

## **TOPIC: LACK OF DIGITAL PAYMENTS INFRASTRUCTURE AS A BARRIER TO E-COMMERCE GROWTH IN UZBEKISTAN. STUDENTS' PERCEPTION.**

*Lecturer`s name: Omar Ashurbaev  
Akramjonova Gulzoda  
Muxammadjonova Asal*

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### **Abstract**

The lack of a solid digital payment systems are a major obstacle to the e-commerce growth in Uzbekistan, affecting both consumers and businesses. This research investigates the students from Millat Umidi University, regarding obstacles created by Vic digital payment infrastructures. Through conducting surveys and interviews, the study reveals difficulties that students may face in achieving secure and efficient transactions as well as their view on how these challenges affect e-commerce growth. The findings reveals that limited payment alternatives, mistrust in digital systems and elevated transaction costs are significant concerns of students. Tackling these issues is crucial for encouraging e-commerce adaptation in Uzbekistan, that may foster economic development and make shopping more convenient for consumers. Is this research highlights the pressing need for a dependable digital payments infrastructure and suggest ways to improve the Nation's digital commerce environment.

## **1. Introduction**

### **1.1 Overview**

Digital payments are essential for the expansion of e-commerce, facilitating secure and quick transactions. Business owners, especially digital commerce platforms, have enhanced their competitive stance by transitioning from conventional credit card and consumer finance options to fostering deeper client involvement through advanced payment alternatives (Bruno, Denecker and Niederkorn, 2021). Nonetheless, some developing nations, such as Uzbekistan, encounter substantial obstacles in implementing effective digital payment systems.

### **1.2 Aim**

The current study investigates insufficient digital payments infrastructure as an obstacle to e-commerce expansion in Uzbekistan. Moreover, potential solutions are provided in this research.

### **1.3 Scope**

The collected data was found from 50 “Millat Umidi University” students.

## **1.4 Outline**

The research is divided into various sections, including a background research, methods, results, discussion, limitations, and conclusion.

### **1. Background research**

#### **2.1 Barriers of e-commerce**

Developing nations face particular barriers to infrastructure when trying to establish e-commerce. According to Lawrence and Tar (2010), barriers include the absence of credit cards and convenient payment methods, inadequate distribution logistics, a scarcity of reputable online merchants of substantial size, an imperfect legal framework, insufficient large-scale telecommunication infrastructure, concerns regarding Internet security, the absence of tactile experience in online purchases, challenges in product returns, and limitations in product selection and availability. Furthermore, cash payments remain the predominant method of payment. This results from insufficient information regarding e-banking and a deficit of security and trust in e-commerce. Individuals lack sufficient awareness of advancements in e-commerce technologies, which is a significant worry (Javed, 2020).

#### **2.2 Challenges of digital payments**

The possible challenges of digital payments include economical, security risks, technical, social and others. As an example of economical challenge, the issues of digital payment technology encompass internal and foreign conflicts, costs, governmental stability, corruption, tax and security implications, sustainability, inflation or volatility, the retention of checks, and demonetisation (Khando, Islam and Gao, 2022). Furthermore, there are occasions of digital payment security risks as sharing private financial and personal details is an inevitable consequence of moving financial transactions online. Criminals looking to commit cyberattacks such as identity theft or fraud would be interested in this information. Financial institutions, consumers, and companies like are all vulnerable to the reputational and trust-destroying effects of data breaches, which can affect e-payment systems (Nair and Dr. Kannan, 2023).

This demonstrates the need for solution of challenges, such as economical and security risks. These barriers are more widespread in the world. In order to solve economic and security problems in any risky environment, it is important to create unique flexible strategies in the first place.

#### **2.3 Potential solutions**

Consumers still choose cash over digital wallets because the former don't cost anything. So, digital wallets need to be secure and inexpensive if they want to compete with cash payments. Otherwise, users can always go back to using cash (Khando, Islam and Gao, 2022).

As said by Bogdan-Alexandru Urs (2015), an efficient authentication program must be established to guarantee that controls and authentication mechanisms are suitable for all e-payment goods and services. No solitary management or security system can sufficiently safeguard a system linked to a public network. The technique and system can be enhanced by soliciting various security credentials, such passwords, cryptographic keys, electronic signatures and fingerprints, to provide several tiers of authentication. The electronic payment system featuring a greater number of authentication factors could have an elevated level of security. A digital payment system with enhanced authentication factors will exhibit a superior security level, so reducing the susceptibility to fraud and ultimately enhancing user confidence.

## **2. Methods**

### **3.1. Overview**

The study's participants, ethical considerations, research topics, and methods are detailed in this section.

### **3.2. Research participants**

The study contained 50 participants, including 24 females, 24 males, and 2 individuals who decided not to disclose their gender, all selected randomly from Millat Umidi University. 62% of students were aged 19-21, 26% were aged 16-18, while 8% and 4% were aged 22-25 and 26+, respectively.

### **3.3. Ethical issues**

Since our research question is "Lack of Digital Payments Infrastructure as a Barrier to E-commerce Growth in Uzbekistan. Students` perception". At the commencement of the questionnaire, participants, namely students from Millat Umidi University, were aware of the research's objective, benefits, scope, and the assurance of anonymity. To prevent misunderstandings, questions regarding sensitive and personal matters were excluded from the questionnaire.

### **3.4. Research instruments**

The study utilised a singular research instrument - a questionnaire to gather students' opinions. The questionnaire was created using Google Forms and included 8 questions, 2 of which were intended to gather demographic information. The remaining replies addressed to students' views on the deficiency of digital payment infrastructure. The questionnaire was sent via Telegram messenger across channels and group chats. Utilising questionnaires for students was recommended due to their flexibility.

## **3. Results**

### **4.1 Overview**

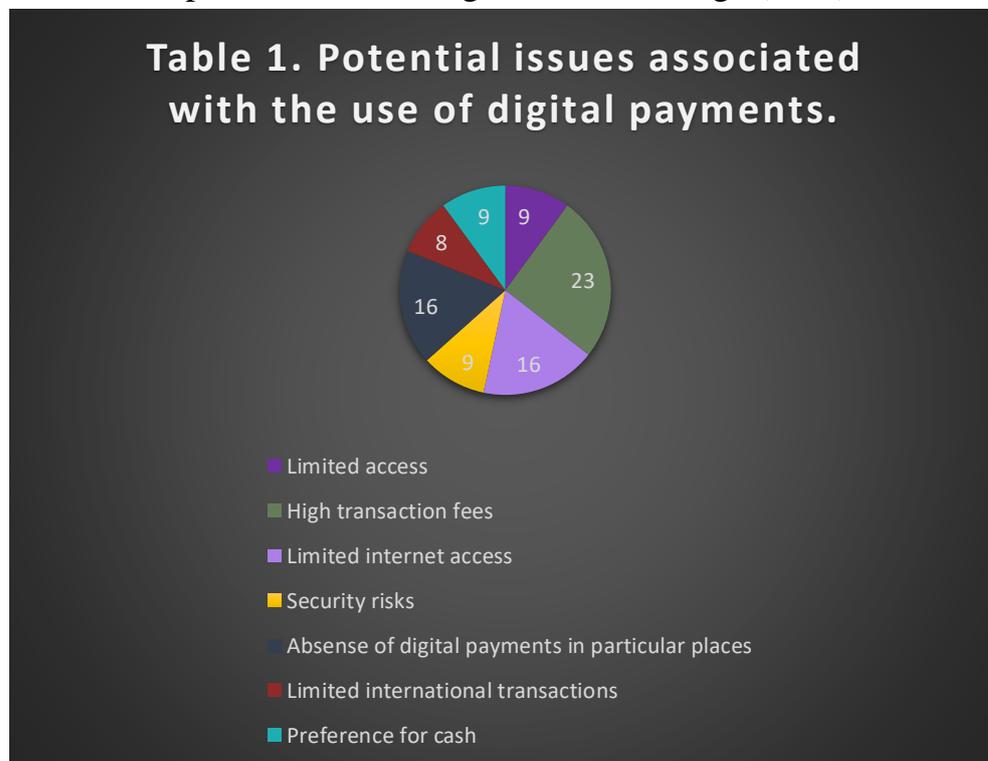
The report`s section on the effects of Uzbekistan`s lack of digital payments infostructure on e-commerce development will cover the most convenient approaches for individuals particularly students, as well as overview of the barriers associated with using digital payments and improvements of digital payments.

#### 4.2 Preferences of students in terms of payment methods

Students at Millat Umidi University were asked to indicate their preferences in payment methods (see appendix 3). Interestingly, 29 out of 50 participants (58%) preferred traditional cash payment which illustrated the highest trend, while the second popular payment was by card (42%). Online payment methods are not widely favoured among students, with the total number of platforms such as Pay Me and Click attracting averagely 8 users per.

#### 4.3 Barriers students face while using digital payments

Furthermore, participants were also requested to answer question regarding identifying the issues they encounter with digital payments (see appendix 5), aiming to comprehend the obstacles hindering the growth of e-commerce. The pie charts below illustrate potential issues associated with the use of digital payments. Students believe that high transaction fees constitute the primary hurdle (46%), whereas limited foreign transaction fees represent the least significant challenge (16%).



2.4 Potential improvements of digital payment to improve e-commerce infrastructure.

Moving to the 7<sup>th</sup> question (see appendix 7), “the prospective enhancements of digital payment systems to strengthen e-commerce infrastructure in Uzbekistan”. The table below illustrates potential enhancements related to digital payments. Reducing transaction costs is considered by 50% of participants as the most effective strategy to

improve Uzbekistan's digital payment system, while improving the reliability of payment gateways is ranked as the least effective.

	<b>Number of students that agree</b>
Faster and simpler payment processes	
Easier access to digital payment	
Wider acceptance of mobile payments	

## 5. Discussion

### 5.1 Introduction.

The main focus of the survey was on the challenges people face when using digital payment systems in Uzbekistan, particularly with platforms like Payme, Click, and UzumBank. This part is going to analyze the most essential findings.

### Student's Opinions.

5.2 One of the findings say that most people are uncomfortable with using digital payment methods because of high transaction fees whereas the students at Millat Umidi university don't want to use them for the reason that they need to share their financial and personal data with the bank app. They think that cyberattackers may need this information, or this may be fraud or identity theft.

### 5.3 Expected outcome

Consumers prefer using cash over digital payment methods. This allows them to not spend any tiny amount of money on transaction fees. However, most of the students at our university suggested lowering transaction fees, showing 50%. And the people who chose faster and simpler payment method and easier access to use digital method is the same with percent of 34%. Other percent of our survey showed that people who wanted a wider acceptance of mobile payments 15 (30%), and the ones who wanted more trustworthy gateways were 13 (26%), being the least number.

## 6. Limitations

### 6.1 Study limitation

This paper addresses a limited number of difficulties associated with digital payments and their corresponding solutions. In subsequent research, we recommend exploring more issues.

### 6.2 Primary research limitation

The results may not be applicable to a broader population due to the small sample size. Furthermore, the data collected may not be of high quality due to the fact that participants' levels of expertise varied.

### 6.3 Secondary research limitation

Numerous significant articles and studies were restricted by paywalls, constraining our access to extensive and pertinent data.

### 6.4 Time limitation

Given the one-week timeframe to compose the paper, there was inadequate time for comprehensive investigation and analysis.

## 7. Conclusion

To conclude, the insufficient digital payments infrastructure is a major barrier to the progress of e-commerce. Students of Millat Umidi University highlighted that issues such as scarcity of the right payment options security issues and high transaction costs. These issues did their customers from participating in online shopping, and limits the ability of entrepreneurs to grow their digital operations. It is crucial for all parties, like the government financial institutions and e-commerce companies to cultivate a successful e-commerce sector to work together and to create a secure, efficient, accessible payment system. Elevating digital payment options will not just aid e-commerce development, but also assist it Uzbekistan's overall economic progress. Future research should aim to explore pinpointing concrete strategies to overcome these barriers and examine their potential influence on e-commerce adoption in various industries across the country.

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