

## **Role of E-commerce in Economy**

**Zeinab Surmanidze (Batumi Shota Rustaveli State University, Georgia)**  
**Faculty of Business and Economics**  
**PhD Student in Economics**

### **Abstract**

Economic growth in World's developed countries is contributed due to developing of internet. The world's developed countries economic growth increase due to not only the numbers of computers, but also their participation in network. Network dramatically transforming the political and social as well as economic relations. Electronic commerce is considered to be an Internet technology that allows for the sale of different types of products on the Internet. E-commerce is a kind of business, which is used by world's famous brands and this is one of the reason of their popularity. E-commerce allows companies to achieve a competitive advantage in customer service improvements. The article presents the characteristics of e-commerce and its role in economic development. E-commerce has many advantages as for buyers and for sellers. The Internet is a powerful tool for establishing customer relations. E-commerce has a huge potential, as well as the danger that may occur in the future. It is very necessary for all countries to ensure the protection of database. A country that wants to have a developed electronic commerce must have well-tuned legislative basis. One more important factor is the tax system functionality, without the payment system, impossible will be functioning of e-commerce. The article presents the experience of the world's e-commerce development. We will discuss about the problems that accompanied the development of this sector and effective ways of solving this problem.

The development of Internet lead to the economic development of the world's developed countries. The economic development of the world's developed countries is not only due to the increase of computer number, but by their unification in the network. The network unification dramatically transforms political-social as well economic relations.

In the el-commerce is meant to be the internet-technology, which enables internet realization/selling of different types of products. The electronic commerce is that direction of the business, which is used by the leading brands of the world are using which by the time is one of the defining factor of their popularity. The electronic business enables the companies to reach the particular advantage based on the customer service improvement.

Several types of business are available on internet: Informational service, tourist service, educational service, financial service. Among from the types of internet services the most dynamically the financial service is developing, to which belongs the following fields: internet banking, internet-insurance and internet -trading.

The benefit and priority of the internet account system are:

- ✓ Accessibility and mobility- every customer can open the financial account from any place of the world and carry out necessary financial operation;
- ✓ Security- during the transaction, while transferring the information the encryption and encoding are used, also the uninterrupted working of the accounting system software-hardware complex.
- ✓ Simplicity of use- opening and using of electronic accounts do not require special knowledge;
- ✓ Efficiency – the payments and electronic transfers are carried out in minutes;
- ✓ Interactivity- the customers are provided with the consultancy, questions and answers and with different form of communication.

From the point of view of economic development of e-commerce is important, because unlike the traditional trade in the electronic trading of different types of fast, easy and affordable for everyone. That is why the demand for it increases dramatically.

Development of internet banking is hindered by those risks such as risk of withdrawing the money from electronic account, electronic security system, informational transference, (in terms of concealment of financial flows) distrust and other.

Electronic commerce might be considered as the complex of goods and service realization measurements. The modern commerce from the traditional trade differs by that fact, here only the goods' turn over takes place. This is the continuous complex of series of measurements, which are performed on the different stages of commercial processes.

During the research of traditional relations, the example of how the technical means are used at every stage of commercial cycle is easily found, among them electronic, for automation of reducing the costs. The electronic commerce characterizes the complex automation. The electronic commerce- is the trading activity, the basic purpose of which is receiving of profit and is based on the complex automation of the commerce cycle, using the computer technique.

The electronic commerce enables to exclude no only the customer but the buyer from the commerce cycle. The relation system, seller-buyer might be changed by the automated functional system: server-customer; represented by the means of hardware and software. Today, the managing of computer system is even possible in the living conditions in order to be carried out the scanning of internet informational space, for example: for searching the new novel of the interesting author and in case of detecting the commercial offer from the trading server, to automatically execute the mutual payment, after which the received product will be sent to the mobile means of the owner. The development of e-commerce is very dynamically, especially in the G20, where the sharing of ecommerce is growing every year in the GDP.

Together with the development of world digital economy, the electronic commerce is developed. The E-commerce means internet technology, which enables internet selling/retailing of different types of products. THE E-commerce is that direction of the business, which is used by the different world leading brands and which by the time is one of the factor determining their popularity. Any brand has the web page, which is used for selling of owns products and offers the catalogue of these products to the customer. It is very important and necessary factor for the internet business to gain the trust of the customers, which is reached by the high quality of the products, good service and (also by the assessments of the customers) brand awareness. The online users prefer to that business which has chosen only one direction.

One of the most powerful modern tool - the Internet combines its network to the whole world dynamically grow, evolve and grow in parallel with the development of e-commerce potential. The world's leading companies with more and more money is spent on advertising, increasing the share of online shopping and electronic payments. Also dramatically increases sales of smart phones, which indicates that more and more people have access to the Internet and the right to at any time, from any place to any commercial operation. E-commerce is growing with the development of mobile phones and mobile operators as well as service, which offers customers high-speed Internet. The economical precondition of the E-commerce is the objective necessity of reducing the costs in the commerce cycles and reaching of them to the norms reached by the automatized cycles of the enterprise.

The internet and informational technology plays great role in the innovation process of the enterprise, increasing of effectiveness, reducing of costs, obtaining the grounded decision by the project developers, increasing of new product elaboration process, also in choosing the most perspective variants and remedy of the prior mistakes, in affective relations of the sub-section of the company and so on.

E-trading has many advantages as for seller as well for the buyer. The E-sellers are not limited with the physical assortment of the goods at the trading field. They can present to the customers the practically unlimited assortment. Via the network the purchasing is carried out with interactively and instantly. The customer, via the relation with the E-seller can receive the necessary information, order and download it from the network. The internet is the strong instrument for establishing the relation with the customers. With its interactive nature, it represent perspective instrument of the marketing. The company via the network is enable to establish relations with the customers, in order to learn more concerning the necessity and requirements of each one. The modern level of technical development enables the marketologists to choose the group of the buyers and individual customer by working in the network, according to their particular necessity and requirements, to provide advertisement of them by advertising their personal opinions. The internet and other E-channels enables additional advantages of reducing the costs, service speed and increasing of effectiveness.

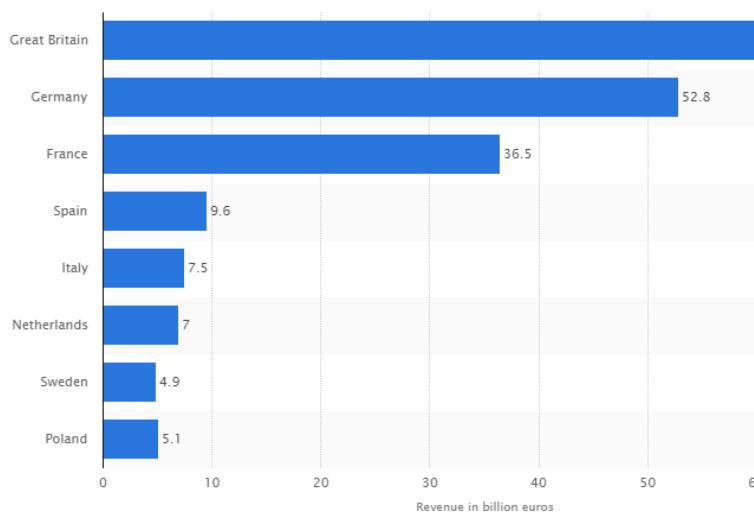
E-business has the huge potential as well the risks that might be revealed in the future. This might be as profitability of the internet environment as well having no the borders, which expose the companies to the threat. The same is the language of the information, which may not be acceptable for all segments, because, on the international market, the popular language in the internet user makes every product,

company, brand, communication, information, competitiveness successful, effective, universal and common.

For the E-commerce and generally for the development of internet –economy, the role of the internet advertisement is very important.

In a big twenty, the internet trading covers 4.1% of the economy. The total cash turnover amounts 2.3 trillion USA Dollars. This is more than the economy of Brazil or Italy. For 2016 year, it is expected to increase the cash turnover of the internet about 4.2 trillion USA Dollars. This tendency is more profitable for those companies such as: Google, Apple, Facebook, Amazon and other companies, which basically are oriented on to the internet users.

As to the internet selling, among the European countries, for 2015 year, the leader is Great Britain, -61, 8 Billion USA Dollars, on the second place is Germany and on the third place is France.



Source: <http://www.statista.com/statistics>

According to the joint research carried out by advertising research companies: **IAB's ComScore and the company HIS**, internet advertisement selling in Great Britain for 2015 year amounted 11, 8 billion Euros. On the second place is Germany, with 5, 8 billion Euros, and on the third place is France, with 4, 2 Billion Euros. In total, the profits of the three countries amounted 60% of the Europe advertisement market. The top five includes, Italy and Netherlands, with 2, 0 and 1,5 billion Euros. As for the segments, according to the survey, for 2015 year, the media advertisement capacity has significantly increased with 17, 2%, which amounted 13, 9 Billion USA Dollars. The biggest share falls to the context advertisement, with 17 billion Euros by 12% growth. In total, in the vicinity of the research, 27 countries market were studied.

In 2014 Dr. of economy R. Abuladze conducted studies role of e-commerce in Georgia (Abuladze 2014). The study clearly shows that the number of Internet users is growing in parallel with the improvement of the Internet. About 32% of online business services to give priority to convenience, approximately 19% of e-commerce has become attractive due to the low prices. The results show that the vast majority of electronic commerce prefers.

For the development of e-commerce government of Georgia has special agreement DCFTA (Deep and Comprehensive Free Trade Areas) project includes a special chapter on electronic commerce "Creating, trade in services and electronic commerce". This agreement is very important for economic development and its integration into Europe. The Parties recognize that e-commerce can increase trading opportunities; the agreement also includes cooperation in the regulation of e-commerce as well. The development of e-commerce in Georgia in 2014, will contribute to the Association Agreement with the EU, the free trade zone, as well as cooperation with Europe (<http://www.economy.ge/ge/dcfta> ).

The E-commerce reduced the operational costs, such as: the costs of purchasing, selling, operational, holding inventory and financial.

E-commerce and generally the internet economy are the integral parts of the modern world and nowadays the development of any country, without E-commerce is practically impossible. Through it,

financial capital, enterprise and labor resources, also the financial turnover become possible in the shortest period of time.

E-commerce role, in the economy of different countries is growing as rapidly as the internet and the process is unrecoverable.

The E-trading has many advantages as for the purchaser as well for the seller. The internet is a strong instrument for establishing the relation with the customer. E-business has as huge potential as well threat that may be revealed in the future. It is essential to provide every country the security of the database. The country which wants to develop the E-commerce, it should have the regulated legislation data. Also, it is important to be the tax system in order. The E-commerce will be unimaginative without a tax system.

Despite the difficulties, the E-commerce continues development and by and by gains a place in the economy of every country. In order to avoid a number of problems, it is essential the countries to exchange the experience and mutually formulate the affective ways for their solution, because the E-economy is the economy of Future.

In order to understand the role of e-commerce in the economy, we need to know economic situation of the country, the development of Internet and find out what resources we have for further development. E-commerce is very easy and quite cheap for traders and that's why benefits arising from the development of e-commerce can bring a greater impact on the economies of those countries, where less developed traditional trade.

In 2003, Research Associate of the Oxford Internet Institute Dr. Nir Vulkan mentioned about e-commerce capabilities, including e-commerce role in the globalization process. E-commerce is the conduct of business activities electronically via digital media – is now part of everyday business. This is the starting side for the developing countries, including Georgia, because e-commerce development is not only economic development, but it is one of the important ways for countries that want to globalization and European integration.

For Evaluation of e-commerce, we can clearly see that the traditional trading methods, in contrast to the more simple and less expensive, so it is attractive for developing countries. Where, in the traditional trade is poorly developed in a wide range of e-commerce, especially when the country is trying to regulate the Internet, and work in this direction. Community producer and the country will receive more benefit from this form of trade, rather than the traditional forms. E-commerce is a reality for many developing countries, including Georgia, is the clear alternative to economic growth and globalization, as well as their role in the world will continue to growing.

The main reasons that hinder the development of e-commerce is safety databases, Internet access and speed of internet. This problem is most typical for developing countries, where the population still have no possible to access to internet.

Development of e-commerce is highly important for the country. First of all we should solve problems that hinder its development; developing countries must share the experience of G20. For the customers and business subjects will be very effective to provide trainings and special courses, which shows the superiority of the traditional trade sector compared with the characteristic features and to find out what security measures are necessary to prevent fraud.

Finally we can summarize recommendations, which must be implemented by developing countries:

- Improving of Legal framework and tax system;
- Improvement of infrastructure and access to new technologies;
- Electronic payment systems must ensure interoperability in a global environment.
- To provide with more information to the customers and business representatives about e-commerce;
- Encouraging companies that conduct their business through electronic space.

E-commerce is rapidly growing in the United States and in the G20; it also should developed in developing countries. The development of e-commerce in small countries, which has undeveloped economy, will accelerate the globalization process and they can reach growth of economy. The electronic economy will force change within nation states.

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