

FEATURES OF THE DEVELOPMENT OF DIGITAL ECONOMY AND INNOVATIVE LOCAL GOVERNMENT

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***Abstract.** This article scientifically analyzes the transformation of the regional governance system in the digital economy, innovative development processes, and the impact of digital technologies on the regional economy. The study examined the formation of digital infrastructure, the development of innovation clusters, startup ecosystems, and the role of the "smart city" concept in regional governance. Also, based on the scientific views of foreign scientists, the economic and geographical aspects of the digital transformation process were analyzed, and scientific conclusions were provided on reducing the digital divide between regions, improving the innovation management system, and developing digital infrastructure.*

***Keywords:** digital economy, digital transformation, territorial governance, innovative development, digital infrastructure, smart city, innovative clusters, startup ecosystem, GIS, Big Data.*

Introduction. Digital technologies are becoming a decisive factor in the development of the global economy in the 21st century. The digital transformation process is bringing about fundamental changes in many sectors, including manufacturing, services, education, transportation, energy, and public administration. One of the main features of the modern economy is the management of economic processes based on digital technologies and the emergence of new forms of economic activity. Artificial intelligence, big data, cloud technologies, the Internet of Things (IoT), and automated control systems are forming an important technological foundation for economic development.

The development of the digital economy is also having a significant impact on the territorial governance system. The introduction of digital technologies in regional development strategies offers opportunities to increase economic efficiency, modernize infrastructure, and reduce economic disparities between regions. Therefore, the issues of the digital economy and innovative territorial

management are one of the important scientific areas of economic geography, regional economics, and urbanization research.

Main part. The concept of the digital economy is an important scientific category that represents a new stage of modern economic development. This process is characterized by the reliance of economic activity on information and communication technologies and increased competitiveness through the efficient use of economic resources. The development of the digital economy also requires regional economic systems to adapt to new conditions. Because regions with digital infrastructure have a significant advantage in economic development [7, 5].

Scientific research by foreign scientists plays an important role in the development of digital economy theory. Spanish scholar Manuel Castells, in his concept of the “Information Society”, emphasizes that the main feature of the modern economy is a global economic system based on information networks. In his opinion, digital technologies will transform economic activity from a centralized management system to a distributed management system, creating a new form of regional economy. This will lead to increased economic ties between regions and accelerated global economic integration [2].

American economist Richard Florida, studying the innovative economy and regional development processes, put forward the theory of the “creative class”. In his opinion, innovation and the development of the digital economy will occur mainly in regions where highly qualified specialists, research centers, and technology companies are concentrated. Therefore, large cities become centers of innovative development and appear as the main drivers of economic growth [6].

The new theory of economic geography, developed by economist Paul Krugman, is also important in analyzing regional economic development. According to this theory, the concentration of economic activity in certain regions creates favorable conditions for innovative development. In the digital economy, the concentration of technological clusters, research centers, and IT companies in one area serves to increase economic efficiency [7, 4].

Saskia Sassen's theory of global cities is also of significant scientific importance in studying the impact of the digital economy on regional development. According to him, in the development of the global economy, large cities will become centers of innovative activity and will have the opportunity to attract international investments and highly qualified specialists. Such cities, as the main locomotive of the digital economy, have a significant impact on global economic processes [9].

Economists Daron Acemoğlu and James Robinson, who developed the theory of institutional development, emphasize the role of governance systems emerging based on digital technologies in economic development. They believe that in regions with effective institutions and an open economic system, innovation develops faster and economic growth is more sustainable. Therefore, the modernization of the public administration system is of great importance in the context of the digital economy [1].

The research of AnnaLee Saxenian, who developed the theory of innovation networks in studying the impact of the digital economy on regional development, also deserves special attention. She analyzes the experience of Silicon Valley and shows that knowledge exchange, scientific collaboration, and the formation of a startup ecosystem are key factors in innovative development. This shows the importance of the development of innovation centers for the regional economy in the context of the digital economy [8].

The development of the digital economy is also having a major impact on urbanization processes. The Smart City concept is creating opportunities to manage urban infrastructure using digital technologies. Intelligent transport systems (ITS), energy efficiency technologies, environmental monitoring systems, and digital management mechanisms help to organize the urbanization process more effectively [2, 9].

Digital transformation processes are also creating new challenges on a global scale. One of the most important problems is the digital divide between

regions. Due to the varying levels of development of digital infrastructure in different regions, some regions are unable to fully benefit from the global digital economy. Therefore, developing digital infrastructure, expanding internet networks, and increasing the digital literacy of the population are important strategic tasks [2, 3].

Conclusion. The results of the study show that the digital economy is an important factor in modern economic development and plays a significant role in improving the efficiency of the territorial governance system. Management mechanisms developed based on digital technologies enable the optimization of economic processes, the efficient use of resources, and the acceleration of innovative development. Therefore, the development of digital infrastructure and improvement of the innovation management system are one of the important areas of the regional development strategy.

In the future, digital transformation processes are expected to accelerate further and become the main driving force of the regional economy. Therefore, it is possible to ensure the sustainable development of the digital economy by strengthening cooperation between public administration, scientific institutions, and business entities, developing innovation clusters, and supporting startup ecosystems.

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