

# The Digital Economy is a Leading Factor in Ensuring a Healthy Competitive Environment- Barriers and Risks of Digitalization of the Economy in Uzbekistan

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## ABSTRACT

Digitalization is being introduced into social processes, the successful life of people increasingly depends on it, in addition, there is a large-scale introduction of digital technologies in the work of government organizations and structures. According to the level of development of the digital economy, Uzbekistan does not occupy a leading position in the world, but it confidently holds on to the group of countries following the leaders, improving its position from year to year. It is necessary for the state and business to work together to further develop the digital economy.

**KEYWORDS:** Digital economy, digitalization, barriers and risk, business

Today, new digital technologies, innovative business models penetrate into all spheres of economic life of society, influencing the very essence of the economy, forming qualitative structural changes in it. As a result, the digital economy is formed as a subsystem of the traditional economy, characterized by the active use of digital technologies and the turnover of specific electronic goods. The level of development of the digital economy is closely correlated with the country's competitiveness, which requires special attention of the state and business to its development. The article reviews the development of the digital economy in the world and Russia, identifies the risks and threats to the development of the digital economy, and suggests ways to overcome them. It is established that today the electronic economy already goes beyond purely economic processes. In this activity, it is necessary to take into account a number of problems, risks and threats identified in the article in order to focus resources and efforts on their neutralization.

digital economy, threats and risks to sustainable development, economic growth, state regulation of the economy, scientific and technological progress

On April 28, President Shavkat Mirziyoyev signed a decree "On measures for the widespread introduction of the digital economy and e-government".

The document provides for the accelerated formation of the digital economy with an increase in its share in the country's gross domestic product by 2023.

All healthcare institutions, schools, pre-school education organizations, villages and mahallas should be connected to high-speed Internet in 2020-2021.

The share of electronic public services is planned to increase to 60% by 2022.

The resolution also provides for the development of "digital entrepreneurship" with an increase in the volume of services in this area by 2023 by three times and bringing their exports to \$ 100 million.

The widespread introduction of digital technologies is planned at all stages of the education system. By 2022, digital knowledge training centers will be opened in all regions of the country as part of the "Five Initiatives" project.

The Ministry for the Development of Information Technologies and Communications is designated as the authorized body for the development of the digital economy and e-government. The National Agency for Project Management under the President retains the authority to implement crypto assets and blockchain technology.

Two new institutions will be established under the Ministry:

- "E-Government Project Management Center";
- "Center for Digital Economy Research".

In the structure of the central office of the ministry, the post of Deputy minister responsible for the accelerated digitalization of the agricultural sector, the introduction of modern information systems and software products in the field of agriculture and food security is being introduced. The Ministry also creates the department for the development of digital technologies in the agricultural sector and the department for the Development of geoinformation technologies.

In addition, the state share in the authorized capital of LLC "Unified Integrator for the Creation and Support of State Information Systems UZINFOCOM" is transferred to the Ministry of Finance free of charge.

The document establishes that state bodies and organizations have the right to hold competitions exclusively among residents of the Technological Park of Software Products and information Technologies under one contract for the development, implementation, integration and technical support of information systems and software products with a total cost of up to 1 billion soums.

By August 1, the Ministry has been instructed to implement a Unified National system of delivery and confirmation of delivery to individuals and legal entities of correspondence, notifications, summonses and other legal documents sent by state bodies and organizations through a network of postal communication facilities, as well as storage and accounting of information.

The digital economy is a system of economic, social and cultural relations based on the use of digital information and communication technologies. Based on these theoretical

positions, it can be assumed that digitalization is not an end, but a means, and the digital economy cannot be considered separately from the rest of the economy and should be interpreted as a segment of activity when the materialization of added value in the production of goods and services is carried out using digital technologies, especially for industries that are Internet – dependent.

At the same time, it makes sense and value if digital technologies and infrastructure promote cooperation in all spheres of the economy and levels of management. At the same time, a comfortable environment is being formed for the emergence, cultivation and implementation of various startups.

The digital economy, namely the emergence of new opportunities, certainly has a positive impact on human life. Thanks to the development of digital technologies, consumers can get the services they need faster, save money by buying products in online stores at lower prices. So, the electronic version of the book will cost you many times cheaper than its printed counterpart, on wholesale purchase on the Internet, having agreed with other consumers, you will save more than making purchases in offline outlets. In the end, the consumer can even start a business online, become an entrepreneur, without leaving home.

But there are a number of problems that prevent us from creating a healthy competitive environment and the digital economy as a whole. One of the main problems is the weak telecommunications infrastructure and communications. Due to low investment in ICT (2.8 % of the total investment in 2017), the density of communication base stations in the Republic remains very low (1 base station per 1,600 inhabitants). In contrast, in Kazakhstan, one such tower serves the ICT needs of 643 residents, and in Russia — for 235.

This leads to poor internet and mobile services slowing digital economic growth and widening the digital divide. Compared to the CIS average, in 2019, the average Internet speed (mobile and fixed broadband) in Uzbekistan was about twice as low.

The lack of digital skills in Uzbekistan can be a serious obstacle to digital transformation. Uzbekistan, as one of the few developing countries, has absolute adult literacy rates (100 % in 2016) compared to other countries with similar levels of GDP per capita (for example, in the Lao People's Democratic Republic, 84.66 % in 2015). On the other hand, in developing countries, despite the high level of adult literacy, digital literacy remains at a lower level.

Perhaps this can be explained by the low level of use and dissemination of ICTs in schools. Moreover, the shortage of computers in schools is further compounded by the indicator of the number of households in Uzbekistan with personal computers, 50 computers per 100 households. This is also confirmed by the trends in the labor market – according to a recent study assessing the lack of skills in the Uzbek labor market, 68% of companies surveyed noted the importance of IT and computer skills as one of the key reasons for hiring new candidates.

The UN e-Government Index reflects how a country uses information technology to ensure the access and integration of its people. In 2018, the indicators for Uzbekistan are almost equal to the average indicators for the CIS and exceed

the global average. Uzbekistan ranks 81st among 193 countries in the ranking.

Finally, the overpriced Internet, insufficient coverage, and low international Internet bandwidth are the consequences of a monopolized telecommunications industry. The market form of telecommunications industries in developing countries is often an oligopoly or even a monopoly. In Uzbekistan and in the rest of the CIS countries, the telecommunications industry is mainly limited to a single leading company, which is endowed with special powers and resources (for example, Rostelecom, Ukrtelecom, Kazakhtelecom, Aztelecom, etc.).

Based on the above factors, it would be appropriate to understand what risks the transformation has, to anticipate them at the initial level, to exclude them from creating further problems:

- first, the risk of cyber threats associated with the problem of personal data protection (partly the problem of fraud can be solved by the introduction of so-called digital literacy);
- second, "digital slavery" (using data about millions of people to control their behavior);
- third, the growth of unemployment in the labor market, as the risk of the disappearance of certain professions and even industries will increase (for example, many experts seriously believe that the banking system will disappear within the next ten years). This will be possible due to the further spread of information technology and its products, such as stores with electronic cash registers, bots that serve customers, self-driving cars, and other things);
- fourth, the "digital divide" (the gap in digital education, in terms of access to digital services and products, and, as a result, the gap in the level of well-being of people in the same country or in different countries);
- After analyzing the data, we can say that there are ways to solve these problems, they are:
  - the abolition of the state monopoly on international gateways, which is planned for 2020. Liberalizing the telecommunications industry will allow Uzbekistan to provide its citizens with secure and affordable Internet services and benefit from the digital economy.;
  - support from the state for small business owners in the transition to the digital economy; - create a powerful data protection system;
  - Liberalization of bank assets, important aspects of business and production where state control is still established;
  - improve the quality of education in the field of IT.

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