



# The Main Problems that Arise in the Development of the Digital Economy and Their Solutions

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ABSTRACT

Recent economic developments have evolved in a modern technological perspective. Consistent measures for the development of the digital economy are being implemented on the step-by-step introduction of electronic document circulation and e-commerce systems for providing services to individuals. The problems that arise during the development of the digital economy and the solutions to these problems are mentioned in this article.

**Keywords:**

Digital economy, middle income, developing economies, economic sectors, e-commerce, reforms

The modern world is constantly undergoing significant changes, and today, undoubtedly, one of the main reasons for these changes is digitalization. The Company constantly applies modern technologies to perform and improve its activities. The global economy is also becoming the subject of rapid digital transformation. The core of these digital transformations is the activity of society based on the use of modern digital technologies.

The second industrial revolution was a transition from manual labor to the creation of manufactories. The third industrial one brought in the electronic computing modernization of production. The digital economy is the fourth industrial revolution in the global world, creating more complex forms of business based on the application of new digital technologies. By involving various control blocks in production, the digital economy has transformed the value chain, which now goes beyond the boundaries of one production.

Let us consider various approaches to the formulation of this term of the digital economy. In 1995, Canadian scientist Don Tapscott was the first to mention the term "digital economy" in his book "Digital Economy: Promise and Danger in the Age of Network Intelligence", this term was revealed as: "an economy based on the use of information computer technologies". The Digital Economy was one of the earliest books to analyze how the Internet will change the way we do business. Don Tapscott believed that the result of digitalization: "the possibility of a radical reduction in transaction costs, primarily the costs of searching for information and concluding contracts, and, as a result, the emergence of new forms of business, the exclusion of intermediaries and direct interaction between the consumer and the supplier".

To date, there is no unambiguous scientific understanding of what the digital economy is all about. But still, after analyzing the above definitions, approaches to the essence of the

digital economy allow us to understand it in a narrow and broad sense:

- in a narrow sense, the digital economy is a reflection of the globalization of society, based on the use of various modern digital technologies that allow businesses, households and the state to exchange the necessary information;

- in a broader sense, the digital economy is becoming a new stage in the development of mankind, becoming a necessary attribute of people's lives, doing business and carrying out government activities, as well as interaction between countries.

The digitalization of the economy directly affects the population, developing the necessary knowledge and skills in the field of new technologies, and thanks to social networks, it has become much more accessible and easier for citizens to interact with public authorities.

The passport of this program also assumes its implementation by 2024 in the field of education, personnel training, development of the country's information space, economic and information security and the digital economy ecosystem itself.

The modern world cannot be imagined without new technologies. Today, not a single production, not a single company or government authorities can do without modern digital platforms. In addition to the obvious advantages of digitalization of the economy, described above, it carries many risks and threats to economic security, including previously unknown ones. The growing role of digitalization of processes in the economy requires an appropriate level of security. These issues relate to enterprises, any form of organization, as well as legislative and executive bodies of cities, regions and the state itself.

The digitalization of the economy, having created a whole era of activity based on innovation, changing the usual way of managing socio-economic spheres, will have significant consequences for society, which are still difficult to predict. But, it is known for sure that in the near future the level of national welfare will be determined by the level of

implementation and development of the digital economy of the state.

The development of the digital economy is impossible without the interaction of government and business. The business sector is one of the most important for the state, since most of the tax revenues to the state budget come from commercial activities, business also creates a large number of jobs and indirectly attracts foreign investors. In most cases, the standard of living of the population itself depends on the state of the level of commercial activity of the state. Digitalization creates new attractive business opportunities such as:

- simplified access of new buyers to goods and services via the Internet;
- creation of intensive production and reduce the costs of this production and the time of their delivery;
- create new investment opportunities;
- create more jobs in view of the emergence of new professions in the labor market;
- create a favorable competitive environment;
- use crowdfunding platforms (collecting funds via the Internet to support other companies);
- use remote (cloud) solutions that reduce the cost of equipment, in view of the emergence, thanks to the digitalization of the economy, of areas that provide the opportunity to rent them;
- improving business reputation due to the availability of the latest technologies.

But, for business, the digitalization of the economy is not only a new opportunity to increase commercial profits, but also a source of new risks and problems affecting not only the commercial segment, but also the state and society as a whole. Ensuring economic security in the new conditions of economic development is designed to counter threats to challenges that are associated with the features of the digital economy and new technologies.

### **The main problems that arise in the development of the digital economy:**

**1. Digital divide:** The digital divide refers to the gap between those who have access to technology and those who do not. This is a major challenge for the development of the

digital economy as it limits the market size and potential customer base.

2. **Cybersecurity:** With increased reliance on technology comes increased vulnerability to cyber attacks. Cybersecurity has become a major concern for businesses and individuals alike.

3. **Data privacy:** The collection, storage, and use of personal data have become a contentious issue in the digital economy. Companies must navigate complicated regulations and ethical considerations when handling sensitive data.

4. **Monopolies:** Large tech companies have come under scrutiny for their dominance in certain markets, potentially stifling competition and innovation.

5. **Employment disruption:** Automation and artificial intelligence have led to concerns about job displacement and potential skills gaps in the workforce.

6. **Digital literacy:** As technology continues to advance at a rapid pace, there is a growing need for individuals to be digitally literate in order to participate fully in the digital economy.

7. **Infrastructure challenges:** Developing countries may struggle with inadequate infrastructure such as internet connectivity, hindering their ability to fully participate in the digital economy.

The digital economy is playing an increasingly important role in the development of countries around the world. It helps to increase labor productivity, reduce costs and increase the competitiveness of the economy as a whole. Digital technologies allow creating new types of business and expanding markets.

However, the development of the digital economy faces many challenges. One of the main ones is the uneven access to digital technologies and infrastructure in different regions and countries. In some countries, the necessary equipment, software and qualified specialists are not available, which hinders the development of the digital economy. Another important factor is data security and user privacy. The growth of the digital economy leads to an increase in the amount of personal data that can be used for illegal activities or to

gain unauthorized access to private information.

The digital economy has become the main driver of growth and competitiveness for many countries in the world. It covers a wide range of sectors such as telecommunications, e-commerce, digital services, software and others. The place of the digital economy in the countries of the world depends on several factors, such as the availability of high-speed Internet, the quality of infrastructure, the availability of highly qualified specialists and government support.

In general, the development of the digital economy is of great importance for the economic growth and competitiveness of the countries of the world. However, to achieve its full development potential, many challenges need to be addressed in terms of technology availability, data protection, and staffing shortages.

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