

The Main Development Directions And Problems of the Digital Economy in Uzbekistan

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Introduction. Nowadays, the digital economy and a number of related effective technologies, including e-commerce and e-business, are rapidly entering our lives. That is why, in order to further accelerate the development of the state and society, the leadership of our republic has adopted a number of important decisions. For example, in his address to the Oliy Majlis on January 25, 2020, the President of the Republic of Uzbekistan expressed his views on the development of the digital economy in our country.

The higher the diversification and dynamics of the economy, the greater the circulation of unique information inside and outside the country, and the more significant the information traffic within national economies. Therefore, in markets with a large number of participants and widespread IT services, the digital economy is developing rapidly.

Today, each state considers the development of the digital economy to be its priority. With the help of state programs, digitization, security and legal regulation, and the level of digital literacy in our country are being analyzed and developed. Uzbekistan is also increasing the pace of adaptation to the process in the development of the digital economy.

On April 28, 2020, the President of Uzbekistan signed Resolution No. 4699 “On measures for the widespread introduction of the digital economy and e-government”[1]. By 2023, it is planned to double the share of the digital economy in Uzbekistan’s gross domestic product, and increase the number of electronic government services to 376 (currently, 326 government services are provided through the Unified Interactive State Services Portal (UISSP)).

The resolution also provides for the development of digital entrepreneurship by 3 times increasing the volume of services in this area by 2023 and bringing their exports to \$100 million. It is also noteworthy that digital literacy training centers will be opened in all regions in 2022.

In addition, the President’s Decree No. 6079 of October 5, 2020 approved the national strategy “Digital Uzbekistan – 2030”, which provides for a 30% share of the digital economy in GDP by 2030, and further details the target indicators for the development of digitalization by region[2].

According to the UNCTAD Digital Economy Report published in 2019, 7 digital companies (Microsoft, Apple, Amazon, Google, Facebook, Alibaba and Tencent) accounted for 2/3 of the total global market capitalization. The United States and China account for about 40% of the added value created in the global information and communication technologies sector[3]. As of 2021, the share of the digital economy in Uzbekistan’s GDP was 1.6%, compared to 9.3% in the United States, 3.8% in China, and 8% in India.

By 2025, the world’s digital economy will reach 23 trillion US dollars. Its share in global GDP will increase from the current 17.1% to 24.3%. 100 billion connections will be established worldwide to stimulate digital transformation in utilities, industry and agriculture, transportation, finance and other sectors. The number of enterprises using cloud technologies will be 85%, artificial intelligence - 86%, digital big data - 80%.

Methods. An important part of business strategy is electronic commerce (e-commerce) and electronic business (ebusiness). The introduction of information and communication technologies (ICT) into

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business has created a kind of revolution in the direct relations of enterprises with consumers. The development of e-commerce in the world has led to the development of this sector in all countries. In the context of economic globalization, it is an important factor in economic development. An important issue of the current era is strategic positioning, identifying the opportunities available to companies, and using the opportunities effectively in the information age and the new economic environment, based on a simple, practical and viable e-business strategy, to achieve the highest level of profitability. In this regard, it should be emphasized that e-commerce allows small businesses to compete with large business entities.

It is necessary to accelerate the introduction of modern digital information technologies. I think that in the current information, communication and computer age, when the Internet is increasingly deeply and widely penetrating all aspects of our lives, and the struggle for people's minds and thinking is becoming crucial, there is no need to talk about how urgent and priority these issues are for our society. If we consider the classification of commercial concepts, the first definition was given by American scientists A. Summer and Gr. Duncan as follows: Electronic commerce is a voluntary form of business process in which relations between entities are carried out electronically (using Internet technologies). According to the essence of this concept, the definition by scientists corresponds to the trends in the development of the Internet at that time. By the 1990s, the concept of Internet trade was introduced. According to American scientists A. Summer and Gr. Duncan, electronic commerce is the process of buying and selling goods or services, the entire cycle of a business transaction or part of it, carried out electronically. The development of electronic commerce in Uzbekistan, which is part of the digital economy, can be conditionally divided into two periods: the period before 2015 and after. Until 2015, active work was carried out in our country on the development and preparation of the regulatory and legal framework. In 2015, the Concept for the Development of E-Commerce in the Republic of Uzbekistan for 2015-2018 was adopted, which determined the main directions of the development of e-commerce in the medium term, the expansion of the competitive environment, the organization of modern infrastructure and the creation of additional jobs, as well as the forms and ways of further improving the legislation on e-commerce. However, to date, it can be said that the measures reflected in the concept have not been fully implemented. For example, a number of decisions aimed at the development of e-commerce have not been adopted in the regulatory and legal framework. In particular, the procedure for mass sending of electronic messages or electronic documents, and the placement of advertising in e-commerce have not been approved. Meanwhile, on May 14, 2018, the President of the Republic of Uzbekistan Shavkat Mirziyoyev signed the Resolution "On Measures for the Accelerated Development of Electronic Commerce". This document reflects a number of measures aimed at improving electronic commerce in Uzbekistan.[4] However, in general, it can be said that Uzbekistan is moving in this direction, in a very rapidly developing industry, unacceptably slowly and protractedly. It is worth noting that today users are actively using Telegram bots to order food products. Uzbek consumers are also actively paying for Internet or telephony services through mobile applications. This indicates that the population of Uzbekistan trusts electronic transactions, but so far users are not very ready to increase the average purchase volume by making small transactions that do not require large expenses.

Result. The average volume of electronic transactions in Uzbekistan ranges from 50 thousand to 200 thousand soums. The Uzbek consumer uses a mobile phone to make electronic transactions, as it is somewhat more convenient and has a number of convenient applications. As for product selection, most respondents preferred to buy clothes, as well as household appliances and electronics via the Internet. Cars and real estate were the least purchased goods via the Internet. This can be explained by the fact that at the moment the user is not yet ready to give large amounts of money in the "online" mode. In addition, users actively use payment systems such as UzCard, VISA, MasterCard. The systems with the lowest popularity are Union Pay, Web Money and cryptocurrencies. As for the problems of purchasing products online, almost all respondents mentioned difficulties during payment, low quality of goods and services, long delivery times, as well as high prices. Thus, based on the data obtained as a result of the social survey, we can name a number of problems and shortcomings that hinder the development of e-commerce in Uzbekistan:



1. The population's low trust in concluding electronic transactions;
2. High delivery costs;
3. Low quality of goods and services;
4. Fear of fraud;
5. Low level of computer literacy.

Discussion .However, at the same time, other public opinion polls show that the population of Uzbekistan is relatively ready to make electronic transactions, but during their implementation they face a number of problems that alienate the average consumer and slow down the development of e-commerce in Uzbekistan. The age of information technologies has set a number of new ideas and rules for the development of the economy. The digital economy, which is currently of interest to a narrow circle of theorists and scientists, is a market model with enormous potential in our country, because: information is a priority commodity and this resource is not limited at all; the network market is huge and democratic, and most importantly, the boundaries of networks are easily “washed away” in it; the success of a project or company no longer depends on the number of employees and the size of financial assets; hardware capabilities become a reusable, universal, durable and quality-improving tool; the conditions of competition change, because in the digital environment, fast intellectual solutions prevail over any powerful physical base.

The international auditing company KPMG has forecast that the e-commerce market in Uzbekistan will expand by 6-7 times by 2027. In its report, the company listed the factors and obstacles affecting the expansion of the market.

The retail market of Uzbekistan was estimated at \$14 billion as of December 31, 2022. This figure is expected to reach \$19.6 billion by the end of 2027. The e-commerce market accounted for 2.2% of the total retail market as of December 31, 2022. This figure is expected to form in the range of 9% to 11% by the end of 2027. That is, it is forecast to be \$1.8-2.2 billion, with a growth rate of 41.4-47.4% over 2022-2027.

The country's population is 36 million 372 thousand people (July 1, 2023), and 40 percent of the population - 14 million 393 thousand - are aged 15-39. 23 million 533 thousand people in the country use the Internet. The coverage of banking services among the population is 49 percent, and the Internet coverage is 77 percent.

The largest number of sales in the e-commerce market is in appliances and electronics. Next are clothing and accessories, household goods, food and beverages, and personal care products.

It is noted that there is a good opportunity for the growth of the e-commerce market in Uzbekistan. In the period 2018-2022 alone, the share of e-commerce in the total retail market increased from 0.6 percent to 2.2 percent. However, this indicator is far behind other countries in the region (Kazakhstan - 9 percent, Russia - 20 percent), as well as more developed countries (USA - 26 percent, China - 31 percent, South Korea - 44 percent). The following factors are expected to influence the growth of the e-commerce market:

Increasing Internet coverage and speed - as a result, more people will be able to access online shopping platforms.

Increasing access to smartphones and advances in mobile banking - this will facilitate digital transactions, making it more convenient for buyers to engage in the e-commerce process.

The continued fight against the shadow economy - this is expected to increase investor confidence and have a positive impact on the e-commerce sector, leading to an increase in market size.

Conclusion. Efforts to increase the share of cashless payments in the economy - Uzbekistan lags behind neighboring and developed countries in the share of cashless payments. This in itself means that there is an opportunity to achieve growth in the e-commerce market by encouraging the flexibility



of digital payment methods in the country. Opportunities for growth of the e-commerce market Opportunities for growth on the supply side are as follows:

Payment in installments

The ability to make payments in installments can serve as a driver of e-commerce in Uzbekistan. By allowing customers to pay in installments, companies can attract a wider customer base, including those who are unable to make a single payment.

Increasing the frequency of orders

E-commerce allows businesses to operate on a larger scale as the economy in Uzbekistan grows. By offering a wide range of products, entrepreneurs will be able to offer customers different price categories and increase the average order value.

Expanding the customer base and increasing competition

E-commerce in Uzbekistan can provide businesses with the opportunity to expand their customer base from the local level, increase competitiveness. By establishing an online form of business, entrepreneurs can penetrate individual market segments, stand out from competitors and thereby gain a competitive advantage.

The measures taken by our state to develop the digital economy lead to the emergence of a number of new effective directions in the field of information technologies and electronic document management. One of the main drivers of the development of the digital economy is the stable operation of the global Internet system and the availability of high-quality communication. As a result of these opportunities, it has become possible to exchange large volumes of data, as well as store and process them. This, in turn, paves the way for more accurate forecasts, adoption of informed solutions, and the effective use of computational capabilities.

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