Economic and legal factors of digitalization in Russia

Factores económicos y legales de la digitalización en Rusia

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Abstract
The current stage of development of the digital economy is characterized by a new understanding of socio-economic and legal processes. In this regard, the main task for enterprises is not only to overcome barriers in the legal justification of business operations, but also to rethink the economic component of business processes: expanding the use of the principle of transparency of the enterprise, the use of non-financial reporting; transformation of accounting methodology and internal costs for the development of the digital economy.

Key words: digital economy, transformation, accounting methodology, legal regulation.

Resumen:
El período actual del desarrollo de la economía digital se caracteriza por una nueva concepción de los procesos socioeconómicos y jurídicos. En este contexto, la tarea principal para las empresas no es solo superar los obstáculos en la justificación legal de las operaciones comerciales, sino también reconsiderar el componente económico de los procedimientos comerciales. En concreto, aumentar el uso del principio de transparencia en la actividad de empresa, utilizar informes no financieros; transformar los métodos de la contabilidad y los costos internos para el desarrollo de la economía digital.

Palabras clave: economía digital, transformación, metodología contable, regulación legal.

1. Introduction

The current stage of digital technology development is characterized by an exponential increase in the quantity, quality and variety of forms of interconnections between organizations, citizens and socio-economic systems, which are characterized by a discontinuous dynamics of the number of transactions and volumes of accessed...
data, which leads to more complex and synchronized integration of “everyone with everyone”, the consequences of which are not yet fully understood.

The development of the sharing-economy and the digital economy, as well as technological progress, have led to an increase in the requirements for flexibility, speed, security of exchange processes, and their barrier-freeness. The desire to reduce costs contributes to the exclusion of intermediaries in the provision of various financial services.

The use of new technologies is aimed at increasing the availability, efficiency and safety of the services provided, developing the intuitiveness of services, reducing costs, improving the quality, speed and reliability of the services provided. Customers want the same level of service and level of risk that they receive from platform leaders such as Apple, Amazon, Baidu or Alibaba.

According to the Accenture study (Digital Disruption: Embracing an Integrated Digital Ecosystem, 2015), traditional banks allocate three times as much money to maintain legacy systems than to create new platforms for growth, while global technology companies (e.g. Google or Facebook) invest in innovative fintech startups.

Scale and global reach have become actual commodities, and information and liquidity are no longer limited to temporal and geographical barriers.

The term “digital economy” was first coined in 1995 by Nicholas Negroponte, the American scientist at the University of Massachusetts (Negroponte, 1995).

Digitalization of various aspects of the functioning of the economy and the activities of enterprises results in the transformation of both natures itself and the volume of data on socio-economic phenomena and processes. In this regard, the demand for the quality of the disclosed indicators is changing, and at the same time this leads to new opportunities arising from the development of digital communications and the emergence of data suitable for processing and analysis.

The law has an important instrumental role in the development of the digital economy, which is provided for by the Digital Economy of the Russian Federation Program, approved by order of the Government of the Russian Federation of July 28, 2017 No. 1632-r (The order of the Government of the Russian Federation "Program" Digital Economy of the Russian Federation “", 2017). Statutory regulation gained first place among the five main areas of its development, which include, in addition to the above, personnel and education, the formation of research competencies and technical backlogs, information infrastructure and information security.

The need for legal support is experienced by most of the measures planned for implementation in order to “form a new regulatory environment that provides a favorable legal regime for the emergence and development of modern technologies, as well as for the implementation of economic activities related to their use (digital economy)".

Therefore, according to the Government of the Russian Federation, law is primarily a means, but not an object of digitalization (Khabrieva & Chernogor, 2018). Most likely, we owe the lack of relevant scientific developments designed to identify and explain the impact of the digitalization process on legislation and law enforcement practice to the “traditional”, “non-digital” vision of law, legal technologies and certain types of legal activities by the developers of the Program. The practical need for this kind of research is beyond doubt. In order to satisfy it, jurists are making serious efforts in this direction.
2. Materials and methods

This study is applied in nature, according to which it “seeks to generate knowledge with direct application to the problems of society or the manufacturing sector” (Vargas, 2009.). Also, this is a mixed study using primary and secondary sources of information.

The methodological basis and information base of this study is a comprehensive analysis and systematic approach to reviewing the works of Russian and foreign scientists and economists, materials of scientific conferences and articles related to the study of the definition and characteristics of the determinants of the digital economy in the economic and legal aspect.

3. Results and discussion

The digital economy is defined as “economic activity in which the key factor in production is digital data, the processing of large volumes and the use of analysis results which, compared with traditional forms of management, can significantly increase the efficiency of various types of production, technology, storage, sale, delivery of goods and services” (Decree of the President of the Russian Federation. No. 203, 2017).

In Russia, ensuring the accelerated introduction of digital technologies in the economy and social sphere is one of the national development goals (Decree of the President of the Russian Federation. No. 204, 2018). For this, Decree No. 204 defines the following tasks:

- an increase in domestic costs for the development of the digital economy from all sources at least 3 times in comparison with 2017;
- creation of a stable and secure information and telecommunications infrastructure for high-speed transmission, processing and storage of large amounts of data, accessible to all organizations and households;
- the use of predominantly domestic software by state bodies, local authorities.

The strategy for the development of the information society, approved by Decree of the President of the Russian Federation, provides for the transparency of management activities, inclusion of representatives of all parties interested in the digital economy (Decree of the President of the Russian Federation. No. 203, 2017). As a result, the process of presentation and formation of management reporting itself needs a serious transformation and improvement of the methodology.

As rightly noted by Waipan, V. (Belitskaya, Belykh & Belyaeva, 2019), in the concept of the digital economy, the emphasis is not on the use of software, but on goods and services sold through electronic business and electronic commerce.

In this regard, organizations need not only the legal mechanism used to regulate economic relations, but also the specification of key aspects of financial and economic activity that are subject to transformation in the current conditions.

3.1. Economic determinants of digital economy development

3.1.1 Expanding the use of the principle of transparency in business activities

The principle of transparency and the correct interpretation of the financial statements of enterprises is basic in the system of international standards. Transparency of financial statements is ensured through the full disclosure and reliable presentation of useful information necessary for a wide range of users to make economic decisions (Gruening & Cohen, 2004).
It is necessary to emphasize the veracity of the presentation of data, which involves the reflection of the value of assets at fair value, as well as the increasing role of professional judgments on valuation issues that affect the preparation of financial statements in accordance with IFRS International Revenue Share Fraud.

The IASB (The International Accounting Standards Board) is constantly reviewing the practice of applying standards and the Framework, taking into account the recommendations of the professional community (IFRS concept, 2018).

The conceptual framework notes that the initial cost (prime cost) value serves as the basis for the assessment in preparing the financial statements under IFRS. At the same time, the initial cost is a collective value, including other types of cost estimates (table 1).

<table>
<thead>
<tr>
<th>Valuation in accordance with IFRS</th>
<th>Content of the assessment procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation at a possible selling price</td>
<td>The amount of assets is stated as the amount of cash (or cash equivalents) that can be obtained at the time of sale of the asset. Liabilities are stated at the undiscounted cost of cash (or cash equivalents), which can be repaid, taking into account expectations. The amount of assets required to be reflected in the amount of cash (or cash equivalents) paid.</td>
</tr>
<tr>
<td>Historical cost estimate</td>
<td>The amount of liabilities is required to be reflected in the amount of actually received cash (or their equivalents) The amount of assets is required to be reflected in the statements as the amount of cash transferred to the present value of future flows.</td>
</tr>
<tr>
<td>Present value estimate</td>
<td>The amount of assets is required to be reflected in the statements as the amount of cash transferred to the present value of future flows. The amount of liabilities is required to be reflected as the amount of cash necessary to repay the exposed obligation reduced to the current date of a future disposal.</td>
</tr>
<tr>
<td>Estimate of the current cost</td>
<td>The amount of assets is required to be reflected as the amount of cash (or their equivalents) that can actually be obtained as a result of the sale of the asset. The amount of liabilities is required to be reflected as the undiscounted cost of cash (or cash equivalents), which is able to cover the debt owed by counterparties.</td>
</tr>
</tbody>
</table>

Source: Google Analytics

In this regard, the development of the digital economy requires the modern accounting community to move more closely to observing the principles of International Standards when generating reporting data, and there is a need to use professional judgment in determining methods for recognizing business entities in accounting practice.

3.1.2. Transformation of accounting methodology

The widespread adoption of digitalization involves the transformation of accounting methodology. It is necessary to depart from the static and settled aspects. In this context, management accounting can be considered the most mobile, using techniques from related areas of management (planning, forecasting, analysis, modeling) (Lozhkina et al., 2020).

The multivariance of the tools used in the management accounting system is determined by the following:
- an assessment of assets and liabilities based on various approaches (including the use of the approaches indicated in IFRS);
- the value of calculating the cost of production, the formation of which uses various methods that take into account not only the "historical" costs incurred by the enterprise, but also methods that allow you to form the cost for various accounting purposes (ABC-costing, direct-costing, standard-cost, just in time, target, kaisen and others);

- the ability to choose to use (or refuse to) double entry of business transactions in the account;

- the frequency and format of the formation of management reporting forms.

3.1.3. Increased use of non-financial types of reporting forms

Large-scale digitalization allows each user of information to be “just a click away” not only from the main indicators of the reporting data of the business entity, but also from advanced economic knowledge, allowing:

- significantly reduce the time taken for managerial decisions;

- get the opportunity to get acquainted with the tools for searching for financial stability options

- master the skills of effective management, etc.

The growing role of non-financial reporting and the potential for its use in the digital age is described in many sources (Bodyako, 2018). The information component of non-financial reporting in solving some management issues is much higher than the information content of the data presented in traditional unified reporting forms. Large corporations already post non-financial reporting on their sites. For example, Ernst & Young LLC (EY) annually publishes in the public domain a Checklist of information disclosed in accordance with IFRS, assuming, in particular, the presence of sections requiring a description of social and environmental activities, a description of the nature of the risks and significant judgments relating to scope of IFRS 17 (Checklist of information disclosed in accordance with IFRS, 2019).

3.1.4. Transformation of internal costs of business entities on the development of the digital economy

A systematic approach is needed to identify cost-effectiveness and assess the extent to which enterprises spend on developing the digital economy. For these purposes, the formation and approval of the conceptual apparatus in the local act, the development of internal classifications, the development of a system of indicators and data collection tools are required.

Among the main elements of the internal costs of business entities needed to measure the digital economy are:

- the costs of developing a digital economy;

- the costs of the dissemination of digital technology;

- human capital and the labor market, including the acquisition and development of digital skills;

- production of digital content (digital products and services: images, video, audio, texts, games, etc.);

- electronic commerce, etc.

Considering the experience of Russia and leading countries, it is possible to determine a list of cost elements for organizations to develop a digital economy. This list contains costs that should be measured in the framework of the federal statistical observation, and not taken into account by the federal statistical authority (table 2) (Abdrakhmanova et al., 2019).
Table 2
Elements of the internal costs of business entities for the development of the digital economy in the context of measurement by federal statistical observation

<table>
<thead>
<tr>
<th>The internal costs of entities measured by federal statistical surveillance</th>
<th>The internal costs of entities not measured by federal statistical surveillance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Remuneration of workers engaged in the creation, distribution and use of digital technology</td>
<td>1. Research and development in the field of digital technology</td>
</tr>
<tr>
<td>2. Digital skills training for employees</td>
<td>2. Maintenance and repair of production machinery and equipment related to digital technology</td>
</tr>
<tr>
<td>3. Acquisition, rental, maintenance and repair of equipment related to digital technologies (except production machinery and equipment)</td>
<td>3. Production of in-house special equipment related to digital technologies (except for labor remuneration and insurance premiums)</td>
</tr>
<tr>
<td>4. Acquisition, rental, modernization, updating and technical support of finished software</td>
<td>4. In-house software development</td>
</tr>
<tr>
<td>5. Payment for telecommunication services (including access to the Internet)</td>
<td>5. Acquisition of digital content</td>
</tr>
<tr>
<td>6. Other material costs associated with the creation, distribution and use of digital technologies (costs of raw materials, materials, components, etc.)</td>
<td></td>
</tr>
<tr>
<td>7. Other current costs associated with the creation, distribution and use of digital technologies (travel expenses; taxes, fees, etc.)</td>
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We consider it possible to supplement the proposed list by including the following items in the list of costs for the implementation of the digital economy:

- costs of legal support of transactions on the sale (acquisition) of digital content products;
- the costs of internal control over the accounting of digital content.

3.2. Legal Determinants of Digital Economy Development

The development of the digital economy implies to a large extent a new understanding of socio-economic and legal processes, which means understanding not only the real social processes implemented in digital form, but also mainly the legal form of social processes in the context of their digitalization.

In the “Strategy for the Development of the Information Society in the Russian Federation for 2017 - 2030” (Decree of the President of the Russian Federation No. 203, 2017), the digital economy was considered as an economic activity, the key factor of production of which was digital data that contributed to the formation of the information space taking into account the needs of citizens and society in obtaining high-quality and reliable information, the development of the information infrastructure of the Russian Federation, the creation and application of Russian information and telecommunication technologies, as well as the formation of a new technological basis for the social and economic sphere.

It is correctly noted in the literature that the definitions of the main terms used by participants in digital relations raise reasonable doubts about their adequacy to the goals and objectives set by the country’s leadership to build a digital economy. This applies to almost all the terms of the bill (Bill on Digital Financial Assets, 2019; Sannikova & Kharitonova, 2018). In particular, in the concept of “digital financial asset” contained in the bill, two different concepts are combined: 1) “digital asset” (which should be understood as any digital file), including cryptocurrency; 2) “financial asset”, i.e. financial instrument.

In this context, a digital asset can be represented both in the form of digital rights (an independent object of civil rights), and in the form of technology, through which the civil circulation of traditional objects of civil rights is
carried out. In the latter case, the emergence of an independent object does not occur, but the effect of the use of digital technologies has a direct impact on the state of the commodity market of traditional objects of civil rights and the legal regime for their circulation.

In the economic turnover during the implementation of the digital economy, the category “product” also undergoes changes.

On the one hand, a commodity is understood as an object of civil rights (including work, service, as well as financial services) intended for sale, exchange or other putting into circulation (Clause 1, Article 4 of Law No. 135-FZ), which makes it possible to attribute to it the digital rights without transforming the content of these norms (Federal law No. 135-FZ, 2006).

On the other hand, one cannot ignore the digitalization factor. An encroachment on competition can be expressed in the use of traditional goods, works, services, but with the use of digital technologies, as a result of which new business models, marketing strategies are formed, large user databases are created and used, and so on.

The draft of federal law “On Amending the Federal Law” On Protection of Competition”, declared as the 5th antitrust digital package, provides for the introduction of the concept of a “digital platform” located in the information and communication network of Internet infrastructure, which is used to organize and ensure interaction between sellers and buyers.

At the same time, it is proposed to introduce a new concept of “network effect” as the dependence of the consumer value of a product on the number of users of the same group (direct network effect) or a change in the value of a product for one group of users with a decrease or increase in the number of users in another group (indirect network effect ).

Such changes will make it possible to introduce antitrust control on the Internet over the dominant position of owners of digital platforms, to exercise state control over economic concentration in this part of the market and for transactions that may entail a negative anticompetitive effect.

Nevertheless, the indicated concepts of “digital platform”, “network effect” (including the terms “consumer value of goods”, “consumer group”, “ownership” of the digital platform, etc. used in them) and planned to be included in Law No. 135 -FZ antitrust mechanisms with their participation raise many questions because of their legal uncertainty. Given the introduction of the concept of digital rights in civil law and the planned adoption of other laws, a deeper “digital” reform of antitrust laws should be carried out.

4. Conclusions

1. The analysis shows that for the digital transformation of the economic activities of economic entities, only one development of information technologies, i.e. digitalization, is not enough. It is required to carry out the restructuring of business processes, to organize work with data in a new way, to form new models and business strategies, to train and adapt people, to form a digital culture and a digital society.

2. The study identifies the economic determinants of the development of the digital economy that determine the need to expand the use of the principle of transparency in economic activity, non-financial types of reporting forms; transformation of accounting methodology, as well as internal costs for the development of the digital economy.
3. The problem of methodological property is fixed within the framework of the implementation of certain legal acts aimed at digitalization of the Russian economy. It is noted that law is not only a means, but also an object of digitalization, which necessitates the development of new legal technologies and certain types of legal activity.

In this regard, the identified determinants of the digital economy in the economic and legal aspect in relation to the business entity determine the key areas of development in the field of legislation, law enforcement practice and the organization of management accounting.

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