



## THE ROLE OF DIGITAL ECONOMY FOR THE MANAGEMENT

Babaeva Lola  
Teacher of KarSU

Kurbonova Malika  
Teacher of KarSU

### ABSTRACT

The “digital economy” refers to the revolutionary way the general public and businesses interact and engage in transactions online. As the internet began to rise in popularity, businesses turned to the online world as a way to achieve brand recognition and status within their industries.

**Keywords:** Staff, Management, Organization, Distance work, Internet.

We’re in the age of the digital economy, and it’s important to understand how your company is affected by its growth and expansion. When you learn more about the digital economy, you’ll uncover ways your business can utilize this frontier to reach more potential customers, enhance your customer service experience, and collect important data.

It’s important for business owners to understand the convenience that consumers experience when a brand offers services, communication, and information completely online. Businesses that harness the power of the digital economy provide this convenience to potential customers and current clients, so they’re more likely to see growth and success.

The world has become digital and so has the economy. The digital economy is the result of the transformation of traditional economic activities, products, and services into digital form. It’s based on the internet and supported by electronic means. The digital transformation of the economy has led to the creation of new business models, new products and services, and new ways of doing business. This digital economy is growing at a rapid pace and is expected to continue to do so in the coming years.

The digital economy is the economy resulting from the digital transformation of traditional economic activities powered by the internet, electronic means, and data.

In simple terms, it’s the economy that exists when the traditional economy capitalises on technological change leading to the exchange of new offerings and the creation of new business models and markets.





This digital transformation is driven by the following:

- **The internet** – The internet has taken over the world and transformed how we live, work, and play. It's created a global market for goods and services and made it possible for businesses to reach new markets and customers.
- **Electronic means** – The digital economy is powered by electronic means such as computers, smartphones, and other digital devices like smart TVs, wearable devices, and so on.
- **Data** – Data is the lifeblood of the digital economy. It's used to create new products and services, make decisions, target customers, and much more.

The digital economy is the result of billions of daily connections between people, businesses, devices, and data. It's a global, interconnected economy that's not limited by geographical boundaries.

There are three key components of the digital economy. They are:

- **E-Business Infrastructure:** This refers to the electronic systems that businesses use to conduct their operations. This includes the hardware, software, networks, and data storage systems.
- **E-Business:** It is the conduct of business activities through the use of electronic systems. This includes the processes of buying and selling and the marketing, production, and delivery of goods and services digitally.
- **E-Commerce:** This is the buying and selling of goods and services through electronic systems. This includes exchanging money, goods, and services between businesses and consumers.

The digital economy overcame the limitations of the traditional economy in every aspect possible, be it in production, marketing, or commerce.

Today, it is the single most important driver of innovation, growth, and job creation. The digital economy has transformed the way businesses operate and has created new opportunities for them. It has also changed the way consumers behave and has given them more power.

The rise of the digital economy is crucial as it:

- **Helps reach more customers:** The digital economy has made it possible for businesses to reach new markets and customers. This is because of the global nature of the internet.
- **Reduces costs:** Technology has made it possible for businesses to reduce their costs regarding marketing, production, and distribution by replacing traditional methods with more efficient digital ones.





- **Improves efficiency:** The digital economy has helped businesses become more efficient as they now have access to better tools and technologies and can even use data to get the best results.
  - **Generates new jobs:** The digital economy has generated new job opportunities as there is an influx of new businesses and startups. It has also created new job roles such as digital marketing, big data analyst, data mining, and so on.
  - **Leads to innovation:** Digitising businesses and business processes lead to innovation. This is because it allows businesses to experiment with new ideas and technologies to produce, market, and sell their products and services.
- The digital economy has brought about a fundamental change in the way businesses operate. It has also changed the way consumers behave. Hence, it has become a vital part of the global economy that can no longer be ignored. Not just the businesses but the government too has started to realize the importance of the digital economy and is now promoting its advantages.

*The advantages of digital economy:*

- **Increased productivity:** The digital economy has increased the productivity of businesses as they can now use technology to automate their operations and processes.
- **Increased competitiveness:** Businesses today are able to use the internet to reach new markets and customers. Moreover, they can also use technology to improve their products and services. This has increased the competitiveness of businesses.
- **Increased employment opportunities:** The digital economy has generated new job opportunities as new businesses are springing up. It has also created new job roles spread all over the world.
- **Improved living standards:** Today, digitised businesses can offer their customers better products and services at lower prices. Moreover, offerings are now available on-demand, which has improved people's living standards.
- **Better quality of life:** The digital economy has made it possible for people to work from anywhere in the world. This has improved the quality of life of people as they can now balance their work and personal life. On the consumer front, the digital economy has made it possible for people to access a wide range of products and services with just a few clicks. Not just products and services, but people can also now access information and knowledge and connect with others with the help of the internet.
- **Reduced costs:** Digitisation has helped businesses replace manual tasks with automated processes. This has reduced the costs of businesses and has led to lower prices of products and services for consumers.





- **Faster transactions:** The digital economy has made it possible for businesses to conduct transactions faster as they can now use online payment methods. This is not just restricted to businesses but extends to individuals as well, who can now transfer money online with just a few clicks.
- **Improved efficiency:** Digitisation of processes has helped businesses become more efficient by removing error-prone manual tasks. Moreover, businesses now have access to better tools and technologies that help them get the best results.
- **Innovation:** The digitisation of businesses and business processes leads to innovation with respect to not just offerings but also the way businesses operate.
- **More personalisation:** As more data is collected about customers, businesses are now able to offer them more personalised products and services.
- **Greater convenience:** Customers today can buy products and services from the comfort of their homes. New business models like e-commerce and m-commerce have made it possible for customers to shop anytime, anywhere.
- **Increased transparency:** The digital economy has increased the transparency of businesses as they can now use technology to share information with their customers.
- **Improved communication:** Increased connectedness in the digital economy has made it possible for businesses to communicate with their customers more effectively. They now have a number of channels through which they can reach their customers including social media, email, and SMS.

*The disadvantages of digital economy:*

- **The digital divide:** One of the biggest disadvantages of the digital economy is the digital divide. This is the gap between those who have access to technology and those who don't. This divide exists not just between countries but also within countries. This has created a new form of inequality in the world.
- **Cybercrime:** The increased use of technology has also led to an increase in cybercrime. This is because criminals can now use technology to commit crimes like identity theft, fraud, and money laundering.
- **Data security:** With businesses collecting more and more data about their customers, there is a risk of this data being leaked or stolen. This can lead to a loss of trust between businesses and their customers.
- **Unemployment:** The digitisation of the economy has led to job losses in some sectors as businesses have replaced human workers with technology. This has increased unemployment in these sectors.
- **Privacy concerns:** As businesses collect more data about their customers, there are concerns about the misuse of this data.





- **Heavy investments:** The digitisation of businesses requires heavy investments in technology. This is a challenge for small businesses which might not have the resources to invest in technology.
- **Monopoly:** The digitisation of the economy has led to the rise of a few big companies which have become very powerful. This has created a monopoly in some sectors.
- **Addictive nature:** The digital economy is very addictive in nature. This is because it is designed to keep people hooked on their devices. This can lead to a number of problems like addiction, anxiety, and depression.
- **Potential environmental impact:** The increased use of technology in the digital economy has led to an increase in the number of e-waste and heavy carbon footprint. This is a concern as it can have a negative impact on the environment.

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