



THE CONCEPT OF DIGITAL ECONOMY IN THE INNOVATING ECONOMY

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ABSTRACT

The digital economy is showing high growth rates in various countries, especially in developing countries. However, information and understanding of its quantitative indicators remains limited and controversial. The purpose of writing this article is to review the available information to clarify the concept of "digital economy" in the innovative economy and assess its scope. Therefore, a three-step approach was used to analyze the topic. The foundation of the digital economy was provided by the "digital sector", i.e. enterprises in the field of information/information and communication technologies (ICT) producing basic digital products and services.

INTRODUCTION

"Digital economy" is considered to be the part of the economy that mainly works with digital technologies and consists of companies whose business model is based on digital products and services, and consists of a digital sector with promising digital platform services. In this article, the broadest approach considering the use of ICT in all spheres of the economy is represented by the concept of "Digital economy". Also, the difficulties that arise in determining the scale of the digital economy are analyzed, and the share of the digital economy in the world economy is estimated: it is approximately 5 percent of the world GDP and covers 3 percent of the world labor market. The digital economy is unevenly distributed in the world. Most of it is concentrated in the Nordic countries. High growth rates are observed in developing countries. Accordingly, there is a need for more extensive research into the long-term impact of the digital economy on developing countries.

RESEARCH METHODOLOGY AND EMPIRICAL ANALYSIS

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.

"Digital economy" is a relatively new and extremely important concept. Its magnitude is reflected in double-digit annual growth rates, especially in developing countries. Advances in terms of quality that took place in the economy in the 1990s depended on the emergence and development of the Internet, which has been the basis of the digital economy until now.

In 2000-2021, the consistent development of information and communication technologies (ICT) created new conditions for changes in the economic system. This process involves the application of digital sensors to a larger number of devices ("Internet of Things"), new personal devices (smartphones, tablets, netbooks, laptops, three-dimensional printing devices), new digital models (data Adoption of "cloud" processing, digital platforms, digital services), the use of new automation and robotization technologies using "big data" (BIG DATA) technology is developing further as a result of rapid growth.

These technologies have created new opportunities in the digital field. Already now, its effects can be clearly observed in the dominance of a new category of companies: UBER (the largest "taxi" operator in our Kurrai land), Facebook (the most popular media company), Alibaba (with a very high valuation value the largest retailer), AirBnB (the largest "hotels"). New business models dominate the discourse before they even materialize in the economy. This can be ensured in the form of "Industry 4.0".

- The digital economy is an example of a model that emerged at the junction of discourse and reality. It is recognized as a driving force of economic growth capable of making significant advances and impacting a number of business sectors, labor markets and people's lifestyles. The digital economy has great potential in developing countries, for which such economic advances can mean economic growth, development of capital and labor productivity, reduction of transaction costs, and increased access to global markets. These expectations are justified to a certain extent: the share of the digital economy in developing countries is growing by 15-25% annually.

- Intelligent sensors.
- Big-data analytics and advanced algorithms.
- Carrying out multi-level interactions with the client and customer work (dose).
- Portable devices of augmented reality.
- "Cloud" calculations.
- Mobile devices.
- "Internet of Things" platforms.
- Geolocation technologies.
- Advanced user interfaces.
- Authentication and fraud prevention.
- Three-dimensional printing.

RESULTS

In addition to creating opportunities, the digital economy also creates some threats. At the same time, it is clear that there will be difficulties in using new opportunities. For example,



the level of diffusion of technologies both within and between countries cannot be assumed due to the weakness of digital skills. Integration into the digital economy can be negatively impacted by transition phenomena (lack of resources, capabilities, institutions, and interactions). It is common sense that the growth of the digital economy will bring some losses to developing countries, such as the need to strike a balance between digital security and privacy, resulting in increased insecurity. In addition, there are common threats to countries: it is possible that digital technologies will help the "return of production" to developed countries, or rather, their counter-industrialization.

However, despite the enormous opportunities and threats associated with digital economies in developing countries, most research and policy recommendations have focused on high-income countries. The potential impact of the digital economy on the activities of government bodies, businesses and workers in low- and middle-income countries remains understudied.

More people are using smartphones, tablets, smart watches and bracelets, and other mobile Internet devices to connect to a global environment, anytime and anywhere. Millions around the world can take part in the digital economy to buy or sell goods and services.

According to US economist and statistician Thomas Mesenbourg in his [2011 paper](#), three components distinguish the digital economy from the regular economy:

Infrastructure. Businesses have software, hardware and other technological resource, plus specialist human talent.

E-business. Computer applications, online tools and digital platforms help carry out business processes.

E-commerce. A familiar concept, e-commerce means the sale of goods and services online.

The digital economy is set to carry more weight in the future, as the "Internet of Things", artificial intelligence (AI), virtual reality, blockchain, self-driving cars, and other technology develop. Some advantages it offers are:

Information. Consumers have more information — not just from manufacturers and firms, but also from other consumers in forums and reviews — to make decisions about goods and services.

Proximity. Direct customer service channels enable customers to resolve queries and issues with a manufacturer or service provide more quickly.

Global presence. With goods and services available consumers anytime and anywhere, companies can enter more markets.

Security. Digital technology, like strong authentication of online payments, makes transactions more secure.

The digital economy is transforming age-old production sectors. Agriculture has already begun to benefit from technological innovations. Mobile apps connect crops to farmers, providing them with real-time updates on quality, soil and irrigation to make management decisions.

Conclusion

Considering that the number of types of economic activities that have certain opportunities due to digital technologies is increasing and their economic importance is increasing, measuring the digital economy is considered a first-class task. But there are some complications here:



Sound political decision-making, tax policy, and resource allocation require reliable and robust data. Currently, there is no such component in the digital economy, so it is unlikely that the state policy will be able to fully support the development of the digital economy.

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