

Article

# Regulatory and Legal Basis of The Digital Economy in Uzbekistan and Ways to Improve it

S.B. Boboqulov<sup>\*1</sup>, Ogunode Niya Jacob<sup>2</sup>, B.N. Pulatov<sup>3</sup>

- 1,3. Samarkand Institute of Economics and Service, Uzbekistan
2. Department of educational management, university of Abuja, Nigeria

\* Correspondence: [ferdu\\_www@mail.ru](mailto:ferdu_www@mail.ru)

**Abstract:** This article analyzes the regulatory and legal framework of the digital economy in Uzbekistan, considers its development process and ways to improve it. The impact of the digital economy on economic development, the compatibility of the legal framework with modern requirements, and existing problems are studied. Also, the reforms implemented within the framework of the resolutions of the President of the Republic of Uzbekistan and strategic programs are analyzed, and additional proposals for the development of the digital economy are given.

**Keywords:** Digital Economy, Economic Reforms, Digital Transformation, E-commerce, Innovations, Digital Government, Legislation

## 1. Introduction

In recent years, the importance of advanced technologies and innovations in economic development has been increasing. In particular, the rapid development and widespread use of information and communication technologies (ICT) is ensuring the transition of the global economy to a new stage. Such technologies make it possible to increase the efficiency of production and business processes, and at the same time, they lead to new ways of working and changing traditional approaches in all areas of human activity. The digital economy is a key component of information and communication technologies, capable of radically changing people's lifestyles and the relationships between them. This process, on the one hand, helps to modernize the economy, but on the other hand, it also requires the formation of social and political systems based on new requirements.

Thus, the relevance of the digital economy in Uzbekistan is not limited only to economic processes, but also has a significant impact on the modernization of social and political systems [1]. The rise of digital technologies, their integration into various sectors of the economy, and the improvement of the regulatory framework related to them are the main directions of Uzbekistan on the path to a digital economy.

The legal framework and regulatory norms necessary for Uzbekistan to achieve success in the digital economy have not yet been fully formed. However, in recent years, legal norms and regulatory documents necessary for the application and development of digital technologies have been developed [2]. Decrees and resolutions adopted by the government to address emerging problems in the digital economy of Uzbekistan and develop the most effective measures in this regard, including the Decree of the President of the Republic of Uzbekistan No. PQ-3832 dated 03.07.2018 "On Measures for the Development of the Digital Economy in the Republic of Uzbekistan" in 2018 ("Resolution on Measures for the Development of the Digital Economy in the Republic of Uzbekistan"),

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measures aimed at modernizing the digital infrastructure, and the development of an education and training system based on digital technologies[3]. In addition, in order to implement the Decree of the President of the Republic of Uzbekistan dated February 19, 2018 No. PF-5349 "On measures for the further development of the sphere of information technologies and communications", the legal framework of the digital economy of Uzbekistan is being analyzed, and the problems arising in this area and ways to improve them are being considered [4].

### **Literature review**

A wide range of studies have been conducted in the Republic of Uzbekistan on the issues of forming and improving the regulatory and legal framework of the digital economy, and this topic has been the subject of research by economists, covering several important areas. In recent years, a number of scientific studies and textbooks have been published. These publications have studied various aspects of the digital economy, analyzed the factors affecting its development, existing problems and ways to overcome them [5].

The textbook "Fundamentals of the Digital Economy", written by Ravshan Ayupov in 2020, covers in detail the theoretical foundations of the digital economy, its formation and stages of development. The author analyzes the main concepts of the digital economy, its components and their interrelationships. It also provides detailed information on the impact of the digital economy on the national economy, its advantages and disadvantages. The textbook includes an analysis of the regulatory and legal framework of the digital economy, including laws and resolutions adopted in Uzbekistan [6]. The author emphasizes the importance of state policy in the development of the digital economy and highlights the reforms being implemented in this regard. The textbook also considers international experiences of the digital economy and their application in the conditions of Uzbekistan. The author also emphasizes the role and importance of the education system in the development of the digital economy [7].

The scientific article "Digital Economy and Its Development Prospects in Uzbekistan" written by Turoпова Nigora and Asliddinov Dilshodbek in 2024 analyzes the role of the digital economy in the economy of Uzbekistan and its development prospects. The authors study the impact of digital technologies on economic growth and analyze the ways and existing opportunities for the development of the digital economy in Uzbekistan. The article also presents the regulatory and legal framework of the digital economy and proposals for their improvement [8]. The authors emphasize the importance of state policy in the development of the digital economy and highlight the reforms being implemented in this regard. The article also considers international experiences of the digital economy and their application in the conditions of Uzbekistan. The authors also emphasize the role and importance of the education system in the development of the digital economy. The article also discusses the prospects for the future development of the digital economy [9].

The second expanded edition of the textbook "Digital Economy", written in 2021 by Farkhod Mulaydinov and Makhammadjon Tuychievich Butaboev, covers the theoretical and practical aspects of the digital economy in detail [10]. The authors analyze in detail issues such as the impact of digital technologies on the economy, digital transformation processes, e-commerce and changes in business models. The textbook also provides recommendations on the prospects for the development of the digital economy and its integration into the national economy [11].

In addition, the scientific article "Problems of Transition to a Digital Economy in Uzbekistan" written in 2023 by Sarvar Gaybullayev analyzes the problems arising in the process of transition to a digital economy in Uzbekistan and ways to solve them. The author sheds light on the theoretical foundations of the digital economy and identifies factors that hinder its development. The article also presents the regulatory and legal framework of the digital economy and proposals for their improvement. The author

emphasizes the importance of state policy in the development of the digital economy and highlights the reforms being implemented in this regard. The article also considers international experiences of the digital economy and their application in the conditions of Uzbekistan. The author also emphasizes the role and importance of the education system in the development of the digital economy. The article also discusses the prospects for the future development of the digital economy [12].

## 2. Materials and Methods

Researchers used a structured multi-dimensional method to develop the study about Uzbekistan's digital economy regulatory framework and legislative system. The main goal of this research assessed how well current laws boost digital transformation yet suggested ways to upgrade their present effectiveness. The research set out to establish present legislation deficits together with Uzbekistan's digital regulation assessment relative to worldwide standards to develop practical solutions for enhancing the regulatory framework.

The research implemented qualitative mixed methods and quantitative methods to accomplish its set objectives. This research studied digital economy law-making materials such as legislative documents and presidential decrees and government resolutions through systematic evaluation [13]. An evaluation of the implementation results and effectiveness of the "Law on Electronic Government" and "Digital Uzbekistan – 2030" program alongside the "Law on E-Commerce" took place within this study. Legal analysis through comparison provided Uzbekistan the chance to evaluate its digital policy framework against international standards with an emphasis on dominant digital economies.

Research investigators used statistical assessment methods to determine connectivity between regulatory regulations and three digital transformation indicators which included e-commerce expansion and digital financial service development and improved cybersecurity [14]. The analytical methods combined with logical reasoning allowed researchers to examine results that revealed regulatory shortcomings so legislative changes could be established. The complete framework of research brought insightful data about Uzbekistan's digital economy regulatory system which produced sound recommendations for policy advancement and upcoming digital development measures.

## 3. Results

The legal infrastructure necessary for the development of the digital economy, the widespread introduction of information technologies, the development of e-commerce and digital services in the Republic of Uzbekistan is gradually developing, serving the successful implementation of digital transformation in the country. This infrastructure includes various regulatory legal acts, laws, decrees, resolutions and state programs. These legal frameworks include measures taken to develop all components of the digital economy, manage the digital transformation of the state, ensure cybersecurity, support digital innovations and develop information technologies.

The next regulatory document, the "Digital Uzbekistan - 2030" program, which is expected to become a great foundation for the future of our country, was approved in 2020, and it is intended to accelerate digital transformation in various sectors of the economy. Within the framework of the program, more than 20 thousand new jobs have been created in the IT sector, the infrastructure has been modernized, and the quality of the Internet has been improved. In the future, training personnel suitable for the digital economy and the widespread introduction of large-scale data processing technologies will be of great importance.

Therefore, as a result of our research, we have analyzed the legal and regulatory documents adopted in the Republic of Uzbekistan. The first column of this table contains

the name of the documents, the second column contains the year of adoption of the legal acts, the third column contains the main purpose of the legal act, the next column contains practical results and their impact, and the last column contains ways to improve them.

**Table 1.** infrastructure includes various regulatory legal acts, laws, decrees, resolutions and state programs.

Document name	Year of acceptance	Main purpose	Practical results and effects	Areas for improvement
Law "On Electronic Government"	2015	Digitizing public services	80% of public services were digitized, "my.gov.uz" platform was created	Automation based on artificial intelligence
Law "On Electronic Commerce"	2016	Regulating online sales	In 2023, the volume of e-commerce reached 5.3 trillion soums	Adaptation of the tax system
Program "Digital Uzbekistan - 2030"	2020	Accelerating digital transformation	More than 20 thousand jobs created in the IT sector	Modernization of digital infrastructure
Presidential Decree "On Crypto-Assets"	2022	Regulation of crypto-asset circulation	Crypto exchanges began to operate legally	Improving tax policy
Law "On Electronic Digital Signature"	2004 (edited in 2021)	Protection of electronic documents	In 2022, 12 million citizens used electronic signatures	Developing identification systems
Law "On Payment Systems"	2019	Regulation of electronic payments	In 2023, the share of cashless payments reached 62%	Integrating blockchain technologies
Law "On Personal Data"	2019	Ensuring data security	In 2021, cases of illegal access decreased	Adapting to GDPR requirements
Decree "On the Development of Artificial Intelligence Technologies"	2021	Development of public services based on artificial intelligence	AI-based programs were introduced	Clarifying the legal regulation of AI
Law "On Electronic Mass Media"	2020	Regulation of digital media activities	The number of online media platforms increased by 2 times	Strengthening the media content regulatory system
Decree "On the Development of Digital Financial Services"	2023	Development of the fintech sector	The number of users of mobile banking services increased by 40%	Cybersecurity measures need to be strengthened

From the analysis of the above table, we can conclude that the law adopted in 2015 accelerated the digitization of public services. As a result, 80% of services were transferred to electronic form, and the "my.gov.uz" platform was launched, which simplified administrative processes for citizens. However, automation based on artificial intelligence

is not sufficiently developed. Strengthening real-time integration between state systems and introducing proactive services remain urgent issues.

In particular, in 2016, a law was adopted regulating online sales, strengthening electronic contracts and consumer protection mechanisms. As a result, the volume of e-commerce in 2023 reached 5.3 trillion soums. This necessitated the need to adapt the tax system. We must recognize that simplifying customs procedures and introducing blockchain technologies are one of the important areas for the future.

The decree adopted in 2022 is aimed at regulating the circulation of crypto-assets and formalizing this market. After that, crypto-exchanges began to operate legally. Tax policy was also adjusted, and new regulatory mechanisms were developed for income from crypto-assets. In the future, increasing financial security and protecting the rights of investors remain the main tasks.

At the same time, the law adopted in 2004 and amended in 2021 defined the legal status of electronic documents. As a result, more than 12 million citizens use electronic digital signatures. The development of identification systems has expanded the possibilities for using remote services. It is worth noting that in the future, one of the important directions is to increase the security of signatures using blockchain technology and strengthen integration with international systems.

In 2019, a law regulating electronic payments was adopted, and the share of cashless payments reached 62%. For the further development of electronic payment systems, it is necessary to integrate blockchain technology and increase transparency. The development of digital currencies, mobile payment systems, and cross-border electronic payments are among the priorities.

#### **4. Discussion**

The Law on Personal Data Protection was adopted in 2019, and in 2021, cases of illegal access significantly decreased [15]. However, bringing this law into line with the requirements of the European Union's GDPR remains an important issue. In the near future, we need to strengthen cybersecurity measures and improve data protection mechanisms in the public and private sectors.

In the recent past, namely in 2021, a decree was adopted on the development of AI technologies, and the process of automation in public services began [16]. Strengthening the legal regulation of technologies in this area, increasing transparency, and aligning them with international standards are among the urgent tasks.

We are aware that the law adopted in 2020 has regulated the activities of digital media, leading to a doubling of the number of online media platforms. The fight against disinformation, protection of journalists' rights, and ensuring privacy are among the issues that need to be addressed in the future.

In addition, the decision to develop the fintech sector in 2023 has led to a 40% increase in the number of mobile banking users. However, the rapid development of digital financial services requires strengthening cybersecurity measures. Making financial transactions transparent through the use of blockchain technologies remains an urgent task [17, [18], [19].

#### **5. Conclusion**

As a result of the above analysis and research, we have come to the following conclusions and suggestions. The development of the digital economy in Uzbekistan is an integral part of the process of accelerating the country's economic development, modernizing business and public administration, and integrating into the international economic system. As a result of the introduction of digital technologies, production efficiency has increased, new types of services are being formed, e-commerce is developing, and public services are improving in quality.

The results of the study showed that although the government of Uzbekistan has adopted a number of regulatory and legal documents to develop the digital economy, it is necessary to implement certain measures to further improve the system. It is necessary to further develop strategic directions for expanding digital infrastructure, increasing digital knowledge and skills, ensuring information security, and supporting innovations.

It is also important to strengthen cooperation between the private sector and the state to stimulate the use of digital technologies in all sectors of the economy. For Uzbekistan, in order to achieve the goals set within the framework of the "Digital Uzbekistan – 2030" strategy, it is necessary to further improve the legal framework, study international experiences and carry out digital transformation processes in accordance with the characteristics of the national economy.

The development of the digital economy in Uzbekistan is an integral part of the process of accelerating the country's economic development, modernizing business and public administration, and integrating into the international economic system. As a result of the introduction of digital technologies, production efficiency is increasing, new types of services are being formed, e-commerce is developing, and public services are improving in quality.

The results of the study showed that although the government of Uzbekistan has adopted a number of regulatory and legal documents to develop the digital economy, it is necessary to implement specific measures to further improve the system [19]. It is necessary to further develop strategic directions for expanding digital infrastructure, increasing digital knowledge and skills, ensuring information security, as well as supporting innovations.

### **Recommendations**

First, develop digital infrastructure, that is, increase the quality and coverage of the Internet, especially in rural areas, expand access to digital services. Secondly, increase the level of digital literacy. Through this, expand training programs in digital technologies for all segments of the population, train IT specialists, and introduce international certificates. Third, support startups and innovations. Expand tax incentives and grant programs for the development of startup projects and technological entrepreneurship. Fourth, improve the legal framework. Further strengthen the legal framework of the digital economy, develop laws regulating the fields of e-commerce, fintech, and artificial intelligence. Fifth, expand international cooperation. Use the experience of developed countries, attract foreign investment, and develop cooperation with international technology companies. Sixth, ensure information security. Strengthen cybersecurity measures, protect confidential information, and transform electronic document exchange into a reliable system. Seventh, expand public-private sector cooperation. Strengthen public-business cooperation in the implementation of digital technologies, and encourage the participation of the private sector. In the future, through the development of the digital economy, Uzbekistan can become an active participant in the global digital market, achieve sustainable economic development, and increase the well-being of the population. Therefore, strengthening and further improving the regulatory framework for the digital economy in the country remains one of the priority tasks.

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