



# CENTRAL ASIAN JOURNAL OF THEORETICAL AND APPLIED SCIENCES

Volume: 02 Issue: 04 | April 2021 ISSN: 2660-5317

## The Role of Investment in the Digitalization of the Economy

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*Received 29<sup>th</sup> March 2021, Accepted 19<sup>th</sup> April 2021, Online 30<sup>th</sup> April 2021*

**Abstract:** *The article is devoted to the study of the issues of investment relationships in the digitalization of the economy. In the modern world, the digital economy has the highest priority in the development of the economy as a whole. Investment activity and the digital economy are interdependent, as the development of the digital economy is impossible without investment, and the most effective investment tools are directly related to the digital economy. In the course of the study, the main drivers of growth of the digital economy were also highlighted, which were classified depending on the source of investment, the main problems of the development of digitalization were indicated and the steps taken in the development of investor interest in financial investments were named.*

**Key words:** *digitalization, digital economy, investment, investment climate, interconnection, growth drivers.*

### I.Introduction

The digitalization of the economy today is a key aspect of its development in our country. The state program “Digital Economy of the Republic of Uzbekistan [1], announced in 2017, is one of the priority areas of activity, which entails the need for scientific research in this area.

The importance of this decision is due to the role that modern information and Internet technologies play in the life of society. The technological breakthrough of recent years has radically changed not only social life, but also adjusted the general direction of human development, providing a huge set of devices and software with the widest functionality.

However, despite the exceptional growth of digitalization in all economically important industries, a very modest contribution to the country's economy is noted, among the main reasons for which are low investment volumes [2].

The relevance of this topic is determined by the importance of the role of investment in the development of the digital economy. It is obvious that the development of the digital economy is impossible without capital investments, while the return on the results of digitalization is not only highly profitable, but also has a relatively short payback period, which makes the development of the digital

economy attractive for investments. At the same time, the lack of stability in the investment market and in the investment climate leads to their minimization of investments, which does not provide a sufficient incentive for further development and is a factor in increasing the gap between Uzbekistan and economically developed countries.

Despite the fact that the term "digital economy" is already widely used throughout the world, its precise definition has not yet been reflected in economic dictionaries. However, the following definition is considered the most common: the digital economy is a system of economic relations based on the use of modern digital information technologies [3]. This definition implies the formation of a new direction in the development of the economic system of the state and interstate relations and emphasizes the significant role of digital information and communication technologies in this development.

Today, the development of the digital economy is relevant not only for Uzbekistan, but also for the whole world. That is why the patterns and trends in the development of the digital economy are the object of increased attention of scientific researchers and practical specialists, as evidenced by a significant number of works in the field of methodology, tools and functions of the digital economy, as well as the consequences of its spread. At the same time, it is necessary to note the natural lag of our country from the advanced states in this area, which is obvious when considering the contribution of high technologies to Uzbekistan's GDP, which is no more than 5%, and analyzing the works of Uzbek scientists on this topic, most of which are devoted to studying the Western experience of digitalization. and its adaptation to Uzbek conditions [4].

All this predetermines the need to create our own scientific and practical base for the development of the digital economy, which is oriented not only to the experience of foreign countries, but also includes an adequate assessment of the state and development trends of the traditional Uzbek economy.

## **II.Literature review**

An analysis of works in this area showed that one of the key points in the development of any socio-economic area, including the digital economy, is attracting investment, the size and availability of which directly depends on the country's investment climate. Write about this, in particular, Z.A. Avlasko and P.V. Avlasko [5], consistently disclosing indicators of investment efficiency, including internal costs of research and development, indicators of the Strategy of innovative development, turnover of enterprises, depreciation of fixed assets and others.

E. V. Belyaev, A. K. Shcheglakova [6] in their works identify the features and prerequisites for the development of the digital economy in Uzbekistan, reflect the main factors of its significance for potential economic growth, consider the main risks of return on investment in the formation of the digital economy and specific measures for possible reduction of such risks.

B.N. Panshin [7], considering the features and trends in the development of the digital economy, highlights the economic significance of the development of the digital economy and considers digitalization as a factor in the formation of new economic technologies, proposing a system of measures to reduce the risks of digitalization.

## **III.Analysis**

The Committee for Economic Development cites data that the annual growth of the digital economy averages about 27%, which gives impetus to the growth of the traditional economy. Such

accelerated growth rates suggest that if the current trend continues, by 2021, Uzbekistan's revenues from the digital economy will amount to more than 4.5 trillion sums, which is equivalent, for example, to the sum of revenues from energy resources [8].

Thus, the significance of growth in the digital economy and the need for investment in it are identified and justified. It is also worth noting that the digital economy, in its development, provides an impetus for the transition to a higher quality technical and technological level. Hence, the relationship between the digital economy and investment activity is obvious (Figure 1).



**Figure 1** - The relationship between the digital economy and investment activity

The investment climate in Uzbekistan is often the subject of discussion. Its main problem is obvious - instability, which is formed due to a number of influencing factors:

1) the transformational nature of the Uzbekistan economy, caused by its transition from a socialist to a market model, causes a number of problems, among which it is necessary to highlight the lack of historical experience of long-term investment, a small percentage of domestic specialists in this area and the characteristic unevenness of transformation, which forces investors to adapt their usual behavioral patterns under Uzbekistan conditions;

2) the raw material orientation of the economy, which causes the strongest fluctuations in the economic situation with changes in energy prices;

3) an independent foreign policy, which is often conducted without regard to most other states, which leads to conflicts of interest and is the main reason for the various economic sanctions imposed by forgiving our country in recent times.

Despite the decline in recent years, the balance of import / export of capital remain negative, which is a common problem for the Uzbekistan economy and the reason for its slow development, including in the field of its digitalization.

Thus, there is a negative trend: the lower the volume of investment, the slower the pace of development of digitalization, and the slower the digitalization, the longer the process of attracting investment.

This circular dependence can be broken by aiming at the intensive growth of a number of drivers of the digital economy, designed to increase investment attraction precisely for the digitalization of the investment process itself. In addition, we note that this process has been implemented for a long time,

since the financial sector, along with retail trade and communications, is an advanced area of digital development [10]. However, the strengthening of this development can have an impact on the pace of change in the digital economy as a whole, due to wider attraction of funds, which emphasizes the importance of this particular direction.

This relationship is also assessed at the state level, since the plans of the Program stipulate the implementation of an increase in private investment by solving the following tasks [1]:

- 1) improving the investment climate;
- 2) simplifying access to financial instruments;
- 3) reducing the share of the public sector.

A promising result of solving the set tasks is the growth rate of investment activity by 21% - 25%, planned by the state for the coming period, which is an indicator of changes in the qualitative composition of the economy's expenditures and the result of an improvement in the investment climate.

#### **IV. Discussion**

As a rule, in the field of investment, there are two main sources: public and private, the shares of which, according to the Digital Economy Program, should be approximately 57% and 43%, respectively. Obviously, big business is very interested in the development of all aspects of the digital economy; however, small investors have shown no less interest lately. Therefore, it would be reasonable to separate the direct investment projects in the digital economy of large entrepreneurs and investments of small businessmen or individuals, which, for the most part, are represented by portfolio investment.

Each of these sources of investment needs different directions of digitalization. So, for the state, first of all, the most urgent tasks are the digitalization of public services, the formation of a modern technogenic urban environment and an increase in the financial literacy of the population. For large businesses, the greatest prospects are seen in the creation and structuring of databases for small and medium-sized businesses, as well as the digitalization of the functioning of transport, communications, and logistics networks. Small private investors are mostly focused on the use of platforms and cross-platform services, as well as on the use of intelligent tools to support investment activities.

Similar directions in the field of the digital economy were also announced by the chairman of the Committee for Economic Development [11]. It is the solution of these problems that can be designated as the main drivers of the growth of the digital economy.

In addition, some researchers identify a number of problems, the solution of which will significantly improve the process of digitalization of the economy, bringing the pace of development to a new, higher level. These include:

- 1) tweet tools for attracting venture capital investment;
- 2) the need for a comprehensive transition to digitalization of a number of industries and types of activity, which will help bridge the gaps in the activities of economic entities;
- 3) an increase in options for digital solutions in various sectors of the economy.

#### **V. Conclusion**

In conclusion, we will list the main steps taken in the field of investment activities.

First, to ensure the support of investment projects, it is currently planned to formulate general rules for the creation and assessment of special investment regimes. The planned implementation period is autumn 2019, by which a list of new approaches to obtaining tax incentives, reducing insurance premiums for both private investors and investment companies implementing various projects should be presented [8].

Secondly, in order to increase the share of private investors in the overall process of capital investment and diversify capital, the Ministry of Finance has submitted for approval the draft "On the Protection and Promotion of Investment". In accordance with this project, a working group has already been formed, the purpose of which is to select the most promising investment projects. For the projects proposed by the group, it is planned to develop specific measures of state support in one of the following forms:

- provision of benefits for project financing;
- provision of benefits for the payment of property tax and land tax;
- compensation for the investor's investments through various tax receipts from the investment project,
- carrying out stabilization of regulatory and tax conditions.

Thirdly, the state is currently planning to increase the share of private investment through attempts to improve the investment climate, for which it is developing a number of steps, which, however, are still only in the initial stage.

Thus, despite the instability of the investment climate, the state is taking a variety of measures to attract investors, relying heavily on private investment, which will make it possible to implement a program for the development of the digital economy and, possibly, make significant positive transformations in the country's economy.

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