technology;
- Race technology development.

## II. THE STATE OF E-COMMERCE IN THE CHECHEN REPUBLIC

Currently, three main components of e-commerce are developing in the Republic: Internet marketing, Internet banking and Online trading on the way to becoming.

### A. Internet Marketing

The most popular and developed method of Internet marketing in the Chechen Republic is SMM on Instagram. Instagram is the most effective platform for advertising today.

Instagram is a social network that allows you to share photos and videos, apply filters to them, and also distribute them through your service and a number of other social networks.

The advantage of Instagram for the company is that it is absolutely free. There is no need to pay for registration, the company only pays for advertising its account, the price of which does not incur losses for the business. Thanks to the creation of the Instagram page, some companies earn more than through traditional outlets or online stores.

This social network is gaining momentum in the Chechen Republic. More and more users are beginning to use it as a tool to advertise and promote their activities and business. These can be government organizations, medical centers, educational institutions, private enterprises, and others. It helps to better tell and acquaint the population with their activities. The greater involvement of the republican audience in this social network causes a demand for the creation and maintenance of an account of various retail outlets and business organizations [8].

In addition, shopping centers and organizations of small and medium-sized businesses, promoting their company in Instagram, help its popularization in other regions and throughout the country. This has a positive effect on their activities and may affect the development of the economy of the republic as a whole.

### B. Online trading

The number of Internet users in the Chechen Republic is growing every day. Trade organizations are also beginning to actively use the Internet as an additional way to promote their products and services.

When conducting trading activities on the Internet, an organization may have:

- Representation in the form of a site;
- E-shop.

At this stage of development of work in the Internet information network in the Chechen Republic, the most appropriate electronic representation (website). This is due to the following factors:

1. Trade of the republic in the degree of use of e-commerce technologies, and especially e-commerce, is in the initial period of development, which in world practice has been called the stage of electronic catalogs. Therefore, placing information about the organization of the product catalog at this stage is economically advantageous.

2. The implementation of electronic commerce technology requires the electronic implementation of such an important technological operation as payment. In the Chechen Republic, the first domestic electronic payment systems (for example, "Вайнах Кошелёк" – Vainah Wallet) are still emerging, which are not used by the real trading organizations [7].

According to the Internet resource DENISOV there are more than 100 sites in the republic. Most of them are sites of state organizations, educational institutions, and information sites of private organizations and stores [10].

Many sites at the moment are only in their infancy. And in different cases, the scale of using the capabilities of the Internet to provide high-quality information varies significantly. Sites of some enterprises stably update information, monitor its quality and safety. Since there is not a sufficiently high demand for websites in the republic, due to the mentality of the population, some organizations do not consider it important to update their Internet resource.

The disadvantage of online stores in the region is the lack of online payment systems directly on the site. Some stores offer a method of payment by bank card.

Does the population use the existing websites of trade organizations of the republic?

This is evident from the results of the survey:

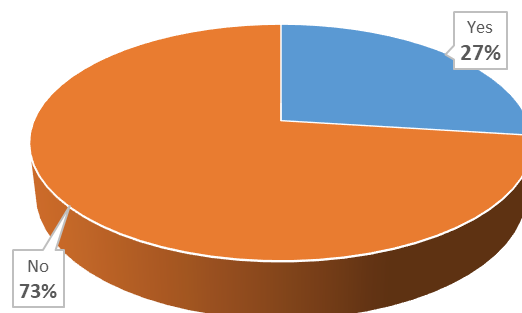


Fig. 1. Using sites in the Chechen Republic

Only 27 % of respondents know and use such sites.

Such a low demand is due to the fact that many people do not trust Internet resources; they consider this method inconvenient or the website of the organization is missing.

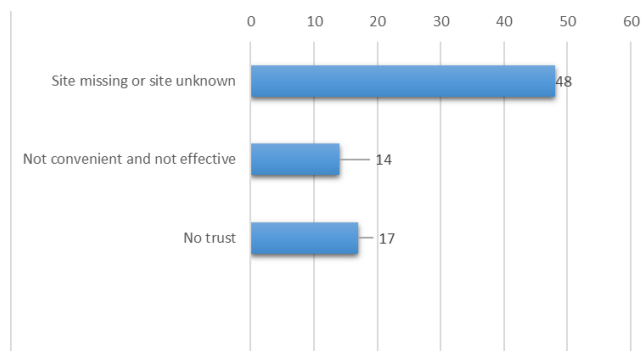


Fig. 2. Causes of Low Demand

### C. Internet banking

Electronic banking is the generic name for remote banking technologies, as well as access to accounts and transactions on them, provided at any time and from any device with Internet access. The browser is used to perform operations, that is, there is no need to install the client part of the system software.

In the Chechen Republic, in this period of time, there are leading Russian banks, such as Sberbank, Russian Agricultural Bank, Moscow Industrial Bank and others.

Most of the population uses the services of Sberbank, where among the services of this bank Sberbank Online (Web and mobile version) are most in demand among clients. According to the IA Grozny-Inform, more than 120 thousand active users of Internet banking in the Chechen Republic in the first half of 2018 performed about 11 thousand operations for paying utility services [9].

In 2007, the company Vainah Pay JSC was founded. Vainah Pay is a universal electronic payment system that provides consumers with the possibility of instant electronic payment for goods, services and money transfers. Through the payment system "Vainah Pay" you can pay for goods and services for more than 2000 suppliers. In the process of accepting payments, Vainah Pay JSC acts as a processing center that provides information and technological interaction between the service provider and the payer [6].

In 2019, the company Vainah Pay JSC developed the "Vainah Wallet" application. Vainah Wallet is a technological platform of Internet payments that allows you to pay for goods and services using various means of payment - Internet money, bank cards, payment terminals. To ensure the safety of customers, the owner of the system has the ability to set limits on transactions, including amounts, time intervals, as well as use static or dynamic intelligent payment processing rules [11].

For all actions performed with the wallet, SMS and E-mail notifications are provided, the technology of push notifications is used. Vainah Wallet combines the possibility of using templates and auto payments. The functionality supports reading barcodes and QR codes that are actively used in the field of utility bills, fines, state fees, etc. The mobile client provides a payment receipt with the ability to send it to the specified e-mail [8].

### III. E-COMMERCE DEVELOPMENT ISSUES IN THE CHECHEN REPUBLIC

In the Chechen Republic, e-commerce is just beginning its development. The main problems that inhibit this process are:

1. A narrow circle of Internet users in the region, most of whom are not keen on online shopping. However, every year more and more people use the Internet.
2. Lack of relevant sites and poor management of existing ones. This makes it difficult to attract and retain potential customers. The user cannot find the necessary information, product or service of interest. All this leaves his needs unmet, and the time spent searching

through a large flow of information turns into costs – this is information about prices that should be acceptable, information about the characteristics of goods and services, information about the sellers themselves.

3. There is no development of the regulatory framework, which leads to such a problem as the protection of intellectual property rights to a product or service realized in the framework of electronic commerce, as well as to problems of a financial and contractual nature. As a result, distrust arises on the part of investors, potential buyers, and the pace of development decreases.
4. Security of financial transactions and transmitted information that is confidential. Recently, it is gaining popularity of paying for purchases with bank cards. This method of purchase is not safe, since for the transfer of money to the goods it is necessary to enter the card details that unscrupulous market participants can use for personal purposes. You can also use electronic payment systems to pay for online purchases, which all calculations with sellers make independently. In this case, the seller does not receive any information about the details of the buyer. It just happens that funds are transferred from the buyer's account to the seller's account. It is necessary to use reliable and efficient confidentiality guaranteeing mechanisms in order to minimize threats in the field of e-commerce security [4].
5. The lack of qualified specialists is the most difficult problem faced by the new e-commerce industry in the country. This refers to all key positions, ranging from general directors and project managers to e-marketing and IT specialists, as well as teams of performers. This is the cause of the lowest quality of their services. As a result, key positions are sometimes replaced by poorly qualified employees or remain long vacant. Some companies are trying to look for personnel both in the regions and abroad. It will take a long time for the educational system to provide the e-commerce industry with a new generation of properly trained professionals [5].
6. Digital inequality. "Digital inequality" is a global phenomenon that characterizes a significant difference in access to the use of information and communication technologies and, accordingly, in the possibilities of using services provided on the basis of postal and telecommunication services for individuals, social groups, social strata who can be represented in countries with different levels of economic development [6]. This phenomenon is typical for Russia, and thus also for the Chechen Republic. Overcoming digital inequality is the most important task of the state. According to the Federal State Statistics Service, the percentage of the population of the Chechen Republic who refused to use the Internet is distributed as follows (Table I):

TABLE I. HOUSEHOLDS THAT DO NOT HAVE ACCESS TO THE INTERNET, FOR REASONS OF NOT USING THE INTERNET, IN THE CHECHEN REPUBLIC

REASONS	QUANTITY (as a percentage of the total number of households of the relevant subject of the Russian Federation)
Internet access is available elsewhere (at work, with friends, at public access points or in any other place)	1,5
No need (reluctance to use, no interest)	4,2
High internet connection costs	2,6
Lack of Internet skills	2,4
Lack of technical ability to connect to the Internet	1,8
For security and privacy reasons	-
Other reasons	7,1

#### IV. RESULTS AND DISCUSSION

According to the study, it can be concluded that in the region Internet marketing is developed relatively well, and all actions of online orders occur through the social network Instagram. This is also evident from the results of the survey among the population:

For 72 % of respondents, it is preferable to use social networks when searching for or ordering products (Figure 3):

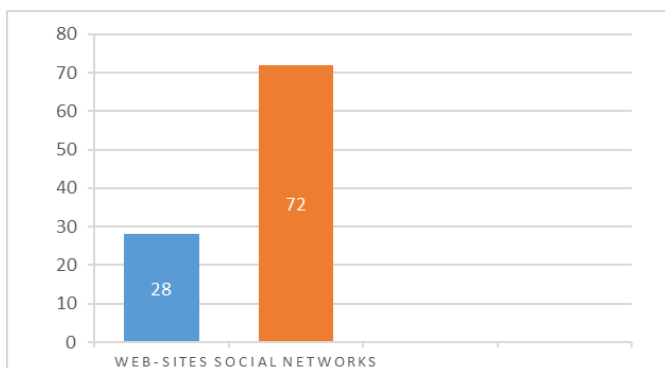


Fig. 3. Online Ordering Methods

And as a result, 61 % use the Instagram social network (Figure 4):

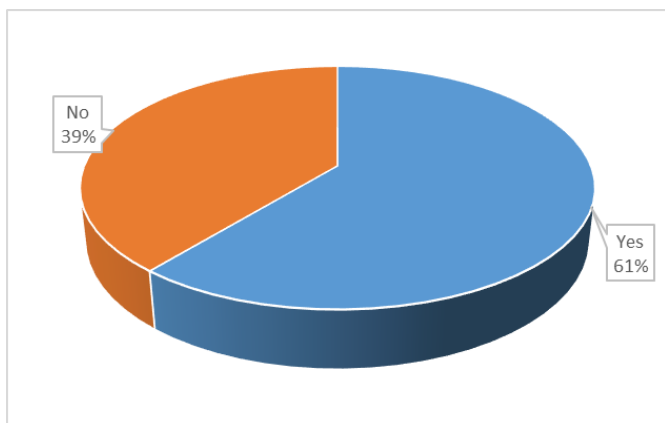


Fig. 4. Using Instagram

Thus, the following conclusion can be made - the demand for using the Internet as a search and purchase of goods in the republic is very high. However, in most cases, this process stops only on the search or selection of the product of interest. This is due to the fact that many do not know how such a shopping system works, and the older generation prefers traditional methods. Also, this affects the distrust of online payments.

In addition, there are no online stores in the republic, with an established system of processing, ordering and paying for goods. All companies and commercial organizations conduct their marketing activities on Instagram. Therefore, the attention of most of the Chechen audience is directed precisely to this social network. In order to improve the current state of e-commerce in the Chechen Republic, it is necessary to improve the online payment systems and introduce them into the appropriate commercial organizations. Also, business organizations need to develop and promote a website on the Internet to increase their demand in the region. Conduct a comprehensive policy for the problems discussed earlier.

#### V. CONCLUSION

To date, the overall level of development of e-commerce in Russia is far behind the development indicators of Western countries. At the same time, e-commerce is a good opportunity for business development and an essential resource for increasing revenues both in the regions and in the country as a whole. Thus, the Chechen Republic should not lag behind the general development of Internet commerce in the country. It is necessary to make every effort and resolve issues that are an obstacle to its active development.

#### References

- [1] E. Ageeva, T.C. Melewar, P. Foroudi, "Cues adopted by consumers in examining corporate website favorability: An empirical study of financial institutions in the UK and Russia", *Journal of Business Research*, vol. 98, pp. 15–32, May 2019
- [2] E. Kim, R. Urunov, H. Kim, "The effects of national culture values on consumer acceptance of e-commerce: Online shoppers in Russia", *Promoting business analytics and quantitative management of technology: 4th international conference on information technology and quantitative management (ITQM 2016)*, vol. 91, pp. 966–970, 2016.
- [3] J. Sun, E. Irintceva, "Comparative Analyses of Russia and China B2C E-commerce", *PROCEEDINGS OF THE 2017 EURO-ASIA CONFERENCE ON ENVIRONMENT AND CSR: TOURISM, SOCIETY AND EDUCATION SESSION, PT I*, pp.19–24, 2017.
- [4] R. Cheng, "Study on the Belt and Road Development Strategy of E-commerce in China and Russia – A Case Study of Liyuanda Zhongji Electronic Commerce Co., Ltd", *2017 4TH INTERNATIONAL CONFERENCE ON SOCIAL SCIENCE AND HUMANITY (ICSSH 2017)*, vol. 100 pp. 215–222, 2017.
- [5] Yi. Li, L. Yao, Y. Wu, "Recommendations on Consumers Classification Management on the Analysis of Country-based Difference of Cross-border E-commerce Users Behavior Data", *2018 INTERNATIONAL CONFERENCE ON E-COMMERCE AND CONTEMPORARY ECONOMIC DEVELOPMENT (ECED 2018)*, pp. 27–31, 2018.
- [6] Aselibrary.ru. Digital inequality and the use of multifunctional complexes of social services for its population to overcome it, 2016. Retrieved from: [www.aselibrary.ru/presscenter/journal/irr/2007/number\\_6/number\\_6\\_3/number\\_6\\_3731/](http://www.aselibrary.ru/presscenter/journal/irr/2007/number_6/number_6_3/number_6_3731/) (Accessed 27 May 2019).

- [7] Chechnyatoday.com. First Wine Wallet mobile payment application appeared in Chechnya | IA Chechnya Today. 2019. Retrieved from: [chechnyatoday.com/news/322897](http://chechnyatoday.com/news/322897) (Accessed 13 Jun. 2019).
- [8] CommerceLaw.ru. E-commerce on the Internet. 2015. Retrieved from: [ecommercelaw.ru/jelektronnaja-kommercija-v-internete.html](http://ecommercelaw.ru/jelektronnaja-kommercija-v-internete.html) (Accessed 3 Jun. 2019).
- [9] Grozny-inform.ru. In the Chechen Republic, Sberbank's clients made more than 12,000 payments for housing and communal services. 2018. Retrieved from: [www.grozny-inform.ru/news/economic/99206/](http://www.grozny-inform.ru/news/economic/99206/) (Accessed 6 Jun. 2019).
- [10] Sdvv.ru. DENISOV. Internet statistics 2018: sites, blogs, domains, e-commerce – interesting facts and figures from around the world. 2018. Retrieved from: [sdvv.ru/articles/elektronnaya-kommertsiya/statistika-interneta-2018-sayty-blogi-domeny-elektronnaya-kommertsiya-interesnye-tsifry-i-fakty-so-v/](http://sdvv.ru/articles/elektronnaya-kommertsiya/statistika-interneta-2018-sayty-blogi-domeny-elektronnaya-kommertsiya-interesnye-tsifry-i-fakty-so-v/) (Accessed 3 Jun. 2019).
- [11] Vainahpay.ru. About the company – Vainah Pay, 2018. Retrieved from: [www.vainahpay.ru/company/](http://www.vainahpay.ru/company/) (Accessed 17 May 2019).