

# МАЗМҰНЫ / СОДЕРЖАНИЕ / CONTENT

**Конференция атауы:**

«Жастар мен ғылым: бүгінгі мен болашағы» халықаралық ғылыми-тәжірибелік конференция материалдар жинағы

**Название конференции:**

Сборник материалов Международной научно-практической конференции «Молодежь и наука: настоящее и будущее»

**Conference name:**

International Scientific and Practical Conference "Youth and Science: Today and the Future" Proceedings

**Жинақ / сборник:**

II том, 5 сәуір 2024, Атырау

**ISBN:**

978-601-262-550-9

**Секция:**

IV.II «ӘДІЛЕТТІ ҚАЗАҚСТАН-АДАЛ АЗАМАТ»: ҚҰҚЫҚТЫҚ САНА МЕН ҚҰҚЫҚТЫҚ САУАТТЫЛЫҚТЫ ҚАЛЫПТАСТЫРУДЫҢ ЖАҢА БАҒЫТ-БАҒДАРЫ РЕТІНДЕ

**Жинақтағы жариялану нөмірі:**

№ 36

**Мазмұндағы беті / жинақтағы беттер:**

184 / 184-188

**Автор(лар):**

Beysa Arı

**Мақала атауы:**

THE EFFECT OF DIGITALIZATION ON ENTREPRENEURSHIP IN COMPANY ESTABLISHMENTS: OPPORTUNITIES AND RISKS

## СЕКЦИЯ IV

### ЭКОНОМИКА ЖӘНЕ ҚҰҚЫҚ ҒЫЛЫМДАРЫ

### ЭКОНОМИЧЕСКИЕ И ЮРИДИЧЕСКИЕ НАУКИ

### ECONOMIC AND LEGAL SCIENCES

#### СЕКЦИЯ IV. II ӘДІЛЕТТІ ҚАЗАҚСТАН-АДАЛ АЗАМАТ: ҚҰҚЫҚТЫҚ САНА МЕН ҚҰҚЫҚТЫҚ САУАТТЫЛЫҚТЫ ҚАЛЫПТАСТЫРУДЫҢ ЖАҢА БАҒЫТ-БАҒДАРЫ РЕТІНДЕ

#### СПРАВЕДЛИВЫЙ КАЗАХСТАН – ОТВЕТСТВЕННЫЙ ГРАЖДАНИН: КАК НОВЫЙ ОРИЕНТИР ФОРМИРОВАНИЯ ПРАВОСОЗНАНИЯ И ПРАВОВОЙ ГРАМОТНОСТИ

#### THE CONCEPT “FAIR KAZAKHSTAN IS AN HONEST CITIZEN”, AS A NEW GUIDELINE IN THE FORMATION OF LEGAL CONSCIOUSNESS AND LITERACY

UDC 334.7:004

#### THE EFFECT OF DIGITALIZATION ON ENTREPRENEURSHIP IN COMPANY ESTABLISHMENTS: OPPORTUNITIES AND RISKS

**Beyza Ari**

[beyza.ari@ogr.idu.edu.tr](mailto:beyza.ari@ogr.idu.edu.tr)

1<sup>st</sup> course student of the educational program “Master of Laws”

İzmir Democracy University, İzmir, Turkey

Scientific supervisor - **Yasan M.**

#### **Introduction**

“The global economy is rapidly becoming a digital economy.” This single sentence summarizes how the European Union, whose foundations were laid at the beginning of the second half of the 20th century, interprets the transformation experienced by the socially and economically changing world over time, with two concepts: globalization and digitalization. In the new millennium, digitalization has been added to globalization, which has become evident since the 1960s but essentially accelerated in the 1980s. All developing digital technologies, especially information-communication technologies and the internet, have become the basis of innovative economies. Thus, both people's lives and working conditions are changing radically. The changes taking place are at a pace and scale that will create intense opportunities for "innovation, growth and business".

In recent years, big data, sensors, cloud computing, social media, etc. Digital transformation, which has come to the fore with digital technologies such as, closely affects the entire world economy and the businesses within it. Digital transformation, which means a more comprehensive digitalization than the digitalization experiences that businesses have experienced to date, leads to radical changes in the processes, business models, customer relations and all organizational functioning and structures of businesses. Digital transformation is defined by the European Commission as the formation of innovative business models, new processes and smart products and services because of the fusion of advanced digital technologies and the integration of physical and digital systems. Digital transformation strategy is an important part of the company strategy, beyond being an IT strategy aimed at the efficient management of information technology infrastructure and software systems. Nowadays, companies can be established in a digital environment in line with the digitalization trend in the world. Establishing companies in a digital environment makes it easier for young entrepreneurs to own a company. In this study, the establishment of companies in the digital

environment and the impact of digitalization in the establishment of companies on young entrepreneurs will be examined.

### **1.DIGITALIZATION PROCESS**

The world came from Göbeklitepe to the 1st Industrial Revolution in 12,000 years, and to the 4th Industrial Revolution in 200 years. The first industrial revolution started in the 1800s with mechanization and mechanical energy production. There has been a transition from manual work to primary production processes. For example, the first industrial weaving loom began to be used in 1784. The desire to improve quality of life has been the main driver of change. The second industrial revolution took place at the beginning of the 20th century. The second wave of the industrialization revolution was triggered by electrification, which made mass production possible. Today, in the fourth industrial revolution triggered by the development of Information and Communication Technologies, smart automation of cyber-physical systems has been introduced with technology-based, decentralized control and advanced network connections. Industrial revolutions have brought about a chain transformation not only in energy and production systems, but also in communication, transportation and monetary systems, business models, business analysis, workplaces and workforce. At this point, Industry 4.0 and digital transformation have become a new challenge rather than a technology. Those who cannot read this challenge correctly will have to leave themselves at the mercy of the powerful.

Nowadays, companies are also keeping up with this digitalization process. With the new normal and high competition, one out of every two priorities in companies is related to growth and competition, and one out of every three priorities is related to information technologies. The aim of every company is to gain competitive advantage. Competitive advantage has two dimensions: efficiency and innovation. Efficiency means producing more and error-free output with less capital, equipment, and labour. Innovation is the innovations applied in processes to obtain more effective results in products or services. Technology is the number one lever to gain competitive advantage. In addition to digitally born companies gaining competitive advantage, it is seen that digitally born companies manage processes such as the pandemic very effectively and competitively, but other company structures have difficulty in this process. There are important findings that especially companies that have completed their digital transformation and/or were born digitally are much stronger and more agile in creating profit, market value, sales and effective management systems.

### **2. ESTABLISHING COMPANIES IN A DIGITAL ENVIRONMENT**

In these days when we are closing the manual age and moving rapidly to the digital age, we are all witnessing how the phenomenon of "digitalization" surrounds human beings both in the individual and social areas and in business life. At a time when digital transformation has begun to be effective in almost every aspect of life, legal science, which does not have the luxury of falling behind the dynamics of life, is also expected to keep up with these developments. As a matter of fact, in recent years, digitalization-oriented regulations and adaptations have been made in almost every field of law; Corporate law also has its share of these developments. The digital mobility and speed that technological developments have brought to economic life have made it necessary for companies, especially the important actors of this world, to be designed to keep up with these developments and to make the necessary legal regulations in parallel. As a matter of fact, when we look at the studies carried out both internationally and nationally, we see that many new regulations have been made for the purpose of wider use of digital instruments and methods in the field of corporate law.

It is necessary to explain the necessity of new regulations in the field of company law in more detail. The biggest reason for the new regulations in this field is that the impact of globalization and digitalization on business life is becoming more noticeable day by day. Especially in recent years, the virtual disappearance of physical borders due to developing technologies has increased the mobility of entrepreneurs; People who want to enter into business life under the roof of a company have even gained the freedom to choose the countries in which they will carry out their commercial activities. As a matter of fact, this situation requires countries to modify their legislation according to the requirements of the age; In this context, it has created the need to make company establishment simpler, faster and less expensive. This is not only about ensuring international competitiveness and

making the country attractive to foreign entrepreneurs; It is also important in terms of encouraging young entrepreneurs. Because the effortless and inexpensive establishment is also very important, especially for young entrepreneurs who have a promising business idea but do not have enough capital at the beginning.

When we look at the developments in the world, it can be seen that important steps have been taken recently to facilitate company establishments and reduce costs. The first notable innovation in this context is that online company establishment has become possible in many countries. In this context, the EU Digitalization Directive No. 2019/1151, which entered into force on 31.07.2019, is especially important. With this directive, EU member states are obliged to make it possible for limited companies to be established online, without the need for the founders to be physically present in the presence of the relevant institutions or persons. (EU Digitalization Directive article 13g (1)). In this context, member states are obliged to harmonize national legal rules with the EU Digitalization Directive as of 01.08.2021, or as of 01.08.2022 at the latest if additional time is requested, and thus to make regulations that enable the establishment of limited companies online. With this regulation, it has now become possible for citizens of all European Union member states to establish a limited company online from wherever they live in any EU country.

The issue of whether joint stock companies and limited liability companies can be established online is also among the issues regulated in the directive. The issue of whether to allow online establishment for joint stock companies and limited partnerships with capital divided into shares is left to the discretion of the member states (EU Digitalization Directive article 13g (1), c 2). It should also be noted that, apart from the online establishment of limited liability companies, many other innovations have been made with the said directive aimed at increasing digital applications in company law.

The EU Digitalization Directive primarily aims to ensure that some capital companies can be established easily, less expensively and more quickly - both within the borders of the country and in cross-border EU countries. Particularly micro (start-ups), small and medium-sized enterprises are taken into consideration in the directive; The aim was to make company establishment easier and more attractive for these businesses within the EU borders.

### **3. THE EFFECT OF ONLINE ESTABLISHMENT OF COMPANIES ON YOUNG ENTREPRENEURSHIP**

Youth entrepreneurship is entrepreneurship carried out by people who are involved in an enterprise process for the first time and have started a new business and who are in the young demographic group (18-35 years old). An entrepreneur is defined as a person who identifies a need, turns it into a business idea, and establishes a commercial enterprise by assuming the necessary risks. Today, it is known that young people have the strength and courage to make a great contribution to the global economy and create new initiatives. However, the main obstacles faced by young entrepreneurship are; Lack or inadequate entrepreneurship education, young people not having sufficient capital, not having the necessary skills and responsibilities, not having a business idea to start up, and lack of family and environmental support. From time to time, young entrepreneurs may need to establish a company in order to turn their business ideas into reality and enter into business life. Providing the opportunity to establish companies online helps young people to establish companies. Because allowing companies to be established online allows young entrepreneurs to realize their ventures more quickly and easily by saving them from the financial and administrative procedures required to establish a company.

#### **3.1 Opportunities for Online Establishment of Companies**

One of the main purposes of digitalization in companies is to facilitate and support the establishment of small and medium-sized businesses, especially young entrepreneurs. As a matter of fact, for this purpose, the European legislator wanted to provide entrepreneurs with the opportunity to easily establish a company through an online accessible establishment protocol, and for this reason, a "standard establishment" to be used in the establishment of a limited company was made available on registration portals or websites accessible to member states through a central/uniform digital entry gate. protocol" (EU Digitalization Directive article 13h (1), c 1). Thus, it will be possible for a citizen

of an EU country to establish a limited company completely online in another EU country, by using the standard establishment protocol offered to users online by that country. Regarding company types other than limited companies, the obligation to provide such a protocol is not foreseen; The authority to decide on this issue is left to the member states - just like whether to allow online establishment for these companies or not.

In the EU Digitalization Directive, which is the most comprehensive regulation on the online establishment of companies, it is clearly stated that member states cannot make online company establishment conditional on obtaining a license or permit before the registration of the company, unless it is mandatory in accordance with national legislation rules in order to control some activities (EU Digitalization Directive article 13g (5)). It was further stated that, if it is necessary to pay capital at the establishment stage in accordance with national legislation, member states are obliged to ensure that the payment in question can be made online to the account of a bank operating within the European Union in accordance with Article 13 of the EU Digitalization Directive, and that documents showing that the payment has been made can be submitted online. . Thanks to the online establishment of companies, company establishment procedures have been simplified; Establishment costs, duration and administrative obligations of young entrepreneurs, micro (start-ups), small and medium-sized enterprises in particular have been reduced as much as possible. As a result, thanks to the online establishment of companies, young entrepreneurs can start their companies without having to obtain a license or permit (unless their national legislation requires otherwise) has the opportunity to make payments online, without contributing any capital to the established company.

### **3.2 Risks for Online Establishment of Companies**

It is a fact that online establishment of companies is a great opportunity for young entrepreneurs, but online establishment also carries some inherent risks. Establishing companies online may create problems if the necessary control is not provided to maintain the functionality and reliability of the trade registry. The online environment also has certain risks in terms of malicious practices and security vulnerabilities that may occur when submitting documents and information online, which is seen as an advantage. Regarding this issue, the European legislator has obliged member states to regulate some issues in order to prevent possible fraud and malicious practices that may occur in the online procedure. One of these issues is the reliable identification of those participating in the online transaction. In this context, in order to ensure reliability in the EU Digitalization Directive, member states are obliged to provide both national and cross-border users with the opportunity to use secure electronic authentication and security services in accordance with the European Union's Electronic Identification and Trust Services Regulation No. 910/2014 (EU Digitalization Directive article 13g (3), clause b, c). It has also been stated that member states are obliged to establish electronic identification systems that use authorized electronic identification tools in order to enable cross-border electronic identification.

### **CONCLUSION**

Technological developments in the world affect everything, as well as companies. Companies must keep up with the new world order in order to survive and not disappear in the competitive market. Companies trying to adapt to technology can now be established online, unlike the classical method of establishment, thanks to the opportunities provided by technology. Although this study is limited to the online establishment of companies, technological developments prevail in all areas of companies. Nowadays, companies can be established online, unlike classical organizations, thanks to the opportunities provided by technology. Online establishment of companies is now regulated by law. With these legal regulations, how to implement online establishment is placed on a solid basis. Young entrepreneurs also take initiative by choosing the online establishment method, which does not require high financial capital and does not require a long administrative procedure. As a result, young entrepreneurs achieve their entrepreneurial goals in a shorter time by taking advantage of the online establishment opportunity. If online organization provides sufficient trust, it will become increasingly widespread and preferred in the future.

### **List of sources used**

1. Alan H., Youth Entrepreneurship and Social Entrepreneurship: A Research on University Student International Journal of Society Researches // Vol.16, No.28,2020.
2. Altın Y. and Kasımoğlu M., Management of Companies in the New Paradigm: To Be Dijirati or Not to Be!" In Technology Management and Humanitarian Digitalization in the Post-Pandemic New World Order // Hiperyayın, 2020.
3. Klein, Müge: Digital Transformation Scenarios of Business- A Conceptual Model Proposal // Electronic Journal of Social Sciences Vol.19, No.74, 2020.
4. Okçu M. and Düz S., Beginning of The Digital Age: Digitalization and Artificial Intelligence Strategies of The European Union // Süleyman Demirel University The Journal of Faculty of Economics and Administrative Sciences, Vol.28, No.2, 2023.
5. Özdin F., Online Formation, Online Filing of Company Documents and Online Disclosure in the Register According to The Digitalisation Directive (EU) 2019/1151 and The German Law (DiRUG) // İstanbul Law Review, Vol.80, No.3.,2022.
6. Özdin, F., A Regulation for The Promotion of Entrepreneurs: Establishing A Limited Liability Company without Paying A Single Cent of Capital (TCC Art. 585, p. 3) - But Is It Well Thought Out Enough? // Hacettepe Law Review, Vol.12, No.2, 2022.