

# DIGITAL ECONOMY: THE ESSENCE OF THE PHENOMENON PROBLEMS AND RISKS OF FORMATION AND DEVELOPMENT

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## Abstract

Today, new digital technologies, innovative business models penetrate into all spheres of society's economic life, influencing the essence of the economy, forming qualitative structural changes in it. As a result, the digital economy is formed as a sub-system of the traditional economy, which is distinguished by the active use of digital technologies and a specific turnover of electronic goods. The level of development of the digital economy is closely linked to the competitiveness of the country, which requires special attention of government and business to its development. The article considers the development of the world and our country's digital economy, identifies the achievements and threats of the digital economy, and proposes ways to overcome them. Today, it has become clear that the e-economy is going beyond the scope of purely economic processes. Digitalization is introduced into social processes, the successful life of people is increasingly dependent on it, as well as the large-scale implementation of digital technologies in the activities of government organizations and structures. In terms of the level of development of the digital economy, Uzbekistan does not occupy a leading position in the world, but it confidently retains its position in the group of countries following the leader and is improving from year to year. For the further development of the digital economy, it is necessary for the government and business to work together. In order to redirect resources and efforts in these activities towards their elimination, it is necessary to take into account a number of problems, risks and threats highlighted in the article.

**Keywords:** Digital economy, threats and risks to sustainable development, economic growth, state regulation of the economy, scientific and technical development.

## Introduction

Many researchers (including the authors of this article) rightly connect medium-term trends in the development of society and the economy with their digitization. [3; 5; 9; 11; 19, etc.]. Today, new digital technologies, innovative business models penetrate into all spheres of society's economic life, to influence the essence of the economy, the formation of qualitative structural changes in it. One can agree with the views expressed by many researchers [1;10;13; Thanks to digitalization and other technological developments, mankind has entered a new era of global changes.



The digital economy is being panned by many today, while its rapid development is being accepted as a way to solve almost all existing problems.

This is reflected in the sharp increase in interest in "digital" problems, both in socio-economic and humanitarian studies and in society.

in discourse, including in statements by influential politicians and in documents

but it must be understood that there is no "cure for all diseases." The digital economy cannot be a cure either in modern Russia or in the world as a whole. In our opinion, its development should be considered in the context of other changes that our time is experiencing.

### Overview of the development of the digital economy

Since the second half of the 20th century, information technologies have covered all industries. The concept of digital economy is applied to the use of modern information technologies (digital) economic entities.

According to N. Negroponte, the advantages of the digital economy are:

- a) lack of physical weight
- b) products to be replaced by the volume of information, less cost
- c) resources for the production of electronic goods, a much smaller area occupied by products, as well as the almost instantaneous movement of goods
- d) via the Internet (in this case, the word, of course, is unique
- e) raqamli tovarlar).

Table 1. Key features of the digital economy

Description	Impact on the overall development of the economy
<b>Economic activity on the platforms of the digital economy</b>	The interaction between economic entities becomes easier, costs (primarily - transactional) are reduced, additional functionality is provided for both suppliers and consumers, their cooperation will be improved, which will reduce the time of the development and market cycle of new goods, it will help to create and deploy innovative products and solutions.
<b>Personalized service models are formed</b>	Targeted Internet marketing, 3D printing and other digital technologies allow to personalize the production and sale of goods and services, taking into account the demands and needs of each specific client, which in turn saves resources (by coordinating the structure and volume of supply and demand) and improves the quality and standard of life of the population.
<b>Direct interaction between producers and consumers will take place.</b>	Conditions are being created to reduce the chain of intermediaries between the producer and the beer-consumer, to establish efficient production and consumer cooperation.
<b>There is a proliferation of the "common-use economy."</b>	Accelerated digitalization and communications will create conditions for the elimination of traditional property relations, the development of legal practice using the theoretical institutional concept of "the set of property rights". The phenomenon of co-ownership of goods (especially those that are technically complex and expensive, such as passenger cars) is evolving, which has the potential to drastically reduce consumers' costs.
<b>The role of the contribution of its participants to economic activities is increasing.</b>	Making SMBs more flexible and mobile plays an important role in business processes; Intensive promotion of innovative startups is underway; The sector of the "economy of individuals" is expanding, and an upward trend of "atomization" of the structure of the economy is emerging.

Digitalization of business starting from local domestic firms and corporate projects is gradually gaining global scale and the major digital business participants have become ranked first in the world. For example, Apple, Alphabet, Microsoft, Amazon, and Facebook are among the most valuable companies in the world by market capitalization. The most valuable non-American company on this list is the Chinese internet vendor Alibaba Group. In addition, there are examples of "digital ecosystems" in various industries and companies today.

According to available estimates [7], the share of the digital economy in the gross domestic product of the developed countries of the world grew from 4.3% to 5.5% in 2010-2016, while in developing countries the indicator changed from 3.6% to 4.9%. In Uzbekistan, this share was 1.9% in 2010 and 2.8% in 2016. Despite being relatively lagging behind, our country shows much higher dynamics:

The growth of the share of the digital economy in the Gross Domestic Product of the Republic of Uzbekistan compared with, for example, Brazil or Australia, during this period amounted to 0.2% and 0.3%, respectively. In terms of the share of the digital economy in gross domestic product, the UK is the leader in the world - 12,4%.

It is important to note that just as the economy and society as a whole develop unevenly [4;20, etc.], their digital transformation also occurs unevenly. Policies, legal norms, traditions and culture, the degree of economic development, education and own technological base, together with many other factors, play a role in shaping the digital economy of a particular country. For example, the Chinese digital market, with the largest number of Internet users in the world (over 720 million people), exists autonomously from the world market [8].

It is worth noting that recently, in our country, the issue of creating a unique "national Internet" similar to China has been discussed in order to protect the national digital space from external harmful influences, which is becoming an important infrastructure element in modern conditions. Comments about the blackout that took place in Venezuela on March 7, 2019 suggest that there may have been an impact.

The Russian national news channel Vesti writes about this: "The reason for the largest power outage in the history of Venezuela was a cyberattack. The country's Minister of Information Jorge Rodriguez announced this on Saturday, March 9... the attack was aimed at the automatic control system of the Guri hydroelectric power plant... The attack on the system that controls the process of generating electricity was apparently carried out by the United States... As soon as it became known that a cyberattack was taking place and hackers were trying to take control of the system, the SPP suspended its activities for security reasons. All of this led to a blackout that covered almost the entire territory of Venezuela" (quote from the website: <https://www.vesti.ru/doc.html?id=3124268> ).

At the same time, the digital economy is inherently subnational and transnational. Therefore, despite the efforts made by the governments of many countries to protect the national digital space, at the same time there is a contradictory trend regarding the integration of technical standards and regulatory rules in this area. The European Union, for example, has over 400 million Internet users, but its market is still fragmented. In this direction, the leaders of the EU countries are actively working on the creation of a single digital market for this integrated union. Similar problems can arise at the level of separate, sufficiently large countries. India, for example, has over 460 million internet users. But India's digital economy is multilingual



(in which financial transactions are conducted in multiple languages), which has a negative impact on digital market performance.

### **Stages of development of digital economy in Uzbekistan**

In the development of digital economy in the country, the following stages can be distinguished:

- **2013-2017** – implementation of e-government (my.gov.uz, the Single interactive state services portal);
- **- 2018–2020** - the concept of "Digital Uzbekistan – 2030" was developed;
- **2020–present** – expansion of digital infrastructure, support for start-ups, deepening of the "Electronic government" system.

### **The State Policy and Legal Framework**

- In 2020, the Presidential Decree approved the Digital Uzbekistan 2030 Strategy.
- Since 2022, the law "On electronic government" has been in effect.
- In 2023, the activities of the Digital Technology Development Agency were strengthened.

The following priority areas for support of the digital economy have been identified through these documents:

1. digitalization of public services;
2. development of technological infrastructure;
3. expand IT education;
4. subsidize IT companies.

### **Statistical Indicators**

- By the end of 2023, the number of internet users had surpassed 27 million (77% of the population).
- More than 300 public services are provided electronically through the my.gov.uz portal.
- In 2024, the number of companies operating in the IT sector in Uzbekistan will exceed 1,800 (in 2020 the figure was 800).
- Uzbekistan ranks 82nd in 2023 (93rd in 2020) according to the Global Innovation Index.

### **Notable achievements**

#### **E-services:**

Tax, customs, pension, education and medical systems are digitized. For example, filing taxes and receiving birth certificates through the "E-Government Services" centers is organized electronically.

#### **Payment systems:**

##### **Mobile**

Applications such as Payme, Click, Orange have digitized the payment infrastructure. In 2023, the volume of electronic payments amounted to 102 trillion soums.



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**Startup**

**ecosystem:**

"IT-Park Uzbekistan" has been operating since 2019. In 2023, more than 1,000 startups were registered in the IT-park. Their export volume exceeded 200 million USD.

**International experience and Uzbekistan**

For the development of its digital policy, Uzbekistan is learning the experience of Estonia, South Korea and Singapore. Including:

- Based on the Estonian experience, a **blockchain-based cadastral system** is being introduced.
- Cybersecurity cooperation **has been established with Korea.**

In summary, digital economy is a new type of economic relations, which already exist and are actively developing in all sectors of the world market. The digital economy may soon become a leading segment, the driver of growth and development of the economic system as a whole. This is due to the fact that the digital economy has some advantages over tangible commodity exchanges, such as the speed of delivery of goods or the almost instantaneous rendering of services. Another advantage of the digital economy is the lower cost of production and transaction fulfillment. One of the main advantages of the digital economy over the traditional economy is that electronic goods are virtually non-exhaustible and will be available in virtual form, while tangible goods will almost always be in limited quantities. Today, the e-economy goes beyond purely economic processes. Digitalization is introduced into social processes, the successful life of people is increasingly dependent on it, as well as the large-scale implementation of digital technologies in the activities of government organizations and structures. Efforts on digitalization of Russia will be based on the Strategy for the Development of the Information Society and the provisions of the state program "Digital Economy". These documents set goals and defined the main mechanisms for the digital transformation of the Russian economy, as well as identified sources and volumes of financing for the planned activities.

In general, in terms of the level of development of the digital economy, Russia does not occupy a leading position, but from year to year it confidently retains its position in the group of countries following the leaders. At the same time, competition in this sector remains fierce, so it is impossible to stop at the achievements achieved, joint work of the state and business is necessary for further development of the digital economy. In order to direct resources and efforts to neutralize them, it is necessary to take into account a number of problems, risks and threats mentioned in the article.

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