



## DIGITAL ECONOMY AND ITS DEVELOPMENT FACTORS

**Dilyora Xashimova Pakhritdinovna**  
Deputy Dean of the Faculty of Digital Economics,  
Tashkent State University of Economics

Article history:	Abstract:
<b>Received:</b> 11 <sup>th</sup> November 2023 <b>Accepted:</b> 10 <sup>th</sup> December 2023 <b>Published:</b> 20 <sup>th</sup> January 2024	Currently, digital economy and their development factors are significantly influenced in many developed countries, and digital economy also plays an important role in the life of society. In this article, you can find answers to questions about the digital economy, such as "What is the digital economy?", "Tasks and goals of the digital economy", "Obstacles to the development of the digital economy in Uzbekistan".
<b>Keywords:</b> <i>Digital economy, economics, market economy, digital technology, digitization, robotics, IT, digital dividends, internet banking.</i>	

### INTRODUCTION

President Shavkat Mirziyoyev, in his appeal to the Senate and the Legislative Chamber of the Oliy Majlis, announced that "2020 is the year of science and education and the digital economy." After that, citizens began to have many questions about the term "digital economy". Digital technologies, typically represented by the Internet, big data, 5G, artificial intelligence, accelerate the deep integration with industries, bringing the world into the era of digital economy. Since the "Belt and Road" initiative was proposed, the digital economy has also gradually become a crucial cooperation area for the countries. During the 4th World Internet Conference in 2017, the "Belt and Road" Digital Economy International Cooperation Initiative was launched, which aimed to build an interconnected "digital silk road" and to create a "community of interests and destiny". The digital economy can further optimize the industrial structure and increase jobs through information and communications technologies (ICT), Internet and other intelligent means, greatly improving the economic development in countries along the "Belt and Road." In particular, the digital economy has played an active role in mitigating economic losses and promoting economic recovery during the fight against Corona Virus Disease 2019 (COVID-19). Specifically, COVID-19 brought serious shocks to the world economy by directly affecting production, disrupting the supply chain and having an adverse impact on firms and financial markets. Additionally, the stringency measures implemented by policymakers to minimize social mobility also decrease macroeconomic activity. On the contrast, the digital economy, with its advantages of high technology and integration with other industries, has become a new opportunity for digital transformation of industries. Compared with the real economy, digital technologies, industries and services play an important

role as stabilizers, lubricants and boosters. Thus, they are considered as important measures to combat the crisis and engines to drive economic growth. However, the digital economy development in countries along the "Belt and Road" still varies greatly, resulting in their inequitable access to digital development opportunities. Therefore, with the trend of digital transformation in the post-COVID-19 era, it is necessary to assess the digital economy development in countries along the "Belt and Road," reveal its impact mechanism on economic growth and clarify the impact of COVID-19 on digital economy-related industries. This can provide a policy reference for further strengthening the digital economy cooperation of countries along the "Belt and Road" in the post-COVID-19 era and narrowing the "digital divide" with developed countries.

Considering that the global economic governance is entering the post-COVID-19 era along with the digital transformation, this paper attempts to study the mechanism of the impact of digital economy on economic development and explores the development strategies in the post-COVID-19 era. With the rise of emerging technologies such as big data, cloud computing, and the Internet of Things, ICT is gradually considered as the "engine" for economic development. However, from the existing studies, there is no consistent conclusion about the impact of the digital economy on the national economy. Some scholars argued that the development of the digital economy could improve the efficiency of factors such as capital and labor, thus contributing to economic growth. In addition, the digital economy, as an emerging development model, represents a change in the way of economic growth, which will have a positive impact on the employment and industrial structure, thus affecting the economic development. However, other scholars argued that the cost of ICT development and use is



expensive due to the lack of infrastructure, especially for less developed countries. Therefore, there is a wide divergence of conclusions related to the digital economy on economic development, and research on the impact mechanism of the digital economy on economic development is very limited. After the outbreak of COVID-19, the role of the digital economy on economic recovery has further attracted the attention of scholars. It has been documented that COVID-19 prompted a rapid shift of consumer demand online, creating opportunities for emerging digital industries. These online services can reduce the movement of people, reduce the risk of epidemic transmission, and also contribute to stable economic growth. However, current research is still dominated by qualitative analysis, and quantitative assessment of the impact of COVID-19 on the digital economy is less available.

#### **LITERATURE REVIEW**

In recent years, the digital economy has become a new economic form after the agricultural and industrial economies. The concept of the digital economy was first proposed by Tapscott, who indicated that the age of networked intelligence is not only about the networking of technology, but about the networking of humans through technology. The integration of digital and network technologies has made the digital economy prominent in economic and social activities; thus its connotation has become richer. Mesenbourg defined the digital economy in terms of three components: e-business infrastructure, e-business and e-commerce. Other scholars considered the digital economy as a dynamic process instead of static efficiency. In recent years, the digital economy was defined as a wider than modest digitizing segment, and its general meanings integrate all the digitally-oriented economic activities. For instance, the Organization for Economic Cooperation and Development (OECD) described the concept of the digital economy as "the digital transformation of economic and social development" and considered all traditional industries in the process of digitization and networking as part of the digital economy. The G20 Digital Economy Development and Cooperation Initiative further defined the digital economy as "a broad range of economic activities that include using digitized information and knowledge as the key factor of production, modern information networks as an important activity space, and the effective use of ICT as an important driver of productivity growth and economic structural optimization". Therefore, the ambiguous definition of digital economy leads to its inconsistent measurement index system.

Previous studies have shown that the digital economy is considered the main driver of economic growth in both developed and developing countries. The digital economy mainly based on ICT helps to increase capital and labor productivity and to obtain goods and services at lower prices. For example, Seo et al. developed a cumulative growth model to examine the positive relationship between ICT investment and economic growth in 29 countries and found that countries with relatively low levels of productivity could take advantage of the knowledge spillover effects of ICT to close the gap with developed countries. Vu also found that ICT can increase the output by facilitating technology innovation, improving the quality of decision-making, and reducing production costs. With the rapid development of digital technologies such as ICT, more and more scholars have focused on the role of the digital economy on consumer surplus, e-commerce supply chain, and smart cities. Especially after the outbreak of COVID-19, the role of the digital economy on economic recovery has attracted the attention of scholars. Some scholars suggested that the digital economy played a hugely positive role in pandemic prevention and control, value-added distribution in global value chains, and economic development. During the COVID-19 pandemic, digital services received a large portion of the resources reallocated from traditional industries, which became a strong driver for accelerated growth. In addition, Jiang found that digital technologies not only empowered pandemic response strategies in the short term but also served as the technological foundation for Internet-based industry and consumption in the long term. However, other scholars have suggested that the digital economy may be detrimental to economic growth, especially in the absence of economic transition. Although COVID-19 served as an accelerator in advancing the adoption of various technologies, this process had been contested and the outcomes remained uncertain.

It can be seen that in the post-COVID-19 era, developing the digital economy can be both a "booster" for the regional economy and a threat to other sectors. Based on the existing literature, this paper identified some research gaps in the current literature. First, the definition of the digital economy has not yet been reached a consensus, and its index system is inadequate. While the existing literature focuses on analyzing the impact of ICT on economic development in terms of the number of Internet users, fixed broadband Internet users, and mobile subscribers. These indicators cannot fully reflect the broader connotations of the digital economy. Moreover, studies



have mostly explored the role of digitalization on economic development and provided ambiguous conclusions. However, few studies have focused on the impact mechanism of the digital economy on the economic growth of the countries along the "Belt and Road." The digital economy is gradually becoming an important area of cooperation for countries along the "Belt and Road." Analyzing the impact mechanism of the digital economy on their economic growth can provide a reference for the economic recovery and growth in the post-COVID-19 era. More importantly, although some scholars have realized that the epidemic has brought new opportunities and challenges to the digital economy, fewer studies have quantitatively assessed the impact of COVID-19 on the digital economy of countries along the "Belt and Road."

#### **MATERIALS AND METHODS**

The digital economy is not some kind of economy that needs to be created from scratch. This means moving the existing economy to a new system by creating new technologies, platforms and business models and introducing them into everyday life. The digital economy is the conduct of economic activities in which the main factor in production and service is information in the form of numbers, and with the help of processing a large amount of information and analyzing the result of this processing, various types of production are carried out. , is to implement more effective solutions than the previous system in service, technology, devices, storage, product delivery. In other words, the digital economy is an activity connected with the development of digital computer technologies in the provision of online services, electronic payments, internet trade, crowdfunding and other types of industries. The word "digitalization" is actually a new term, which refers to the involvement of IT solutions in the process of innovative management and administration, and as a result, the use of information technologies in all systems, from Internet of Things to e-government. Digital economy is a system of implementing economic, social and cultural relations based on the use of digital technologies. It is sometimes referred to as the internet economy, the new economy, or the web economy. In 1995, American programmer Nicholas Negroponte coined the term "digital economy". Currently, politicians, economists, journalists, businessmen - almost all of them - use this term. In 2016, the World Bank published its first report on the state of the digital economy in the world ("Digital Dividends"). E-commerce, internet banking, electronic payments, internet advertising and, at the same time, internet games are seen as the main elements of digital

economy development. Due to the development and implementation of information technologies, many conveniences are appearing in our daily life. Let's say we want to eat, but we don't want to prepare it, it's not a problem, we can order the food we want online through the Internet home delivery service. Or we need to transfer money to a friend, no need to go to a bank or financial institution, we can transfer money through mobile banking. We can provide many of these services online, via smartphone or computer. Interest in the digital economy has grown significantly due to significant changes in society and the economy. They are given the same opportunities. It ensures that government regulations are followed and that, ultimately, the average consumer receives a quality, up-to-date service or product. Therefore, for the development of the digital economy, the state should create equal conditions for everyone, market rules, laws, and contracts should be transparent as much as possible, and laws should be based on market demand (that is, it should be able to identify development trends in the market in advance and adopt the necessary regulatory documents). it is necessary to provide freedom for the participants of the game. Digital economy in Uzbekistan Digital economy is developing in Uzbekistan as well as in other countries of the world. After the application of information technologies in our daily life, many opportunities are created for ordinary people. Nowadays, we can order many food products and meals without leaving home and have them delivered to our home. But it should be noted that the digital economy in Uzbekistan is developing several times slower than the potential of Uzbekistan. That is, there is an opportunity, the necessary resources are available, but the development is rather slow. As a reason for this, several obstacles to the development of the digital economy in Uzbekistan can be pointed out:

- monopoly in many areas;
- low internet speed and poor quality;
- that legislation in the field of information technologies is behind the times;
- extremely low level of computer literacy among citizens;
- non-transparency of legislation;
- lack of information technology specialists or their departure to other countries;
- low information culture, information hygiene;
- information technology security is not good;
- few or (in some cases) lack of specialists who understand the field in governing bodies;

Over the past decade, many digital platforms have emerged around the world using business models based on digital data, replacing existing industries. The



advantage of platforms is that seven of the world's eight leading companies by market capitalization use platform-based business models. In the digital economy, platform-based business has a great advantage. As both an intermediary and an infrastructure, they have the ability to record and delete all data related to online activities and interactions between platform users. The growth of digital platforms is directly related to their ability to collect and analyze digital data, but their interest and behavior depends on how they commercialize this data for profit. It is noted that digital technologies will dramatically change more than 50 percent of economy-related sectors. This vision is based on the fact that information technologies and digital platforms will dramatically change business models, eliminate intermediaries and optimize processes for their efficiency. According to the calculations of the World Bank, a 10% increase in the number of high-speed Internet users can increase the annual GDP from 0.4% to 1.4%. Also, the share of the digital economy in the country's GDP is considered to be an indicator of its importance. In 2010, the Boston Consulting Group estimated the scale of digitalization at \$2.3 trillion (4.1 percent of GDP) for a group of 20 countries. If this trend continues, after 10-15 years the share of such an economy in the world GDP will approach 30-40%. In developing economies, about 1 percent of the population is employed in the IT sector, a sector that creates more jobs than others. However, the growth of the IT sector is driving the creation of jobs in other sectors that are adopting new technologies (for every 1 237 new jobs created in the IT sector, there are 4.9 jobs in related sectors). The digital economy boldly opens new horizons for entrepreneurs and self-employed people.

## CONCLUSIONS

For example, a customer needs shoes. If he goes to the market and chooses it directly and buys it for cash, this is a traditional economy. Choosing the desired product through a trading bot on Telegram, paying the owner of the product through an electronic payment system, and receiving the product through the delivery service is called digital economy. This issue is explained by the simplest household example. In fact, we are all already in the digital economy, using its convenience. For example, our monthly payments go to plastic cards, we pay for utilities, telephone, internet and other products and services through electronic payment, submit tax declaration electronically, transfer money from card to card, order food at home, etc. If the above-mentioned problems are solved gradually, systematically, based on world experience, Uzbekistan can easily become one of

the countries with a developed digital economy. Digital economy does not mean only Blockchain technology and its use in international financial markets or cryptocurrencies. Digital economy means the economy conducted with the help of digital communications and IT. Deputy Nadir Jumayev expressed his opinion on this matter.

## REFERENCES

1. Guo H, Liu J, Qiu Y, Menenti M, Chen F, Uhlir PF, et al. The Digital Belt and Road program in support of regional sustainability. *Int J Digital Earth*. (2018.11:657–69. doi: 10.1080/17538947.2018.1471790
2. World Internet Conference. Initiative on Belt and Road digital economy cooperation launched (2017). Available online at: [http://www.china.org.cn/business/2017-12/04/content\\_50083922.htm](http://www.china.org.cn/business/2017-12/04/content_50083922.htm) (accessed December 4, 2017).
3. Duan HB, Wang SY, Yang C. H. Coronavirus: limit short-term economic damage. *Nature*. (2020) 578:515. doi: 10.1038/d41586-020-00522-6
4. Gozgor G, Lau CKM. Economic effects of COVID-19 related uncertainty shocks. *Front Public Health*. (2021) 9:760619. doi: 10.3389/fpubh.2021.760619
5. Shi Z, Zhang H, Zhang R, Zhu L. Stochastic dynamics of the COVID-19 case-fatality ratios in indonesia, malaysia, and the philippines: economic implications for the post-COVID-19 era. *Front Public Health*. (2021) 9:755047. doi: 10.3389/fpubh.2021.755047
6. J.B. Dixit Fundamental of computer programming and IT. – Laxmi Publication PVT. Ltd., 2011. - 557 p.
7. Sun J, Kwek K, Li M, Shen H. Effects of social mobility and stringency measures on the COVID-19 outcomes: evidence from the United States. *Front Public Health*. (2021) 9:779501. doi: 10.3389/fpubh.2021.779501
8. Banga K, te Velde DW,. COVID-19 Disruption of the Digital Economy; Evidence From Low Middle-Income Countries. Digital Pathways at Oxford Paper Series, no. 7. Oxford, United Kingdom (2020). Available online at: [https://pathwayscommission.bsg.ox.ac.uk/sites/default/files/2021-01/covi\\_19\\_and\\_disruption\\_of\\_the\\_digital\\_economy\\_28jan21.pdf](https://pathwayscommission.bsg.ox.ac.uk/sites/default/files/2021-01/covi_19_and_disruption_of_the_digital_economy_28jan21.pdf) (accessed December, 2020).