

CURRENT STATE OF THE DIGITAL ECONOMY OF UZBEKISTAN

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Annotation: This article explores the economic category of "digital economy" and conducts a comparative analysis of Uzbekistan's current position in the process of digitizing its economy. The article also examines key aspects of the country's digital transformation, including government efforts such as the development and implementation of strategies and concepts, the development and improvement of telecommunications infrastructure, investments in creating additional production capacities, and achievements in terms of the Global Innovation Index. Based on the analysis of the current situation, the author emphasizes several recommendations for preserving and continuing the implementation of the digital economy, turning it into the main driving force for the country's sustainable development.

Key words: *digital economy, Uzbekistan, development, innovation, cybersecurity, digital transformation, information technology, economic growth, government initiatives.*

Introduction

Digital transformation has become an integral part of the modern world, changing the face of the economy and society. Digital technologies and platforms are playing an increasingly significant role in solving global problems and mitigating crises. In addition, they contribute to the creation of new jobs and markets, improve access to finance, and increase efficiency and transparency in various areas.

The digital economy is a system where information and knowledge are processed and transmitted through digital technologies. It includes aspects such as the Internet economy, e-commerce, big data, artificial intelligence and much more. These technologies drive innovation, increase productivity, and enrich the lives of citizens[1]. Data plays a key role in the digital economy. They have become not just information, but also a resource capable of generating economic value. Big data analytics helps companies better understand their customers, optimize production processes and predict market trends.

The process of business digitalization, which began with small internal and corporate projects, is gradually acquiring global significance. Major digital business players such as Apple, Alphabet, Microsoft, Amazon and Facebook top the list of companies with the highest market capitalization in the world. This trend is also observed in various industries and companies where their own digital ecosystems are being formed[2].

Today, one can observe a growing trend in the increasing practice of using digital tools in social and strategic sectors of the economy. It should be noted that with all the existing level of technology development today, there is still a digital divide between developed and developing countries in the world. Statistics from an international organization, the World Bank, indicate that by 2023, approximately a third of the world's population, amounting to 2.6 billion people, will remain outside the Internet

community. Today, in high-income countries, more than 90 percent of the population actively uses the Internet, while only a quarter of people in low-income countries have access to the Internet. At least 850 million people are unidentifiable, and many lack the basic skills to use the Internet effectively[3].

Current state of the digital economy in Uzbekistan

Uzbekistan is actively developing its digital economy, recognizing its importance for the future of the country. Uzbekistan is experiencing rapid development of the digital economy. October 2020 was a key moment when the government adopted the “Digital Uzbekistan 2030” strategy.⁴ This strategy is aimed at accelerating the development of digital infrastructure, the introduction of e-government, the digitalization of production, as well as the creation of a national IT sector and the development of IT education in the country. In recent years, the government has taken steps to promote the development of digital technologies and startups. The main achievements in the digitalization process of Uzbekistan are impressive and consist of the following changes:

1. Growing economic influence

If we look at Figure 1, which shows statistical data on the information and e-commerce sector from 2016 to 2022, we can come to the conclusion that both indicators, absolute in trillions of sums and as a percentage of GDP, show a growing trend. For example, if in 2016 this figure in absolute terms was approximately 5 trillion soums, then by 2022 we can observe a more than fivefold increase. If we take into account the fact that during the period under study, Uzbekistan’s GDP also had a positive growing trend, it would be advisable to study what share this sector occupied in the total volume of the country’s GDP and how this indicator changed. The share of the information economy and digital commerce in the country's GDP increased from 2.1% in 2016 to 3.4% in 2022, which is an increase of 1.6 times.⁵ The volume of services in the field of information and communications increased 6 times during the study period period from 2016 to 2022[6].

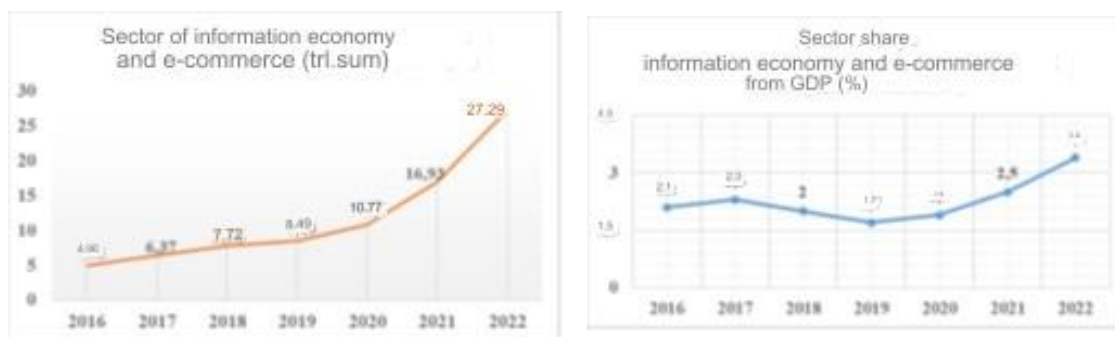


Figure 1. Graphs of the information economy and e-commerce sectors in absolute and share terms.

2. Development of telecommunications infrastructure

The country's telecommunications infrastructure is showing significant growth: the length of fiber-optic lines increased by 7.7 times from 22.1 thousand km in 2016 to 170.6 thousand km in 2022⁷, and the number of mobile communication base stations

increased by 1.1 times, from 45,900 to 53,600 units, compared to the previous year (Fig. 2).⁸ All these indicators indicate that from 2016 to 2022, coverage and provision of an even larger part of the population with accessible communications and the Internet is taking place intensively. All this leads to faster information exchange, access and use of the latest information and a reduction in many transaction costs.

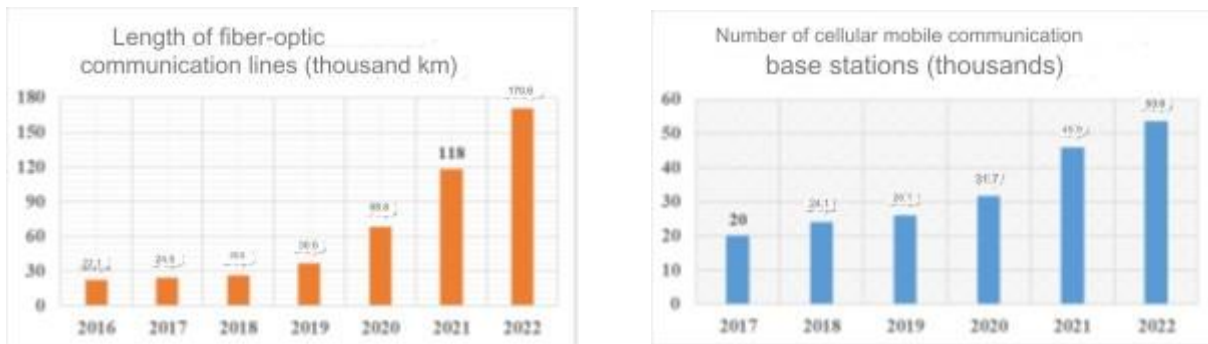


Figure 2. Diagrams of the length of fiber-optic communication lines and the number of base stations of a cellular mobile station.

3. Growth in the number of mobile communications and Internet users

The number of subscribers provided with mobile communications as of October 1, 2022 amounted to 30.9 million subscribers. As a result, every 75 people per 100 people are provided with mobile communications in the country. The number of Internet users increased by 1.1 times compared to 2021, reaching 26.7 million people in 2022.⁹ Tariffs for Internet services are gradually trending downwards.

4. Creation of production facilities

With the support of the Republic of Korea, a plant for the production of fiber optic cables was built with an annual capacity of 50 thousand km of cable, which made it possible to meet the country's internal needs and begin exporting cable products[10].

5. Progress in innovation and the Global Innovation Index

Uzbekistan's successes in the innovation sector are confirmed by its position in the Global Innovation Index ranking. At the end of 2021, the country moved up 4 positions, occupying 82nd place in the world and becoming a leader among the countries of Central Asia[11].

Having analyzed the current state of the Uzbekistan economy in terms of digitalization, one can come to the question of how not to lose this pace and how to strengthen this pace of development in order to achieve even greater results in the future. Recommendations for the further development of the digital economy in the country include the following: developing the Internet economy, investing in technology startups, developing education and science, and improving cybersecurity.

Increasing accessibility to the Internet and the development of mobile technologies have contributed and will continue to contribute to the growth of the Internet economy in the country. For example, during the implementation of

Uzbekistan's strategy for digital transformation from 2020 to 2022, improvements were envisaged and partially achieved in the form of increasing the level of Internet connectivity of settlements from 78% to over 90% by increasing the number of broadband access ports to 2.5 million, laying new fiber-optic communication lines over 20 thousand kilometers and developing mobile communication networks. As part of this initiative, it is also planned to introduce more than 400 information systems, electronic services and other software products in various areas of socio-economic development of the regions. Online payments, e-commerce and Internet services are becoming an integral part of the daily life of not only citizens of developed countries, but also the Uzbek population. The government of Uzbekistan should actively support technology startups even more actively by providing financial and infrastructural assistance, which will lead to the development of innovative ideas and attract talented entrepreneurs. For example, it is also planned to introduce more than 280 information systems and software products to automate management, production and logistics processes at enterprises in the real sector of the economy. In addition, it is a priority for the country to place additional effort and investment in the development of education and research in the field of information technology, since the creation of qualified personnel is a key aspect of a successful digital economy. Despite all the positive aspects of digitalization of the economy, we must not forget about its dangers. So, with increasing dependence on digital technologies, it is important to ensure the security of both public and private information resources.

Conclusion

The digital economy is not just a technological achievement, but also an opportunity to improve the lives of citizens, create jobs and stimulate economic growth. Uzbekistan, recognizing the importance of the digital economy, is actively investing in the development of information technology, which contributes to the creation of innovative solutions, increased productivity and improved quality of life of its citizens. In the future, the digital economy will continue to serve as a driving force for the development of the country, opening up new opportunities and horizons for Uzbek society.

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