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## **THE IMPACT OF E-COMMERCE ON FOREIGN DIRECT INVESTMENTS OF UKRAINE**

### **Abstract**

E-commerce has been developing very rapidly in recent years, due to the development of information technology, increasing demand for online shopping. E-commerce accounts for a fairly large share of retail sales in general. Of course, the above factors affect the economic performance of countries as a whole. The purpose of this work is to study the impact of e-commerce on foreign direct investment, which is an important component of economic development. With the development of new technologies, including online trade, the country's investment attractiveness is growing, so this issue is very relevant today, especially when the country is in a financial crisis and needs an influx of foreign capital.

**Key words:** e-commerce, FDI, Multiple Regression, e-trade.

### **Introduction**

Over the past 10 years, the volume of online trade in Ukraine has increased 14 times, so e-commerce can be called a promising area of development of Ukraine's economy. This topic is especially relevant now, during the pandemic of the COVID-19 virus, because for many entrepreneurs online trade has become the main source of income during the quarantine period.

Increasing the volume of foreign direct investment is an important task for the modern economy of Ukraine, which is in a state of financial crisis. Later in the paper we will consider the impact of e-commerce, as well as some economic indicators on foreign direct investment.

## **Literature overview**

In his article, Dr Rahul Choudhury notes that the level of e-commerce in India has started to grow significantly in recent years. Many new players have appeared on the market, competition has increased. According to the author, this has significantly increased the volume of private capital investment, especially from foreign investors. In his work, Dr Rahul Choudhury describes the factors that contribute to the growth of foreign direct investment. The author conducts a study that analyzes the inflow of foreign players' own funds into e-commerce, which depend on fluctuations in the number of mobile users and the Internet as a whole. Using the regression model OLS with the time series data for the period from 2000 to 2016, the scientist proves the positive impact of these two factors on the volume of foreign direct investment in India. Thair A. Habboush and Badi F. Alanazi studied the impact of e-commerce on investing in the Kingdom of Saudi Arabia. An analytical method was used for the study, in which data were collected on the basis of expert opinions and analyzed using SPSS systems. So, 250 investors became respondents for this description. The study found a significant correlation between the level of development of e-commerce and motivation to invest. As a result, recommendations were proposed for further research aimed at the gradual transformation of significant private enterprises in the regular retail sector into e-commerce.

The study reviewed a paper by researchers Yao Lei and Yan Zheng-yao, which used the example of China to explain the impact of e-commerce on ordinary import and export trade. Also, the paper provides recommendations on measures to be taken for the development of cross-border e-commerce. The authors conducted a regression empirical analysis based on data for 2008-2018 and proved that the development of cross-border e-commerce is closely linked to conventional exports and imports.

Kumar Anouj, Fahad Fayaz, Ms. Namita Kapoor in their work described the importance of e-commerce development for the Indian economy. The authors identify that attracting foreign investment is a necessary task for the Government of India, as it is a country that is reviewing the state of rapid development. The study analyzed the impact of e-commerce on increasing foreign direct investment, which turned out to be very large. More India was not an attractive country for investment, the situation has changed dramatically due to the development of e-commerce. The authors conclude that in India, which is a service for services such as 3G and 4G, it has become possible

to invest in a private country, the country is rapidly developing e-commerce and digital services.

## Results

The following indicators were used to model the factors influencing foreign direct investment: e-sales (billions of dollars), GDP per capita (billions of dollars), inflation (%) and R&D (millions of dollars). The influence of the described factors was investigated using multiple regression with data for 2006-2019.

The model looks like:

$$FDI = -36,49 + 872,94E-commerce + 2,34GDP + 50,15Inflation + 22,16R\&D$$

### Regression model characteristics

|            | <i>Coefficients</i> | <i>Standard Error</i> | <i>t Stat</i> | <i>P-value</i> | <i>Adjusted R Square</i> | <i>Significance F</i> |
|------------|---------------------|-----------------------|---------------|----------------|--------------------------|-----------------------|
| Intercept  | -36,49              | 12,49                 | -2,82         | 0,02           |                          |                       |
| E-commerce | 872,94              | 59,29                 | 1,46          | 0,18           |                          |                       |
| GDP        | 2,34                | 0,80                  | 2,93          | 0,02           | 0,91                     | 0,001373059           |
| Inflation  | 50,15               | 44,14                 | 1,14          | 0,29           |                          |                       |
| R&D        | 22,16               | 6,74                  | 3,29          | 0,01           |                          |                       |

**Source:** author calculations

## Conclusions

The results of this model indicate the relationship between foreign direct investment and e-commerce. R&D has the greatest impact on foreign direct investment among the studied factors. It should be added that e-commerce is also closely linked to the level of R&D, as modern e-commerce technologies are the result of scientific activity.

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