

THE ROLE AND IMPORTANCE OF FINTECH IN THE DEVELOPMENT OF E-COMMERCE

Xamdamov Mirzoumid Mirzoyuldashevich

Associate Professor of the Department of World Economy, University of World Economy and Diplomacy

Nortojiev Ulugbek Rasulovich

Master student of IEM faculty, University of World Economy and Diplomacy,

Abstract: *The rapid growth of e-commerce has created a need for efficient and secure financial solutions that can facilitate seamless online transactions. FinTech, which refers to the integration of technology into traditional financial services, plays a crucial role in addressing these needs. This paper explores the significance of FinTech in driving the development of e-commerce by examining various aspects.*

Key words: *FinTech, data analytics, transactions, e-wallets, BNPL, AI algorithms.*

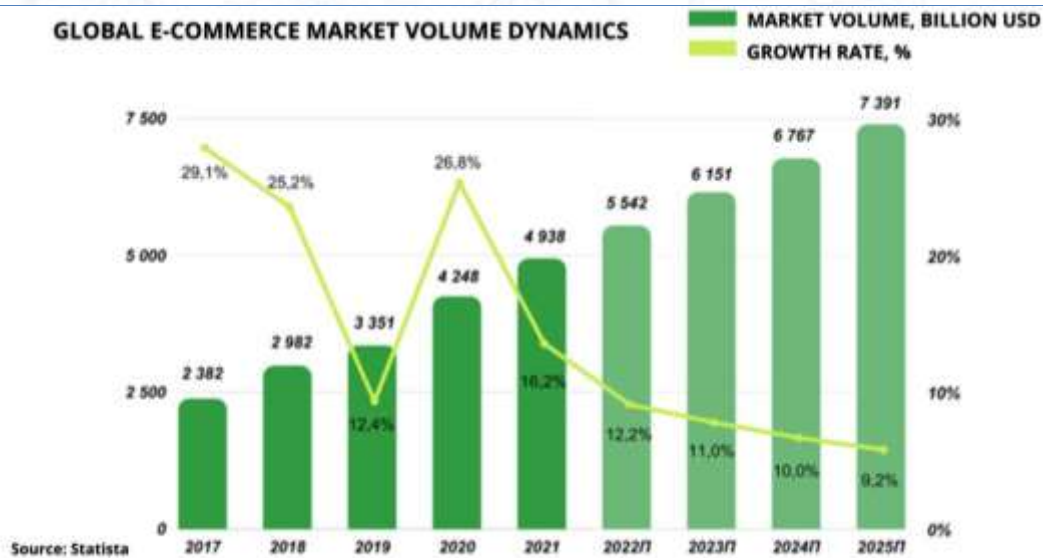
INTRODUCTION

In recent years, the landscape of e-commerce has undergone a significant transformation, largely driven by advancements in financial technology, or fintech. Fintech has revolutionized the way businesses and consumers engage in online transactions, particularly in the realm of payment solutions for e-commerce platforms.

Fintech, a derivation of “financial technology,” refers to companies that use modern technology to challenge conventional financial processes in the financial sector. The “ABCD” of fintech includes artificial intelligence, blockchain, cloud computing, as well as big data.

Fintech not only makes it simpler for eCommerce firms to handle payments but also enables them to better manage their money. For instance, it may help organizations monitor expenditures, budget more effectively, and invest intelligently. In addition, it may facilitate the expansion of eCommerce enterprises into other areas and the acquisition of additional clients. Fintech has revolutionized the payment processing sector in recent years (especially during the pandemic), making it simpler and quicker than ever before for eCommerce companies to receive payments from consumers all around the globe.

Despite the fact that the pandemic has dealt a severe economic blow to the world, it has become a starting point for the development of e-commerce. While almost all industries lost billions during the isolation, e-commerce has demonstrated all its advantages and has become an integral part of people's lives. By the end of 2021, the global market volume reached \$4.9 trillion, an increase of 16.8% compared to the previous year, according to Statista (Pic.1).



Pic.1. Global E-commerce market volume dynamics.

Over the past five years, the dynamics of the global e-commerce market has been at an incredibly high level with an average annual growth rate of 25%. However, 2021 was a potential end to this trend. According to Statista forecasts (Pic.1), by 2025, the volume of the global e-com market will exceed \$7.3 trillion, and the annual growth rate will slow down to 9.2%.

Among the world's regions, the Asia-Pacific region showed the largest growth in 2021 – 23% and North America – 22%. At the same time, the average annual growth rate in Europe reached 16%. After the unprecedented boom in online spending caused by Covid-19, the process of e-commerce adoption continues in all industries. Computers and electronics account for 21.5% of the market share, while the clothing category has a fifth share of the entire e-commerce market (Pic.1).

One of the continuing trends is the growth of marketplaces. Sales of marketplaces such as Amazon, eBay and AliExpress are steadily growing every year, and this category accounts for two thirds (67%) of global e-commerce in 2021. For example, Amazon alone has a 41.4% share of all online sales in the United States. On the other hand, despite the limited capabilities of social platforms, almost 20% of companies intend to sell through TikTok and Instagram.

"Buy now, pay later" or installment purchases have become a major trend in the e-commerce market. Installments are a tool to increase sales, which reduces the financial pressure on the consumer. In 2021, large FinTech companies appeared with the main BNPL service, and at the same time, sellers themselves began to offer the option of buying in installments.

The volume of digital advertising, which is an integral part of e-com, grew by 29.9% and reached \$521 billion (Pic.1). The United States spends the most on online advertising (\$200 billion), and the digital advertising market continues to grow by double digits. It is also worth noting that in 2021, each industry increased advertising spending by at least 10%, which may be an indicator of long-term changes.

eCommerce refers to small businesses, large retailers, and aggregator marketplaces like Amazon, which operate their sales transactions online. Customers can choose from an online

catalog and get the product(s) delivered to a location of their choice. Companies operating in this model can use eCommerce for:

1. Digital payments and ease of cash flow

Digital payments are a blessing for eCommerce merchants. The payment procedure has become simpler and more straightforward. With digital payments, consumers are not required to be present to make a purchase. Digital transactions have streamlined the process. And, as eCommerce businesses await payment from marketplaces, they often encounter cash flow problems. These procedures are simplified by online payments, which also offer quick access to cash.

2. Payment in installments, also known as “buy now, pay later” (BNPL)

“buy now, pay later” (BNPL) services, illustrated by organizations such as Affirm, Klarna, and Afterpay, are also another type of fintech solution that is also altering consumer behavior. Using these methods, loan financing providers are now able to provide 0% interest online loans immediately at checkout, allowing customers to buy big products all at once. This has substantially increased eCommerce, particularly for high-priced items and Christmas buying.

3. Simple, hassle-free access to credit

It is no surprise that banks are losing popularity among small business owners, who’ve been particularly attracted to the native digital solutions offered by fintech businesses. Instant Advance from Payability is a solution of this kind. Instant Advance allows you to get up to \$250,000 in as little as 24 hours. It is not a loan, but rather a reduced purchase of your future receivables, therefore, no credit check or compounding interest is required. Payability analyzes your sales history across all channels, such as Amazon, Walmart, Shopify, Newegg, eBay, and others. Online retailers may be authorized and financed within one working day.

4. International market expansion

Fintech has transformed the global eCommerce industry into one that is thriving. Geographical restrictions no longer prevent buyers from purchasing from other nations. Payment systems and e-wallets have revolutionized eCommerce, enabling users to buy products and services from all over the world without ever leaving their homes. This increases the market reach of eCommerce sellers and targets the ideal customer no matter where they are.

5. Customer incentivization

As more fintech competitors enter the marketplace and compete with conventional firms, eCommerce companies, and customers stand to benefit from this intense rivalry. By partnering with well-known brands, fintech businesses frequently provide customers with appealing offers and discounts. Digital payment providers are always vying for market share by offering rebates, flat discounts on purchases, and sometimes even free movie tickets. In turn, this has raised the amount individuals spend online, thereby improving online sales and eCommerce in general.

6. Financial data analytics

Lastly, analytics is one of the most essential financial applications in eCommerce. Through a variety of applications and services, fintech firms may gather data on countless users. They then process this data via analytics as well as AI algorithms to detect individuals’

purchasing habits, thereby targeting them with adverts. Fintech companies may also offer such data-rich analytics and reports to eCommerce businesses, which can utilize valuable customer insights to deliver more targeted services and products.

Fintech is revolutionizing payment processing technology, and it is now easier than ever for eCommerce merchants worldwide to accept payment from eCommerce customers globally. Fintech, since its debut, has revolutionized payment processing. Technology has revolutionized how eCommerce companies accept client payments for eCommerce firms while helping Commerce companies manage their finances more effectively by helping to budget more efficiently, invest wiser or track spending via money transfers - among many other applications.

Fintech represents one of the many tools helping evolve the eCommerce industry as more convenient, reliable, and trustful Finance Management Software Solutions become available. FinTech can make accepting payments easier for eCommerce businesses while helping them manage their finances more effectively. It can track spending, create budgets and make better investment decisions, in turn helping expand into new markets while reaching more customers.

Small and midsize retail stores must maintain strong ties with their fintech partners to remain successful. Technology and an emphasis on customer experience are becoming more widespread; trust must be built.

The key differences between eCommerce and conventional commerce are market access and scalability. Although fintech may be seen across both brick-and-mortar as well as online establishments, it is more popular in the digital world. This is due to the fact that fintech helps to eliminate the traditional constraints that impeded eCommerce development in the past.

In essence, fintech has become an indispensable component of e-commerce payment solutions, driving efficiency, security, and innovation in online transactions. As the e-commerce landscape continues to evolve, fintech will play an increasingly pivotal role in shaping the future of digital commerce.

Conclusion. In conclusion, it can be said that technological innovation and digitization have led to drastic changes in banking and financial services.

The development of digital technologies, such as cyber-physical systems, big data, blockchain technology, open banking, etc., has led to significant changes in the provision of financial services.

The economic downturn and banking crisis of 2008 also brought new thinking to bank management. The emergence of fintech and mobile banking services has also led to significant changes in the concept of banking. Digital banking will increase competition and provide more choice in financial services.

Overall, this paper underscores the crucial role of FinTech in driving the growth and success of e-commerce by enhancing payment processing, security, financing options, data analytics, and regulatory compliance.

It emphasizes the need for collaboration between FinTech companies and e-commerce platforms to stay ahead of the curve and embrace innovation, ultimately enhancing customer experiences and gaining a competitive edge.

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