

# DEVELOPMENT OF E-COMMERCE IN REPUBLIC OF MOLDOVA IN CONTEXTS OF DEVELOPING UE STRATEGY

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## **Abstract**

*At present, the EU and the Republic of Moldova are developing an ever closer relationship, going beyond cooperation, to gradual economic integration and deepening political cooperation. European integration remains the main and irreversible objective of internal and external agenda of the Republic of Moldova. In this context, many strategies for integration of the Republic of Moldova into the EU are set out. One of these strategies for economic integration is the EU Digital Single Market Strategy. It sets out 3 specific actions: better access for consumers and businesses to digital goods and services across Europe; creating the right conditions and a level playing field for digital networks and innovative services to flourish; maximizing the growth potential of the digital economy.*

**Keywords:** *e-commerce, Web technologies, Web-Banking, payWave, Internet, on-line payments etc.*

**CZU:** 339.138:004 (478)

**JEL:** F6, F63

**Introduction.** In this context, in this article we will analyze the situation regarding development and implementation of e-commerce in the Republic of Moldova, which is difficult because in the primary statistical data forms this domain is not mentioned separately. An extensive study can be performed only on the basis of special research and, indirectly, using official statistical data. Based on these considerations, we will present some general information. In the Republic of Moldova the following



e-commerce activities are practiced: electronic payments - payment for products and services using bank cards and POS terminals; automated cash handling using bank cards and ATMs; electronic financial transfers between different banks; Web-Banking service; financial transfer by payment to the user's personal account; use of pay Wave cards; utilization of web-technologies for online advertising various products and/or services, etc.; domestic users' access to the Global Internet websites, which promote e-commerce; possibility to use e-commerce via phone access, implemented in some countries (Japan, USA, UK etc.).

**Research methodology.** In the Republic of Moldova, the banking system was a pioneer of the use of computer networks for business mediation, because carrying out e-commerce activities usually involves online payments. These payments are made through electronic payment systems, managed by the corresponding structures of the banking system. Moreover, the level of economic development of the banking system in the country is more advanced, than in many other areas. It is the banking system that holds the largest share in e-commerce of the country. In addition, integration into the international banking system also requires utilization of modern payment instruments, especially electronic payment systems. Most of the e-commerce activities around the world are made with bank cards.

In its activity the National Bank of Moldova is governed by Regulation no. 58/11-02 of 25.05.1997 on the organization by banks of payments with bank cards on the territory of the Republic of Moldova and Regulation no. 404 of 25.12.1998 on the numbering of cards issued by banks authorized by the National Bank of Moldova in order to ensure normative conditions for the use of electronic payment systems. Timeliness and necessity of the mentioned normative documents were demonstrated by the further development of the bank card payment services. The National Bank of Moldova is the manager and the owner of the Interbank Payment System, which among other things also performs the electronic funds credit transfer both on behalf of the participating banks and on behalf of their clients.

Regarding the card payment system, the National Bank of Moldova assigns the function of general regulation of the development and supervision of respect of consumer rights by analyzing risks and tendencies, elaboration of different regulations by carrying out the thematic verifications regarding the application of provisions of



these normative documents. Also the National Bank of Moldova has another important function: by applying its own Interbank Payment System, performs the final settlement of the day-to-day positions of the registered commercial banks, performs results of card transactions carried out on the consumer country territory. Cashless payments made by legal persons typically take place by credit transfer initiated on paper by the debtor. The most part of cashless payments, made by natural persons, is done through the bank debit cards.

In conclusion, we can mention that e-commerce is one of the most important factors in the development of foreign trade and promotion of modern types of commerce in the country, initially diminishing the decline, and then essentially supporting the growth of the national economy [1]. Use the opportunities offered by e-business by harnessing comparative advantages, which were not used in the country's "old economy", would result in a significant profit. E-commerce offers small and medium-sized enterprises the opportunity for massive international markets entry, that in the recent past was quite difficult due to high transaction costs, long distances and innumerable tariff and non-tariff barriers. Thanks to the Internet, labor services are being delivered online, creating new opportunities for economic growth, especially for countries with cheap labor (as, for example, the Republic of Moldova).

Appearance of a new type of web-based services, namely making online transactions, was determined by the evolution of information technologies as a process, closely linked to the economic and social needs of the whole society. Today online transactions are pretty common to mostly business areas that makes a major contribution to their transposition over the Internet. Procurement of goods and services online has rapidly gained wide spread thanks to principles aimed at maximizing the degree of satisfaction of service buyers and minimizing the costs involved in providing these services, as well as a favorable legal framework.

Mention that the insufficient cards utilization as a payment instrument explains the existence of partial transactions in the Republic of Moldova. Looking ahead, they are a precursor of full transactions. The vast majority of websites in the Republic of Moldova denote a relatively insufficient level of implementation of the mechanisms for online transactions. Using the Internet as a method of interaction for the analyzed websites implies that consumers create their profile online and fill the shopping



cart. Payment for the ordered goods and services is made on delivery, using data provided via Internet.

Another category of websites based on the principle of full online transactions is the commercial banks' websites. Thus, banking institutions offer clients an opportunity to manage their online accounts, including making payments, under condition that for such operations the website users have to be clients of the respective bank. Initially, until wide adoption of web technologies wide adoption of web technologies, the mechanism for management of accounts, opened with bank, was run by "Client-Bank" type programs. Further, they have been developed into those we find today on the websites of banking institutions: "Internet banking", "Telebanking" etc. The bank's client only needs to have an Internet connection to access these services.

We note that surprisingly many online stores have been developed in the Republic of Moldova. The absolute majority usually sells ICT products, such as computers, mobile phones or household appliances. At the same time, if we refer to niche-specific stores, the list of online stores will not be an impressive one: *farmacie-online.md*, *medicamente.md*, *maximum.md*, *bomba.md*, *elefant.md*, etc. Despite the Internet development, we notice that our society is still skeptical about e-commerce, as a rule, citizens are invoking distrust in the card processing system and fear about personal data fraud. However, the electronic payment system is becoming more and more popular in the country.

Concluding contracts on the Internet websites is an important component of e-commerce in public information systems. Here different ways of signing the agreement are allowed, not only through the exchange of electronic documents, which contain offer and acceptance, but also through other actions meant to express offer or acceptance. The contract can also be concluded as a result of the automated technical cooperation system with a natural person, or through the interaction of automated information systems that take place without simultaneous control of natural persons. Electronic signature is data in electronic form, attached or logically associated with other data in electronic form, which serves as an identification method. In order to obtain the "Electronic Signature" Package in the Republic of Moldova, you need to access the following link: [www.servicii.cts.md](http://www.servicii.cts.md). The state enterprise "Center for Special Telecommunications" has an important role in ensuring the



implementation of electronic signature in the Republic of Moldova, offering the full range of services in this domain [2].

The next step in the development of e-commerce in the Republic of Moldova is the electronic customs implementation. Implementing Electronic Customs Clearance Service seeks to facilitate legitimate trade, create a simple paperless environment for customs and trade, as well as use modern customs control tools and technologies, helping to provide a basis for effective customs clearance procedures. According to the data and statistical analyzes, since the launch of the electronic customs clearance procedure in November 2013, the number of electronic declarations has been grown, showing a positive trend. At present, we already have electronic exports with several countries from the Commonwealth of Independent States (CIS), EU (Italy, Czech Republic), Turkey, and even Nigeria. The launch of the electronic customs clearance procedure was supported by the Customs Service partner, the United States Agency for International Development (USAID) through the BRITE Programme, which supports the customs system of the Republic of Moldova in facilitating international trade.

In the author's opinion, the electronic declaration has a plus, which is the fact that the declarant has possibility to be placed anywhere, regardless of the destination of the declared goods (for example, in another region of the country) using further the digital signature, the documents are provided in electronic form, and the information from the customs inspector is obtained in online mode. Advantages of the electronic declaration have recently become more important for entrepreneurs involved in foreign trade.

Market of the electronic foreign trade in the Republic of Moldova is at an active stage of development. Currently, more and more economic operators realize the benefits of the transposition of their business into online business (that does not exclude the parallel development of traditional businesses). The International Center for Electronic Commerce, Allbiz platform, helps entrepreneurs to develop networking businesses by collecting statistics on the Moldovan e-commerce market, and tracking which products are most frequently ordered by the networking entrepreneurs both inside and outside the country. In 2018, most of the entrepreneurs' orders in the country were received in the first trimester (36% of the total). In the next months, demand has declined insignificantly [3].



According to the Allbiz platform data, foreign online trade of the Republic of Moldova is focused on two markets - agriculture and food. Thus, according to the platform data, in the majority of cases Moldova online was sending abroad demands for fresh fruit. And foreigners were interested in walnuts offers. In most cases Moldovan entrepreneurs were sending demands to Ukraine (for sunflower oil, sugar, oilcake, etc.), Russia (fruits, eggs, sunflower) and Poland (fruits, pots for plants, household chemicals). Moldovan entrepreneurs were selling their production online in Ukraine (seedlings of fruit trees, wine grapes), Russia (apples, walnuts, seedlings of fruit trees) and Romania (walnuts, sunflower oil, seedlings of fruit trees). However, as the Allbiz statistics show, online trading of the Republic of Moldova was more active on the domestic market. The import from the network was focused on Ukraine, and the export - on three countries: Ukraine, Russia, and Romania.

Understanding the importance of e-commerce market in the Republic of Moldova can help many companies and entrepreneurs to stay within the new economy in order to get new orders online, as well as consumers - to get goods on more favorable conditions than offline ones.

**Conclusion.** The author is convinced that the domestic companies are ready for widespread use of e-commerce, about 66% have connection to the Internet. The types of connection used are different, but preferably are connections through switches - about 57% of companies connected to the Internet. Small enterprises use the Internet more frequently (35%), than medium-sized enterprises (250 of employees or 2,5%). Analysis of the presence of companies from the Republic Moldova in the Internet information space shows that only about 37% of the companies have their own webpages, their own website, and only 5.5% of companies use the Internet to develop its business online.

In conclusion, we can say that implementation of new commerce methods will open up new sales markets. Thus, e-commerce will allow minimization of the distribution costs. It will allow cost savings by reducing paper transactions or replacing them completely with electronic transactions. Therefore, for economic operators there is a need to develop e-commerce that will help them to become more efficient and flexible in their internal operations, enable them to work more closely with their suppliers, and be more receptive to clients' needs and expectations.



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