



**CHALLENGES ON DIGITAL ECONOMY IN SAMPLE OF VARIOUS INCOME ECONOMIES AS AN
DEVELOPMENT INSTRUMENT IN UZBEKISTAN**

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ABSTRACT. Recent economic changes have developed via modern technological prospective. Consistent measures for the development of digital economy are being implemented gradual introduction of e-commerce systems for electronic document flows and service of individuals. However, find solutions for the lack of a unified information and technology platform, which integrates the centralized information by just one digital economic reform in world regions. After the global financial crisis of 2001–2009 years, digital industries have been amid the most dynamic and promising in the global economy. However, equilibrium is lacked of benefits and risks in the digital economy around the world, which explains the need for global governance in this sphere. In this article authors analyzed main role and characteristics of digital economy around average income countries. Generally, reviewing define the key characteristics of this sector, as well as highlight the challenges to international cooperation. Modern approaches on legal entities is being implemented in Uzbekistan for further development.

KEYWORDS. Digital economy, middle income, emerging economies, economic sectors, e-commerce, reforms.



1. INTRODUCTION

Digital transformation is a fundamental tool for today's world that is rapidly changing. Digital transformation is much more than the Internet, and it uses the latest cutting-edge technologies to make human predecessor work. Digitalization is radically changing human life and it can provide a bright future key. Digital technologies control the ongoing economic and social changes. Digital economy is a business activity that is accessible online every day by millions of people, businesses, devices, data and processes (Deloitte). The diversity of economic activity has been used as a key element of digitized information and knowledge. It is used for collecting, storing and distributing data digitally, cloud computing, large data, financial technology, and other digital technologies, completely alter the effect.

First of all, it should be recognized what is the digital economy. The digital economy is the overall system of financial activities, business exchanges and expert collaborations that are empowered by information and communications technologies. I can say without any hesitation digital economy is capable of changing our life. Not only its advantage is useful for increasing of economy of the government, but also it can facilitate to reduce bureaucracy, save inhabitants from red tape, with a word it can make our life easier.

2. METHODS

In current paper work it is used descriptive qualitative methods with secondary source data collection, statistical analysis and comparative analysis in various regions and sectors.

3. RESULTS

OECD Digital Week was organized (15-19 May, Paris in 2017) which is responsible for a major OECD project "Going Digital". The main purpose of this project is battling with an extremely unpredictable assignment of molding a satisfactory computerized economy approach, to guarantee effective utilization of new innovations to help the general public while counteracting potential dangers, essentially connected with security and information assurance, and individuals' security.

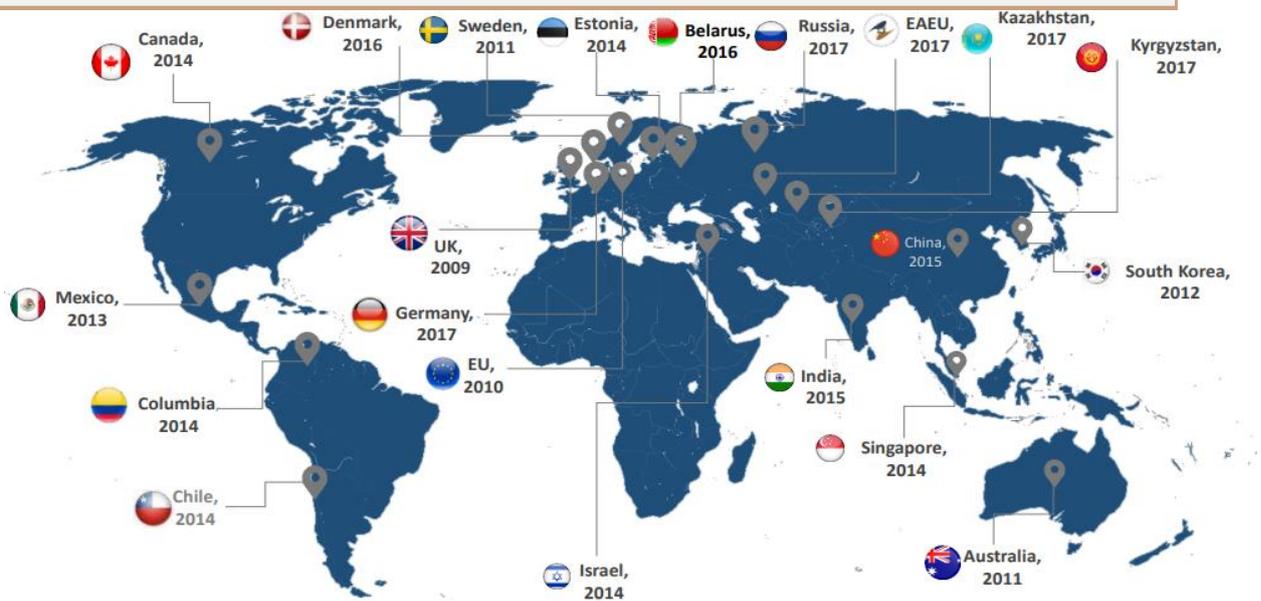


Figure 1. Countries all over the world adopt Digital Economy programs and strategies [1]

Source: <http://workspace.unpan.org/sites/internet/Documents/UNPAN98863>

Integration of the economic sectors into information technology widely spread all over the world as above figure 1. It is clear states that major countries with various income level had already been implemented digital economy instruments and strategies in major sectors since 2007.

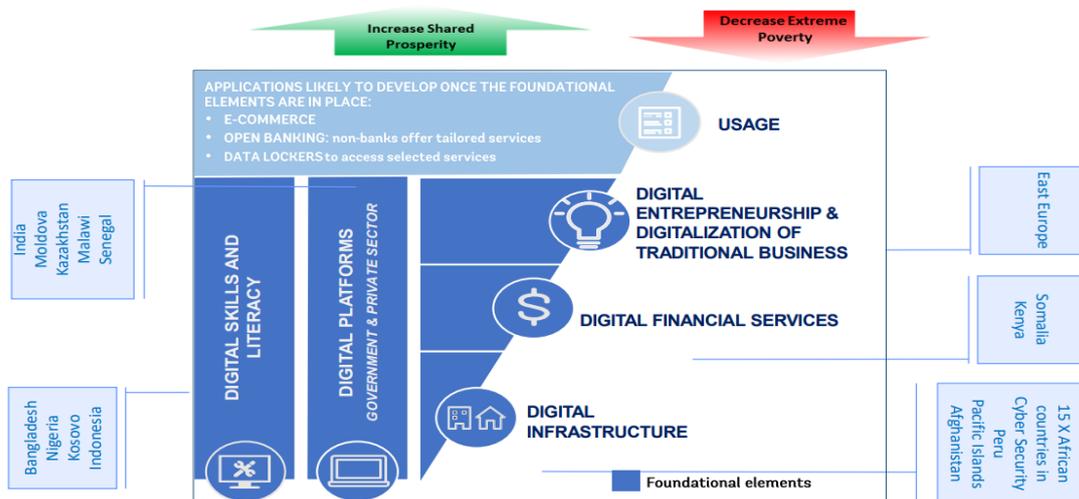


Figure 2. Priority areas for Digital Economy support [2]

Source: *Digital Disruption and Digital Economy Development*, p 12.

According to the world experiences major countries like G-20 used advantage sectors and issues with the application of digital technology with above model (figure 2). It is mainly directed challenge against bureaucratic and corruption in all fields of the national economies. Small business considered as a future development locomotive and middle class business is a less risk taking sector

and multinational corporations are responsible for global capital movement, migration and transfer of the capital designated increasing effectiveness of the any projects management in the world. In this case we have studied Netherlands and OECD analysis relationship distribution. So, we can see from figure 3 digital technologies framework in different sectors.

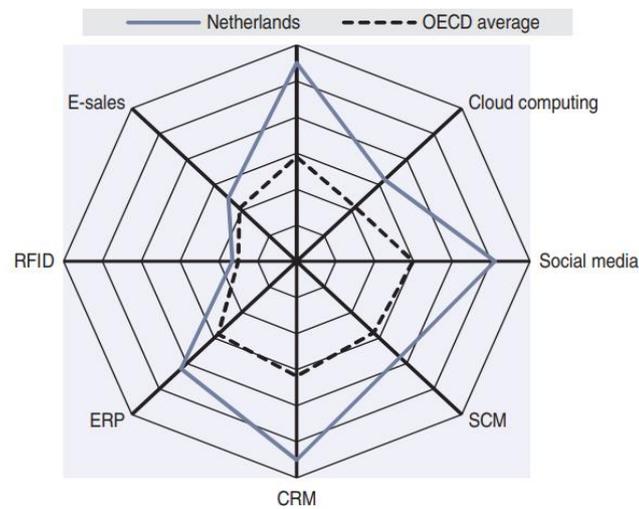


Figure 3. Business uptake of digital technologies [3]

Source: <https://espas.secure.europarl.europa.eu/orbis/sites/default/files/generated>

Figure 3 shows the proportion of firms using common digital technologies or engaged in selected online activities: big data, cloud computing, social media, supply-chain management, customer relationship management (CRM), enterprise resource planning (ERP), radio frequency identification and e-sales.

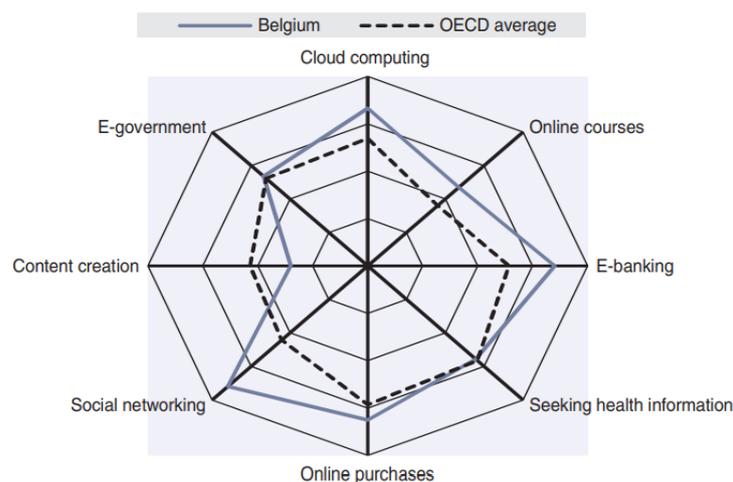


Figure 4. Use of digital technologies by Internet users [4]

Source: <http://dx.doi.org/10.1787/888933584412>

Figure 4 shows the proportion of Internet users using common digital technologies or engaged in selected online activities: cloud computing, online courses, health related searches, e-banking, online purchases, social networks, content creation and e-government.

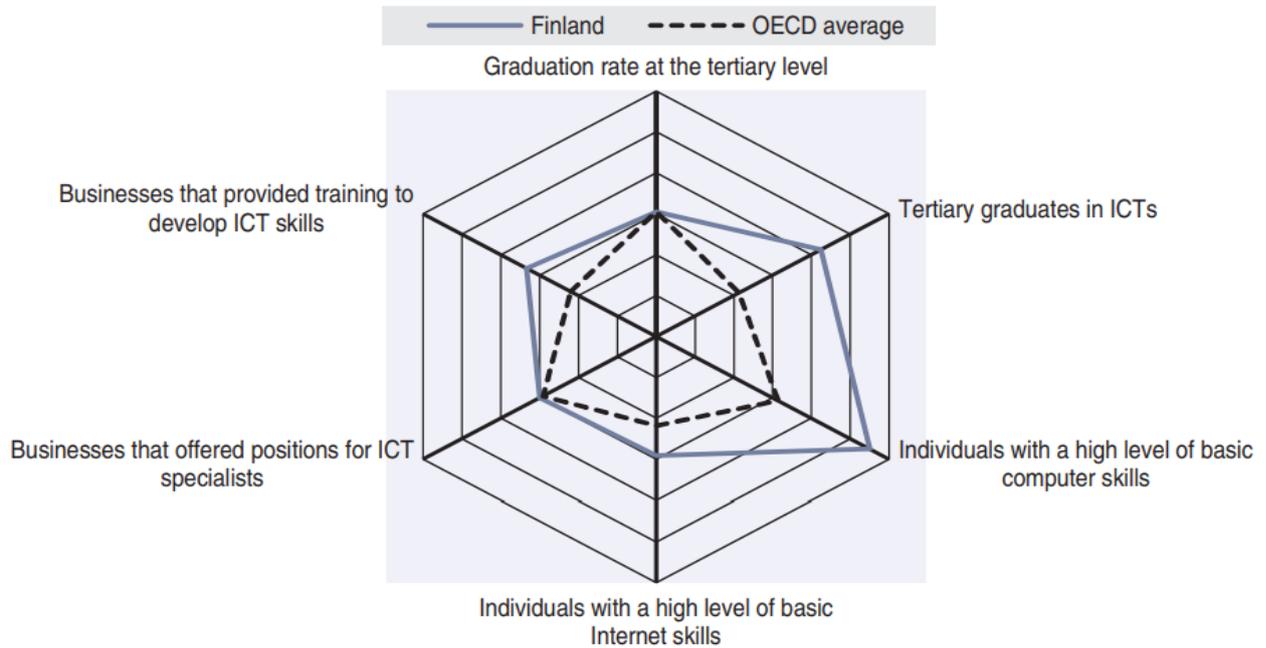


Figure 5. Use of digital technologies by Internet users [5]

Source: <http://dx.doi.org/10.1787/888933584412>

Internet usage is next main instrument for developing filed as example of Finland as shown figure 5. Service sector with ICT, education, medicine and etc., provide best effect with very high income level of revenue in the country.

4. DISCUSSION

Significant place among the objects that exist exclusively in the network itself is occupied by objects that have received the name “digital goods and services” in the history of economy, in respect of which commercial operations, such as search, order, delivery and payment are carried out exclusively electronically on the Internet. The definitions of digital services and goods are not developed at the moment, as well as there are not criteria’s for their delimitation. As a rule, in the majority of studies, digital goods understand literary, graphic, musical, audiovisual works, software that can be downloaded directly from the seller’s Internet site on the Internet, without delivering any tangible information carrier. Under the digital services understand the traditional services provided by the Internet. The most common among them are educational, informational, advertising, consulting, accounting, legal, scientific and technical services.



Application of digital economy in human life

- Hyperlinking;
- Formation and convergence of how enterprises are created;
- How consumers get services, information and goods;
- Aggressive use of data;
- Deeply change business modules;
- Facilitating the development of new products and services;
- Creating new processes;
- Getting a great deal of money;
- Managing on the verge of a new era.

There is such a soft skill that is demanded in the era of this digital economy:

- harmony, observation, empathy, logical thinking, coordination, social perceptions, active listening, solving complex problems, cultural awareness, language, flexibility;
- Most thought-provoking by the world's leading organizations;
- our education should be changed during our erosion;
- how to learn and how to learn;
- Even in conflicts and in business education, there must be changes;
- Education in the humanities is becoming increasingly important.

Outlines from the economy of Russia process increasing rapidly, and all kind of papers exchange virtually, in every organization automated technologies service for the city residents, currency exchange is also well established. Russia's digital economy improvement national program will get more than 1.8 trillion rubles (\$26.2 billion) in 2019-2024 throughout the following 5 years, said the government of Russian Federation. Generally, there are a number of ideas to develop digital economy, for instance: 5G network has planed to run in ten major cities of Russia, and public transport without operator has envisaged to test and etc. In fact, 50 million Russians shop online – representing 50% of the population – and 85 million uses the internet [6].

And also Russian and Chinese relations have been improving for along time. According to statistics, China currently represents 90% of Russia's US\$5.1bn abroad web based business exchange, with the whole EU winning only 4% of cross outskirts bundle [7].

This necessarily suggests a framework or satellite account that provides the basis to respond to the following range of questions:

- What is a digital product?

- Who are digital producers?
- Who are digital users?
- What is the number of employees/employment in digital producing firms?
- What is the average compensation of employees in digital producing firms?
- What are the enablers of digitalization?

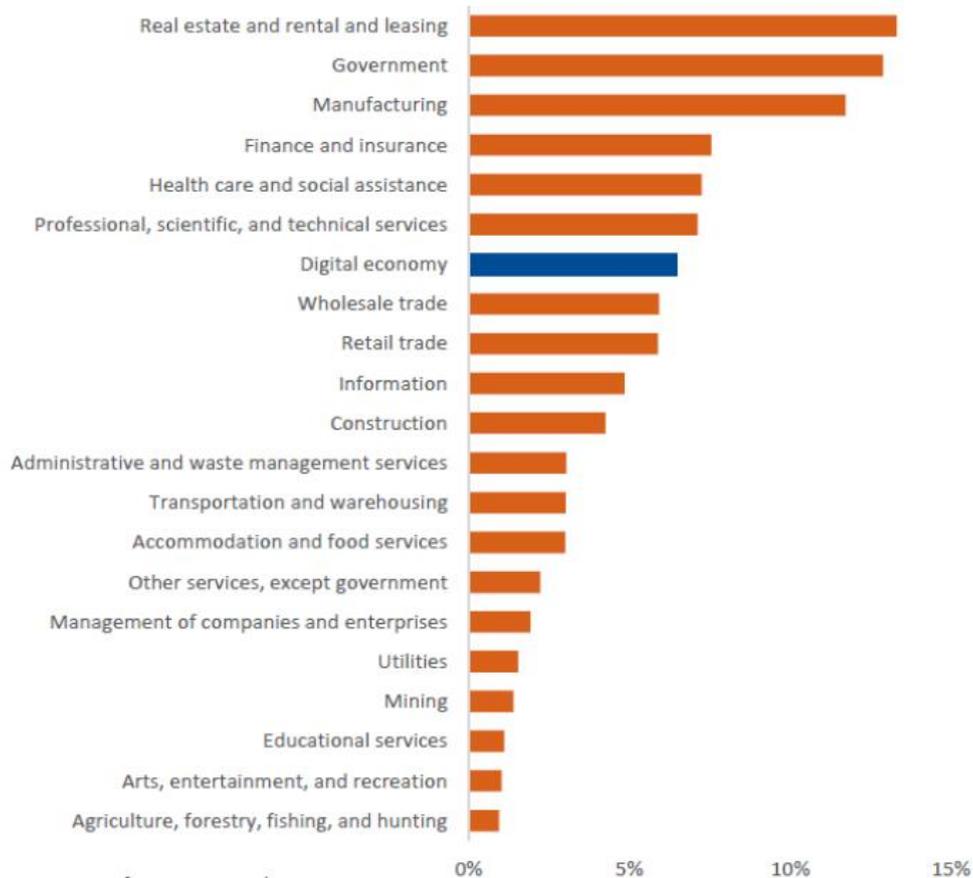


Figure 6. Digital Economy and Industry Share of Total Gross Domestic Product, 2016 [8]

Source: US bureau of Economic Analysis

Figure 6 explains that how major sectors are integrated in digital economy. We can analyze those main priority fields of implementing digital economy into real estate and public admiration sectors. Projects related with digital economy has financed by the government in low level of capital investment such fields like agriculture and art, design and etc., It means next projects and programs will be cover on in above sectors by increasing capital income of the countries n the world.

For raising effectiveness of the national economy following 8 main directions of development of the digital economy

1. "Smart City".



The widespread use of the Internet and IT in the "Internet of Things" paradigm in the near future. By 2020, the number of devices connected to the Network will exceed 50 billion, each will cost less than \$ 10. Projects with their use will create "smart" cities, transport, health care, a new quality of life in general, a high level of security, etc.

2. Public administration.

Improving the quality of state and municipal services and reducing the costs of the state in their provision. Ensuring the effective work of the authorities. Including when implementing standard functions and automated interaction of citizens and organizations with the state.

3. Health.

Creating conditions for providing citizens of the Russian Federation with affordable medical care at a place of demand that meets the criteria for timeliness, personalization, retentiveness, manufacturability and safety. Support for domestic start-up companies in the field of medicine.

4. Regulatory regulation.

Creation of an effective mechanism for managing changes and competencies (knowledge) in the field of digital economy regulation. Involving in the decision-making process concerning the regulation of the Internet, all interested parties - the state, business and representatives of civil society.

5. Digital infrastructure.

Deployment of modern Internet infrastructure both in cities and in country farms.

6. Technological background.

7. Personnel and education.

Increasing the level of digital literacy of the population and systematic training of IT specialists.

8. Information security.

Development of domestic software, maximum import substitution [9]

Digital goods and digital services, being electronic data, have not tangible expression. This circumstance causes certain difficulties in the legal qualification of a digital product. For example, the export or import of such a widespread digital product such as software via the Internet is virtually beyond the control of tax, customs and other government agencies, which complicates the procedures for imposing customs duties, as well as the introduction of tariff barriers.

Over the past two years, consistent measures have been taken to develop digital economy in our country, and e-commerce systems are being introduced gradually for government agencies and other organizations to provide e-document flow and services to individuals and businesses. Adoption



of the Resolution of the President "On Measures for Further Modernization of Digital Infrastructure for the Purpose of Digital Economy" is an important program of creating conditions for the rapid development of digital economy, further enhancement of the public administration system, enhancing its accessibility and application of modern infrastructure.

Establishment of Digital Economic Development Fund "Digital Trust" in the form of public institution, which is one of the main objectives of attracting and consolidating the investors' funds for the implementation of projects related to the development of digital economy, including those related to the implementation of "blocked" was released. The State Committee of the Republic of Uzbekistan for Development of Information Technologies and Communications, the State Committee for the Promotion of Privatization Enterprises and Competition, Ministry of Economy, Ministry of Finance, State Tax Committee, Universal Mobile Systems, authorized capital of 100% - Support Funds are provided on a non-discriminatory basis.

Also, property acquired by the Fund in accordance with this Decree is not subject to taxation by the corporate income tax, and is not subject to income tax and value added tax of legal entities, which are paid in accordance with the decision of the Universal Mobile Systems LLC charter capital. In 2019-2021 the concept of development of Universal Mobile Systems LLC will be developed [10].

NO PLACE FOR HIDDEN ECONOMY AND BLACK MARKET

One of the issues that are being discussed in the public domain lately is the fact that many of them are seriously thinking about shifting the country's hidden economy into the formal economy and fighting the ongoing negative effects of the black market. I have written beforehand about the hidden economy and the black market, as well as the ways in which it is possible to get rid of them, before long before I had no foreign liberalization. Speaking of the signs of the economy and the black market still hiding today, despite the fact that over a year after the liberalization of the currency market in Uzbekistan has changed and the slightest relief has been created.

Reasons for the preservation of the black market. Also, avoidance of high taxes and the existence of artificially lowered commodities in the state will lead to the expansion of the black market. Indeed, thoughts are appropriate and situation in which has not written for restrictions on the purchase of cash foreign currency.

For the delay in the sale of cash to direct cash desks is that, first of all, it is time to get the population to buy currency without restrictions (which, in turn, (in the future), to prevent the sharp rise in the currency's purchasing power by the population after the liberalization of currency and to identify the currency buyers (which gives them the chance to know who purchases more currency).



On the other hand, the presence of the black market for the foreign trade and business is also the same. In particular, it is important for cash-makers to collect cash at the bottom of the box and at any time to reserve the cash outflow from the country in cash, in cash, in cash, at any time [11].

CHALLENGING REFORMS IN UZBEKISTAN

On December 13, 2018 the Decree of the President of the Republic of Uzbekistan "On Additional Measures for the Implementation of Digital Economy, Electronic Government and Information Systems in Public Administration of the Republic of Uzbekistan" was adopted. According to the Decree, the National Agency for Project Management under the President of the Republic of Uzbekistan has been designated as a competent authority in the field of e-government and public administration information systems, development and implementation of a single state policy in this area and coordination of state bodies and organizations.

The National Agency for Project Management is responsible for drafting the concept of e-Government development for May 1, 2019 and ensuring the inclusion of the President of the Republic of Uzbekistan. According to the Decree, from April 1, 2019, the budget for public servants, organizations, local authorities and diplomatic representations of the Republic of Uzbekistan overseas will be responsible for ensuring the privacy, efficiency, security and telecommunication services The government mobile communication system, which ensures savings, is compulsory [12]. Analysis of the real situation in the industry, the resulting software is fragmented. Creating the conditions for the rapid development of digital economy, further enhancement of the system of public administration, access to it, and the application of following modern infrastructure in Uzbekistan:

1. Information:

The National Agency for Project Management under the President of the Republic of Uzbekistan (hereinafter referred to as the Agency) is a competent authority in the field of digital economy introduction and development;

Digital Establishment of the Digital Economy Support Fund (hereinafter referred to as the Digital Trust), which is one of the main objectives of attracting and consolidating the investors' funds for the implementation of projects related to the development of digital economy, including those related to the introduction of "blockbusting" technologies in public- next - the Fund).

2. To the Ministry of Information Technologies and Communications of the Republic of Uzbekistan (hereinafter - the Ministry), the State Committee for the Promotion of Privatization Enterprises and Competition, the Agency, the Ministry of Economy, the Ministry of Finance, the State Tax Committee of



the Universal Mobile Systems LLC (hereinafter referred to as the Operator) to agree with the proposal of the Government of the Republic of Uzbekistan on transferring the share of the capital in the amount of 100% to the Fund on a non-discriminatory basis.

3. To establish that: Property acquired by the Fund in accordance with this Decision shall not be the subject of taxation on income of legal persons; share transferred in accordance with this decision in the chartered capital of the operator shall not be subject to income tax and value added tax.

4. The Agency and the Fund, together with highly qualified foreign specialists, shall, within two months, together with the establishment of the Key Performance Indicators (KPI) and the necessary technical basis for the introduction of digital economy in the country, adopt the Concept of the Universal Mobile Systems LLC for 2019-2021, (hereinafter referred to as the Concept) and shall approve. Introduction of innovative management with involvement of qualified specialists with operator's management system, including good experience in the field of mobile services and mobilization of internal forces and resources, modernization and technological re-equipment of telecommunication equipment;

Step-by-step provision of full coverage of the territory of the Republic of Uzbekistan with access to the global Internet network at the level of developed countries and ensuring that all public services are transmitted only through the operator's data processing centers.

5. To establish the procedure according to which:

State-owned shareholding transferred by the operator's chartered capital shall be exercised by the Fund only upon agreement with the Fund Council and the state-owned shareholding in the charter capital of the operator, as well as the funds released from the targeted benefits, will be credited to the Fund for the modernization of technological equipment and the development of digital economy in the country during the implementation of the Concept;

Measures envisaged in the Concept are financed by the operator's own means and funds of the Fund, borrowed funds, as well as other funds not prohibited by the legislation.

6. To exempt from payment of the operating fee for use of the state duty, the radio-frequency spectrum for the license, as well as for the use of radio-electronic means for the period up to December 1, 2021 by the operator till 2021.

7. Operator direct access using international telecommunication networks (data and voice transmission networks), including IP-telephony, without the right to provide services for the organization of international telephony and Internet traffic for other business and service providers only for their commercial purposes;



Provide independent foreign, national consultants and experts on a contractual basis in consultation with the Fund for the quality of fulfillment of the tasks assigned to them and it should be noted that the main positions and the occupational classifier of employees are characterized by the exceptionally low level of staffing, employers, who have graduated from foreign higher education institutions in the appropriate field on the basis of qualifications of the profession.

8. The Agency, together with interested ministries and agencies, shall submit proposals to the Cabinet of Ministers on amendments and addenda to the legislation, which arise from this resolution within two months [12].

5. CONCLUSION

Finally the concept of digital economy is entering our lives with confidence every day. In the future, it can completely eliminate material assets. Today, many of us are accustomed to making cashless payments and online purchases. It has gained a lot of trust among users in every area, thereby contributing to the growth of the country's economy. The essence of digital economics and threat to bureaucratic manner in commence are prospective solution for sustainable economic growth in various income country sectors. About measures for further modernization of digital infrastructure for the purpose of development in major sectors. Current reforms are only beginning of the transition into integrated world economy and this will effect directly cost benefit, raising efficiency in economic sectors of the all regions in Uzbekistan.

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