

## INTERNET COMMERCE: PROBLEMS AND PROSPECTS FOR DEVELOPMENT IN UKRAINE

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**Introduction.** Internet commerce is wide-ranging and encompasses more and more new operations and processes, and continues to grow every year. According to Statista, the e-commerce market in Ukraine showed steady growth in recent years before the full-scale invasion. Thus, in 2021, the volume of the e-commerce market in Ukraine amounted to \$3,506.98 million, which is 28% more than in 2020. However, already in 2022, the volume dropped almost 12 times and amounted to only USD 295.85 million [1]. Among the largest online stores in Ukraine are the following platforms: Rozetka, Epicentr K, Foxtrot, Allo, and Comfy. These companies have a large customer base and offer a wide range of products, including electronics, household appliances, household goods, cosmetics, clothing, and more.

The number of online stores has increased significantly over the past 5 years. The main reasons for this include: growing demand for online shopping (more and more people are shopping online every year because it is convenient, fast and often cheaper than in brick-and-mortar stores); technological advances (with the advent of new technologies such as fast Internet, mobile devices and wireless technologies, it has become easier to create and manage online stores); and low costs of creating and maintaining an online store (compared to a brick-and-mortar store).

Thus, the topic of e-commerce is very relevant in the modern world, with a large segment of e-commerce creating conditions for the continuation of old problems inherent in traditional retail and the emergence of new challenges facing online retailers.

**A review of recent research sources and publications.** The inventor of e-commerce was the English scientist Michael Aldrich, who invented the concept of an online store in 1979. E-commerce is a complex and multifaceted industry encompassing various aspects such as e-commerce, marketing, technology, design, etc. Therefore, scholars from different fields can study e-commerce from different perspectives. Some of the most prominent foreign researchers in the field of e-commerce are: Kotler F. (research in the field of marketing, author of many books on marketing and e-commerce), Buller B. (research on innovation in the financial sector, including e-commerce and cryptocurrencies), Baker D. (research on e-commerce, including e-commerce and payment systems). The research also focuses on studying and analyzing opportunities and prospects for the development of e-commerce.

Having analyzed the works of domestic scholars, it can be concluded that most of them take the aspects introduced by foreign scholars as a basis. Among the most famous Ukrainian scientists in this field are Berezovska L., Kyrychenko A. [2], Shevchuk O. [3], Sak T., Khovkhaliuk D. [4] (research in the field of Internet trade, e-commerce and other aspects of business). The analysis of current trends and dynamics of e-commerce development at Ukrainian enterprises is presented in the works of Glinenko L., Dainovsky Y. [5], Malovychko S. [6], Malyuta I., Ogoł A. [7]. The essence and importance of the advantages of e-commerce are studied in the works of Shkryhun Y., Syniavska O. [4] and Koliadenko S. Given all these aspects, research on the state and prospects of e-commerce development in Ukraine is relevant and timely.

The purpose of the study is to consider theoretical and methodological issues in the field of e-commerce development in Ukraine, to analyze the problems that businesses are currently facing and to develop ways to solve them.

**The main material of the study.** E-commerce has become a driving force for consumption as new digital users have discovered the world of online shopping and regular customers have become more likely to shop online. The rapid development of online commerce in Ukraine began in 2016 after joining the Free Trade Area with the EU. Currently, e-commerce in Ukraine is actively developing and becoming increasingly popular among consumers. According to research, more than 60% of Ukrainians shop online, with the number of purchases growing every year.

The most popular categories of goods that Ukrainians buy online include electronics, clothing and footwear, cosmetics, food, books and other literature. The market of online supermarkets offering a wide range of household goods, food and beverages, hygiene products, etc. is also actively developing in Ukraine.

Based on the Deloitte survey in Ukraine for 2021–2022, there is a tendency for online commerce to prevail over offline. 9% of respondents said they had started buying less online, while 22% said they had started buying more. The pandemic certainly contributed to this, as people tried to visit less and less crowded places: shops and shopping centers [11].

According to a study conducted by Soul Partners and Baker Tilly Ukraine, the e-commerce market reached \$6 billion in 2023, which is 10.1% of the retail trade in our country. It is predicted that in 2024, the e-commerce market volume and share should increase to \$6.7 billion and 10.6%, respectively (Figure 1) [12]. At the same time, while Ukrainian e-commerce grew by 42% during the pandemic, it fell sharply after the war began: it took four months for sales to recover somewhat, but businesses had to rebuild everything: the sales funnel, communication with customers, and new models of interaction.

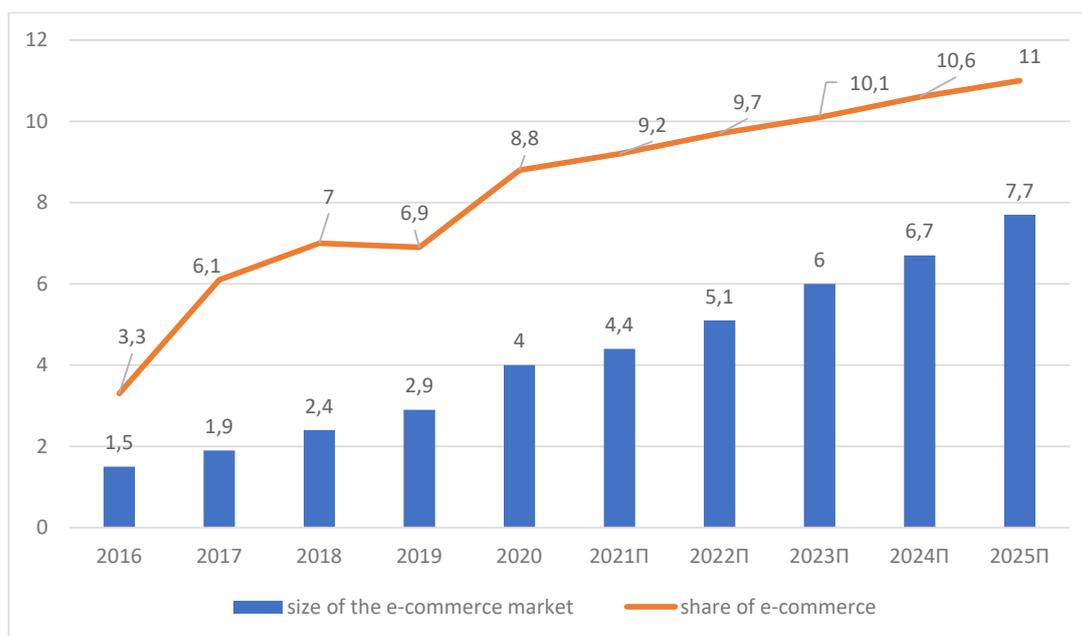


Figure 1. Dynamics the size of the e-commerce market and its share in retail trade

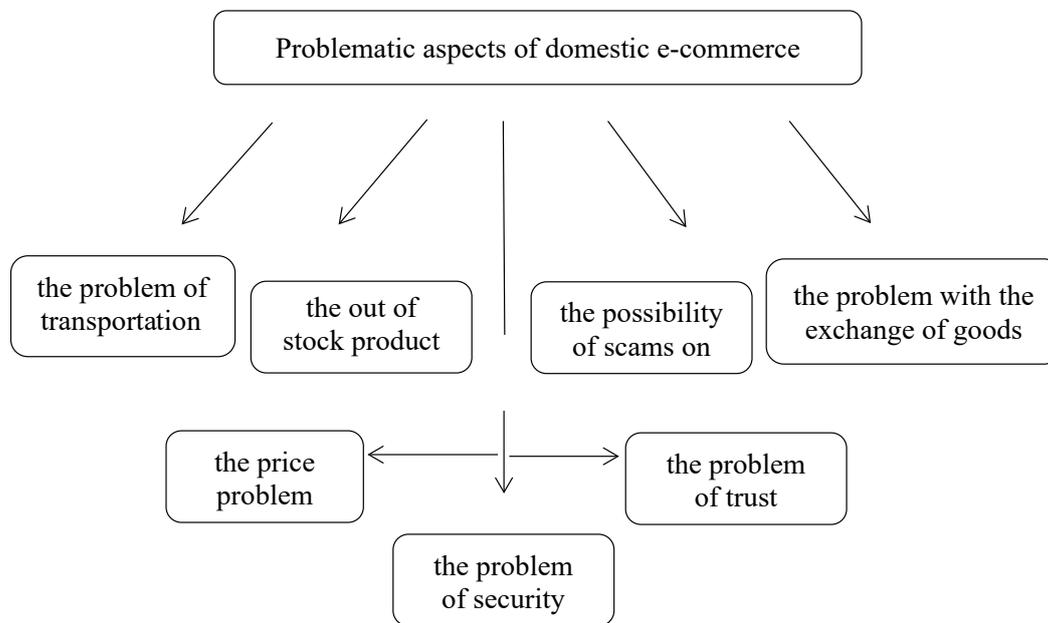
Source: [12]

According to Admitad's research, in 2022, there will be a significant increase in the average amount of on-line purchases. The average check in the e-commerce segment in Ukraine grew almost by a factor of two and amounted to \$33. Ukraine currently ranks fourth in the top 10 European countries regarding of average check size. In 2021, the average income of Ukrainian online sellers is \$3,790 per month, which is 6% more than a year ago. Statista predicts that in 2023 we will almost reach the level of 2020, and in 2024 we will reach the level of 2021. Then the subsequent increase in user spending and, as a consequence, the growth of business revenues is predicted [1].

Also, according to EcommerceDB research from 2020, Ukraine ranks 66th in the world ranking in terms of market size with a profit of \$838 million [13].

Today, there are many domestic and foreign online stores in Ukraine, which allows consumers to have a wide choice and find the best price for the right product. However, as in any other country, there are issues related to the quality of service, delivery, return of goods, and other nuances. Overall, we can say that e-commerce in Ukraine is quite developed and has good potential for further growth.

Like any other sector of the economy, e-commerce has its problematic aspects. The main problems associated with online commerce can be highlighted using the example of online shopping in Figure 2.



**Figure 2. Problematic aspects of domestic e-commerce**

Let us consider the above problems in more detail.

1. The problem of transportation. This problem can be one of the decisive factors for a customer to choose an offline purchase. This situation is predominantly in cities with a population of millions, where there are constant traffic jams, due to the large number of vehicles, which will delay the delivery of goods, so it will be more time-efficient to come to the store and buy the right thing.

In small remote villages and towns, there is also a problem with the delivery of goods. It often happens that the cost of delivery is higher than the cost of the product itself.

Consequently, a large number of Internet users cannot use the services to the fullest simply because of their place of residence.

2. The problem of price. When buying goods online, a buyer sometimes does not have access to complete information about what the price of a particular product consists of. For example, the price of a product may include the cost of accessories to the selected product. In some cases, the declared low price for a product is valid only if you purchase another product in the package, sometimes unnecessary or very expensive.

There may be cases when, when placing an order, an employee of an online store informs you that the low price is for an incomplete set, and that you must purchase additional accessories for an additional fee to use the product fully.

3. Possibility of online scams. The process of buying and selling on the Internet is mostly uncontrolled, which creates a favorable basis for fraudsters and unscrupulous sellers. For this reason, people may refuse to buy online [14].

4. Lack of goods in stock. When placing an order, the offered product is not in stock. This can happen if the product is really out of stock and the information on the store's website has not yet been updated.

Usually, the buyer is offered to wait until the product becomes available or to find a replacement for the selected product. Thus, a time-saving customer cannot wait and makes a choice in favor of another website or buys a similar product in the nearest store.

5. The problem of trust. This is an acute problem for domestic e-commerce. Software for e-commerce and banking operations may have accidental or intentional errors. A person has to trust his or her money to this

program. Psychologically, this is not so easy. For this reason, the verification and certification of such programs is in the forefront.

6. The problem of security. The Internet with its TCP/IP transport cannot be considered safe. For this reason, the developments of recent years have been focused on solving this problem [15].

7. Problem with the exchange of goods. An online store, like any other store, is obliged to respect consumer rights. The buyer has the right to unpack the goods in the presence of the courier, make sure that there is no external damage and check for a properly executed warranty card. If damage or incomplete completeness is found, the buyer has the right to reject the goods at the time of delivery. These and many other circumstances hinder the development of e-commerce, but online commerce is based on a certain level of trust, risk, and reliability [15].

Our country is characterized by the principle of prepayment, as the seller reasonably believes that the probability of customer dishonesty is quite high. All this creates great inconvenience for honest buyers and limits sales.

Today, e-commerce is developing steadily and has a chance to outpace offline sales in the future. Modern trends are aimed at creating conditions that will close the user's questions and doubts about purchasing goods in an online store and attract the hottest visitors. To do this, it is necessary to constantly improve e-commerce web resources, optimize content, work out the interface and conversion elements, focusing on new developments in the industry and the development of advanced technologies on the Internet [16].

Let us now consider the advantages, disadvantages, weaknesses and strengths and offer some recommendations for improving Internet business in Ukraine based on the experience of other countries where this industry is developing rapidly. In order to group all the analyzed data and for clarity, we have compiled a SWOT analysis of the Internet business (Table 1).

The main drivers of the e-commerce market remain unchanged: secure purchases, cheap or free delivery, and a high level of service.

The main problems in our country due to which the Internet business is developing slowly are: not very high solvency and standard of living, low development of the legislative framework, insufficient level of computer literacy, introduction of innovative payment methods at the level of only 66%, and the most important problem that is very difficult to overcome is the Ukrainian mentality [17].

Table 1

**SWOT-analysis of Internet business**

Environment of influence	Strengths	Weaknesses
	Opportunities	Threats
External environment	1. Increase in the number of Internet users; 2. Growing popularity of e-commerce; 3. Opportunity to develop additional services, such as customer loyalty, data analysis, etc; 4. Expansion of high-speed Internet networks, which facilitates customers' access to online trading; 5. Digital transformation of trading activities.	1. Increased competition and reduced profits due to lower prices for goods and services; 2. Risk of website malfunctions, hacker attacks and other technical problems; 3. Legislative restrictions and regulation of online activities. 4. Most of the operations take place on the domestic market
Internal environment	1. Low costs for storage of goods, their transportation and sales; 2. Larger market coverage and accessibility to customers around the world; 3. Reduced bureaucratic procedures and other operating costs.	1. Limitations in customer relations due to the lack of the ability to provide face-to-face service; 2. Dependence on technical infrastructure, which may affect the availability and speed of the website; 3. Increased risk of technology misuse by criminal elements; 4. The procedure of payments; 5. The procedure for the transfer of goods.

There are also issues of building and using a high-quality management system, certain elements of the accounting system, documentation and taxation of online stores. The ability to use different forms of payment, as well as options for receiving goods by the buyer, accounting for the sale of goods via the Internet will have its own specifics and a certain algorithm for using the relevant accounting accounts. The main objects

of accounting include: the costs of creating and operating an online store and accounting for settlements with customers. Business entities that sell online can choose either the simplified taxation, accounting and reporting system or the general system. Comparative statistics show that Ukraine has significant problems in accounting for e-commerce compared to other countries. According to a study, 30% of Ukrainian companies are able to properly keep records of e-commerce, while in developed countries this figure reaches 70-80% [18].

Having considered the advantages and disadvantages of e-commerce in our country, the author offers a number of recommendations to increase the level of distribution of this type of trade:

1. The spread of the Internet network to remote corners of our country, in principle, the Internet penetration in Ukraine is not at a low enough level of 66%, but there is room for growth, because in other European countries such as: Sweden, Switzerland, and Denmark, the figures reach up to 99.7%.

2. Investing in the development of the Ukrainian population in the field of computer literacy, many people, especially in the older age group, are not familiar with computer technology, so it is necessary to educate the population and show them the opportunities that await them after the introduction of innovative technologies in their lives.

3. By improving and equipping the economy, in the current conditions it will be difficult, but with the growth of the country's economy, trade will also grow.

4. By improving the legislative framework, it is necessary to develop new regulations and laws at the level of world leaders in Internet commerce, to learn from the experience of foreign colleagues.

5. Create departments that will regulate Internet business as a separate type of trade, and improve the computer and technological base of the authorities that will deal with it. In order to manage this industry more effectively and devote all attention to this type of trade.

6. Increase liability for unscrupulous sellers to protect consumer rights. Introduce a number of innovations in which the seller will not be able to carry out trading activities and will not be able to launch its platform until it officially acquires the status of an online trader who will be responsible for its activities and will be punished in case of failure, then consumers will feel protected and will not be afraid of shopping online.

7. Provision and control of service, this also needs to be monitored and, in case of failure to fulfill such needs, held accountable. It is necessary to regulate and prescribe all services and how they can be provided by trade entities.

8. Support the development of logistics companies for faster and better delivery [19].

To summarize, it should be noted that by spreading the Internet to all corners of Ukraine, investing in the development of the Ukrainian population, improving the economy and the legislative framework, ensuring control over the quality of service, and meeting all the needs of society, Ukrainian citizens will choose e-commerce and enjoy its benefits to the fullest. As a result, e-business will develop and grow, benefiting both consumers and sellers.

**Conclusions.** E-commerce in Ukraine is developing steadily and is in line with the economic situation in the country, and has a really good potential for growth. However, there are a large number of obstacles that can hinder positive changes in the process of e-commerce's establishment in the market. The main areas of stimulating the development of e-commerce include harmonization of legal norms, ensuring legal protection of e-commerce entities, removing barriers to the development of international e-business, and building the infrastructure of the e-commerce market. Internet commerce as a promising e-commerce industry has greatly affected all spheres of human life, and has begun to contribute to the development of the economy in some countries, without which it is difficult to imagine our lives. It has taken root deep in the bowels of the economy and is gradually replacing the usual concept of trade. But not everything is as simple as it seems, there are many factors that hinder this industry in our country, such as: low development of the legislative framework, insufficient level of computer literacy, introduction of innovative payment methods at the level of only 66%, and not very high solvency and standard of living.

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UDC 339.3-658.6

JEL M310, M390

**Olena Kravchenko**, PhD in Economics, Associate Professor, Senior Lecturer at the Department of Accounting and Taxation. **Yana Gerbut**, Bachelor's Degree Student, Sumy State University. **Internet commerce: problems and prospects for development in Ukraine.**

The steady and rather rapid development of e-commerce over the past decade has become one of the most visible changes in society. Today, there are many domestic and foreign online stores in Ukraine, which allows consumers to have a wide choice and find the best price for the right product. Today, e-commerce in Ukraine is quite developed and has a good potential for further growth, solving many problems that were inherent in retail trade, but creating new ones that require attention. The article presents and analyzes the main indicators characterizing the current state of the e-commerce market and draws conclusions. The main problems of domestic e-commerce are identified and characterized. The main problems in our country that slow down the development of Internet business are: not very high paying capacity and living standards, low development of the legislative framework, insufficient level of computer literacy, introduction of innovative payment methods, etc. There are also problems in building and using a high-quality management system, certain elements of the accounting system, documentation and taxation of online stores. The article considers advantages, disadvantages, weaknesses and strengths using the SWOT analysis of Internet business and offers some recommendations for its improvement. Having considered the advantages and disadvantages of e-commerce in our country, the article offers a number of recommendations that will help to increase the level of e-commerce in Ukraine. The main directions of stimulating the development of e-commerce can be considered the harmonization of legal norms, ensuring legal protection of e-commerce entities, removing barriers to the development of international e-business, and building the infrastructure of the e-commerce market. The article will be useful for specialists in the field of Internet marketing, entrepreneurs, economists and scientists engaged in market demand research, teachers and students of higher education institutions.

**Key words:** Internet commerce, e-commerce, e-trade, problems, goods.

УДК 339.3-658.6

JEL M310, M390

**Кравченко Олена Володимирівна**, кандидат економічних наук, доцент, доцент кафедри бухгалтерського обліку та оподаткування. **Гербут Яна Олександрівна**, здобувач вищої освіти бакалаврського рівня, Сумський державний університет. **Інтернет-торгівля: проблеми та перспективи розвитку в Україні.**

Прогресивний та доволі стрімкий розвиток електронної торгівлі за останнє десятиліття став однією з найбільш помітних змін у суспільстві. Сьогодні в Україні діє багато вітчизняних та іноземних інтернет-магазинів, що дозволяє споживачам мати широкий вибір та знайти оптимальну ціну на потрібний товар. Сьогодні електронна комерція в Україні є досить розвиненою і має хороший потенціал для подальшого зростання, вирішуючи багато проблем, які були притаманні роздрібній торгівлі, але натомість створює нові, які потребують уваги. У статті наведено та проаналізовано основні показники, що характеризують поточний стан ринку електронної комерції, зроблені висновки. Визначено та охарактеризовано основні проблеми вітчизняної інтернет-торгівлі. Основними проблемами в нашій країні, які гальмують розвиток інтернет-бізнесу, є: не дуже висока платоспроможність та рівень життя населення, низький розвиток законодавчої бази, недостатній рівень комп'ютерної грамотності, впровадження інноваційних методів оплати тощо. Існують також проблеми у побудові та використанні якісної системи управління, окремих елементів системи бухгалтерського обліку, документації та оподаткування інтернет-магазинів. Розглянуто переваги, недоліки, слабкі та сильні сторони через SWOT-аналіз інтернет-бізнесу та запропоновано деякі рекомендації щодо його вдосконалення. Так, було запропоновано низку рекомендацій, що дозволять підвищити рівень розповсюдження інтернет-торгівлі в Україні. Основними напрямками стимулювання розвитку електронної комерції можна вважати гармонізацію правових норм, забезпечення правового захисту суб'єктів електронної комерції, усунення бар'єрів для розвитку міжнародного електронного бізнесу, розбудову інфраструктури ринку електронної комерції. Стаття буде корисною для фахівців у сфері інтернет-маркетингу, підприємців, економістів та науковців, які займаються дослідженням попиту на ринку, викладачів та студентів вищих навчальних закладів.

**Ключові слова:** інтернет-торгівля, електронна комерція, електронна торгівля, проблеми, товар.