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DIGITAL GOVERNANCE AND ARTIFICIAL INTELLIGENCE IN PUBLIC SUPPORT FOR BUSINESS DEVELOPMENT: EMERGING LEGAL CHALLENGES AND REGULATORY PERSPECTIVES

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Abstract
Consistent with global trends in economic transformation, this study introduces a pioneering framework within legal scholarship by analyzing the practical implementation of digital governance and artificial intelligence integration into business operations. Driven by comprehensive legislative reforms, this technological evolution fundamentally reshapes the legal frameworks governing both domestic business relations and external state economic activities. Globally, this process leverages advanced technological tools to optimize regulatory efficiency, simultaneously generating novel legal categories and terminology that challenge traditional interpretations within business law and state governance. Regulating business environments through digital infrastructure represents a sophisticated, technology-oriented strategy for national economic reform. Central to this strategy is the state budget, which serves as the primary engine for financing and lending to support private sector

growth. Consequently, this research focuses heavily on the operational mechanics of state support through taxation and budgetary lending frameworks. Special emphasis is placed on leveraging artificial intelligence, information technologies, and the specialized digital platforms proposed in this study to seamlessly facilitate interaction between public authorities, governmental institutions, and private economic entities. To operationalize these concepts, the study proposes coded technological platforms designed to enable frictionless digital management and the unrestricted application of AI in business. These platforms are specifically engineered to streamline access to state budget financing, accelerate financial and settlement operations, and maximize institutional transparency. By ensuring public accessibility and data integrity in transaction execution, this framework provides a robust blueprint for modernizing the fiscal and legal architecture of the digital economy.

Keywords: *business activity; state intervention; subsidy; budgetary lending; state administration.*

JEL Classification: J16; M5; O33; M14; D83.

1. INTRODUCTION

Under conditions of a market-based system, the management of the economy is one of the most important functions of the state. The state provides the legal basis for decisions adopted in the field of economic management, protects national economic interests, guarantees freedom in the economic process, ensures economic competition, and establishes favourable conditions for business activities. The social relations arising from the state intervention in the course of conducting business activities in the aforementioned areas constitute the subject matter of legal regulation of this sub-branch.

Under conditions of a market economy, digital governance and the systematic use of artificial intelligence technologies constitute the core of the processes of organising and managing business activities and represent the most effective form of state support for this new form of ownership. The necessity for the state to introduce digital governance of business activities and artificial intelligence is primarily determined by the intensification of economic and social problems that cannot be resolved automatically on the basis of private ownership. At the same time, there are areas of business activity that cannot operate effectively without their regulation and support by the state. This is due to the fact that there are areas that fall outside the scope of the market mechanism and, nowadays, receive effective solutions through the proper use of artificial intelligence, digitalisation, as well as high-value information technologies. The ideas briefly summarised in the abstract represent the extensive and substantial achievements of modern scientific and technological developments in the field of business activities, as well as the potential support provided by advanced technologies through the most diverse forms and methods of state support for business activities. These include such technological platforms based on artificial intelligence as the acceleration of any activity,

publicity, transparency, and the immediate adoption of individual and public decisions for addressing economic problems, all of which contribute to the introduction of various forms of business activities in the economic sphere (Mansour and Bujosa Vadell, 2024).

In the context of the global digitalisation of the economy and the development of artificial intelligence, the state performs the following functions: a) creating the legal foundations for the functioning of the economy, b) regulating anti-monopoly activities, c) implementing macroeconomic stabilisation policies, d) regulating the allocation of resources, e) redistributing income, and f) expanding the scope of activities and powers of the state as a subject of property relations.

Today, alongside the establishment of market relations, state administration has acquired the authority to perform entirely new functions aimed at:

1) developing and implementing a strategy for the development of the business sector and targeted comprehensive programmes,

2) expanding the production of goods and increasing the volume of production of new types of products,

3) scientific, legal and digitalised normative legislative regulation of business activity relations,

4) promoting investment,

5) creating a favourable competitive environment in the business sector.

Without state intervention, market regulation may proceed through spontaneous processes the harmful effects of which may have devastating consequences for the economy (Sukiasyan and Sukiasyan, 2024, p. 34).

The state does not oppose a market economy. It possesses significant capabilities that promote the effective development of the economy and are intended to prevent the negative effects of monopolies, particularly natural monopolies, as well as to introduce certain restrictions where necessary and establish appropriate economic management regimes.

The practical implementation of the method of state administration of the digitalisation of business activities is regulatory in nature from a legal perspective.

Regulation and management are a complex set of actions in the process of managing economic entities and the market. They are an integral part of management.

The digital transformation of business activities is one of the fundamental and irreversible directions of modern socio-economic development, which significantly affects the systems of state administration and legal regulation of business as a form of production and economic relations. The widespread application of digital technologies in various sectors of the economy not only changes the mechanisms for conducting economic activities, but also gives rise

to new legal issues related to the publicity, transparency and accountability of business activities, as well as the reduction of corruption risks.

The legislative definition of digital governance of business activities, artificial intelligence and, moreover, information technologies is a complex process, as it concerns areas of both public and private law, the methods of legal regulation of which often differ significantly. This circumstance raises controversial issues concerning the limits of the digitalisation of the rights and obligations of the parties in civil, tax and banking legal relations, as well as the lawfulness of providing information to third parties or affiliated entities. Therefore, legal solutions for the application of technologies should be developed within the framework of the principles of moderation, legal certainty and proportionality (Sukiasyan and Sukiasyan, 2021, pp. 29–30), excluding both legal gaps and excessively strict or disproportionate restrictions.

The discussion concerns global trends in the digital transformation of national economies, an integral part of which is the theoretical development and legislative consolidation, as well as the practical application, of new legal categories in legal scholarship, artificial intelligence, digitalisation and information technologies, together with the formation, interpretation and understanding of their respective terms and concepts in the processes of organising the digital governance of business activities in a new way. We believe that this is necessary in order to establish the achievements of national legal scholarship in the native language and to further develop and expand the wealth of principles and provisions already achieved in the field of legal science.

Today, the foreign economic cooperation of the Republic of Armenia is carried out with the active support of European economic unions, which, through economic and legal methods, guide the Republic's international business, trade and economic, financial, tax, banking and military cooperation, while strictly respecting the economic and state sovereignty and security of each participating state within the framework of international multi-sectoral cooperation. This directly concerns the global Artificial Intelligence Centre being established in the Republic, which testifies to Armenia's invaluable contribution to the field of high technologies.

At present, owing to scientific and technological progress in the development of society, the achievements of science are being introduced into the production process of material goods through artificial intelligence and digitalisation technologies (the Internet, electronic, online, etc.), thus contributing to quantitative and qualitative changes in the production of goods, increasing productivity, accelerating and simplifying production processes, as well as ensuring transparency. New commodity relations are being formed within the market economy through the digital governance of business activities, in which the protection of the property rights of the participants (subjects) gives

rise to a new “business” branch within the unified system of branches of law, the digital governance of which is of even greater necessity.

Today, more active work than ever is being carried out towards coordinating the digitalisation of legislation. In this regard, serious difficulties arise in studying such issues related to the legal system as the unity of the system of law and legislation, the delimitation of new branches and sub-branches of law on the basis of the digitalisation of law, as well as issues concerning the restructuring of the internal sectoral structure of law.

The processes of digitalisation of the economy lead to substantive transformations in economic relations, the formation of new legal categories, and the need to reconsider existing legal institutions. Therefore, further research is of primary importance in order to gain a deeper understanding of the barriers to the digital economy in developing countries and its impact (Bukh and Heeks, 2017). Under these circumstances, business law faces new challenges related to the legal regulation of trade and economic relations arising in the digital environment, ensuring legal certainty, reducing legal risks, as well as enhancing the effectiveness of the system of legal liability and types of penalties (Gracheva, 2023, p. 115). Particular importance is also attached to the impact of digitalisation on the transparency of public administration and the processes of reducing corruption risks.

Business law, as a complex branch of law governing production, economic, and commodity-money relations by combining norms of public and private law, is directly influenced by the digital transformation of the economy. In the digital economy, electronic platforms for digital governance, automated systems, and data-driven tools are increasingly used in the implementation of business relations, resulting in changes to the traditional mechanisms for exercising the rights and fulfilling the obligations of economic entities. These developments require a systematic reconsideration of the branches of economic law as a whole, as well as the continuous modernization of the relevant legislation.

At the international level, particularly by the United Nations Conference on Trade and Development, the digital economy is characterized as the use of Internet-based digital technologies in the production and distribution of goods and services (United Nations Conference on Trade and Development, 2017, p. 156), which deepens the globalization of economic relations while simultaneously giving rise to new requirements for legal regulation. International experience demonstrates that the digitalisation of business activities can serve as an important tool for enhancing the efficiency of public administration, strengthening the transparency of economic relations, and preventing corruption, provided that it is accompanied by clear legal regulation, institutional oversight, and effective mechanisms for establishing legal liability (Bolaños, 2025).

In the Republic of Armenia, a number of state initiatives and sectoral programs are being implemented to promote the digitalisation of the economy, however, ensuring the digital governance of the branches of business law remains incomplete and lacks a comprehensive and systematic approach. Existing legislation often fails to keep pace with the rapid development of digital technologies, resulting in legal gaps, regulatory uncertainties, and difficulties in practical application, particularly in the areas of business, tax, and banking law. This circumstance requires the need for a thorough theoretical and practical reconsideration of business law, taking into account both national specificities and international best practices.

2. METHODOLOGY

The main research methods used by the authors include dialectical and systems analysis, generalization, formal legal analysis, economic analysis, and comparative legal analysis.

3. RESULTS AND DISCUSSION

In financing the current, medium-term, and long-term programs of economic reforms in the Republic of Armenia, legislation provides for measures aimed at providing financial assistance and state support for new forms of business activity, the operation of which is, on the one hand, essential to serving the public interest and, on the other hand, cannot be conducted without financial assistance from the state. Such assistance is provided both to communities and to individual entrepreneurs in the form of grants, subsidies, subventions, and loans from the state budget.

The analyses of the legislative acts governing the public-law regulation of business activities in the Republic of Armenia reveal that state financing is provided for the organization of business activities by individuals, individual entrepreneurs, and legal entities, as well as for meeting public needs. Business activities are organized through budgetary financing for the sale of goods, the performance of works, and the provision of services. Such financing is provided by the Ministry of Finance of the Republic of Armenia through the transfer of the relevant funds to bank accounts.

The unpredictable expansion of the aforementioned strategic programs for economic reform creates significant difficulties within the broader framework of economic digitalisation reforms, particularly due to the substantial scale of state financing of business activities and lending from the state budget. This makes the legal regulation of digital governance in the relations between business entities and public administration bodies a priority issue on the policy agenda.

In order to enhance the effectiveness of legal regulation in the digitalisation of the economy through modern technologies, we propose the introduction of accelerated processes for tax and banking interactions within the framework of

state budget-funded support for business activities. These processes should incorporate artificial intelligence, information technologies, and various digital platforms aimed at improving the efficiency of tax and banking services provided to business entities, the performance of works, banking transactions, and, in particular, interactions with the state budget. Such measures would make all forms and mechanisms of state support for business activities immediately accessible to the public and fully transparent.

In order to ensure the widespread use of artificial intelligence and digital technologies in the field of legal regulation of business activities, particularly to facilitate the extensive use of the state's tax and banking services and to ensure state supervision and oversight of these relations, based on an assessment of the findings of the conducted studies, we propose the introduction of legislative definitions for a number of artificial intelligence and digital technology platforms developed by the authors. These platforms would contribute to the efficient organization of business activities and facilitate effective cooperation between business entities, public and economic authorities, and the population.

For the purposes of reforming tax law and tax legislation, we propose the introduction of advanced systems and platforms for the legislative implementation of digitalisation technologies. To enhance the efficiency of the day-to-day operations of business activities, the structural components of these systems may be classified as follows: 1) "Business taxpayers platform", 2) "Platform for the electronic submission of business reports and other data", 3) "Platform for equipment with advanced technological capabilities", 4) "Platform for tax transactions, settlements, and reporting in business activities", 5) "Tax monitoring and oversight of business activities" platform, 6) "Business analytics and risk identification" platform, 7) "Platform for economic operators subject to tax audits in specific areas of business activity."

In order to demonstrate the necessity and assess the effectiveness of each of the platforms proposed by us for the digitalisation of tax legislation, we shall highlight the activities covered by the digital platform, as each type of tax relationship arising in the course of their practical implementation requires legal regulation.

The "Business Taxpayers" platform should include a number of subsystems or modules and should reflect and manage, in electronic form, comprehensive information related to the taxpayer's activities, including, in particular, registration data, tax invoices, and settlement documents.

The platform for the electronic submission of reports and other data enables taxpayers to submit reports to the tax authorities using modern electronic technologies, instead of preparing them on paper and delivering them to the tax authorities in person or by other means.

The "Platform for equipment with advanced technological capabilities" enables all generated information to be transmitted entirely online to the

databases of the State Revenue Committee. In addition to its primary function of printing sales receipts, it performs the functions of a "POS" terminal, including issuing electronic tax invoices and other settlement documents, as well as the processing of cashless payments by bank cards. The "Tax functions and settlements" platform enables taxpayers to issue and receive settlement documents electronically, which must be carried out exclusively by electronic means.

The "Tax monitoring and oversight" platform automates the entire process of conducting inspections, from the preparation of a draft inspection order to the entry of the inspection report, which is recorded online. In this mode, the taxpayer's name, the type of inspection, the inspection method, and the relevant period are recorded.

The "Analytics and risk identification" platform is a system of specialized electronic governance technologies aimed at qualitatively improving and enhancing the analytical and risk identification processes conducted within the State Revenue Committee. Advanced and centralized analyses are conducted electronically, while the reporting of sales turnover and the execution of payments are subject to continuous monitoring.

The purpose of the "Digitalisation of economic operators subject to inspection" platform is to assess the annual list of taxpayers subject to inspection on the basis of predetermined risk criteria.

Today, the Government of the Republic of Armenia is implementing a number of measures aimed at the digitalisation of the economy, however, in the context of the development of the market economy and the ever-changing reality of modern technologies, a number of issues have yet to be systematically addressed and appropriately incorporated into legislation (Di Matteo, 2025). This also applies to the digitalisation of banking legislation and the introduction of artificial intelligence technologies.

Regarding the current areas of application of artificial intelligence in banking, as well as the scope of their coverage and overall implementation, it should be emphasized that its use in banking is subject to significant limitations. This narrows the areas of impact of artificial intelligence and thereby limits the potential scope for the digitalisation of banking activities (Republic of Armenia, 1996a, arts. 34–35[1]).

The process of digitalizing banking law and legislation in the Republic of Armenia is greatly supported by international experience, particularly by digital platforms and technologies widely used in the banking digitalisation processes of countries with developed business sectors, such as the Internet, mobile technologies, digital payment systems, artificial intelligence, Big Data and data analytics, cybersecurity, blockchain and cryptocurrencies, and cloud platforms.

However, one of the legal issues arising in the digital banking era that requires further scholarly research is how the satisfaction of the financial needs

of businesspeople and consumers can be reconciled with the legal requirements for the protection of banking secrecy alongside the advancement of banking services for the digital governance of business activities.

The focus of the research is the legislation governing the modern banking system, particularly the legal protection of banking secrecy, as well as the development of new forms and methods of digitalisation, which face numerous threats and attacks from the external environment, including those associated with the development of digital banking. In this regard, there is an urgent need to ensure security for both banks and clients engaged in business activities. Recognition of this issue has become a key factor in promoting close cooperation between two distinct but complementary areas, namely information security and banking security. Therefore, the aim of our research is to examine and identify the challenges related to the protection of banking secrecy in the field of banking services for business activities under the conditions of digital governance and the development of digital banking.

Although recent technological innovations have significantly transformed the efficiency and accessibility of financial services and have revealed vulnerable areas, the vast volume of financial data processed and stored across interconnected networks has however made this sector an attractive target for unauthorized access, data leakage, and financial fraud (Wang et al., 2023). In digital banking, which involves the provision of banking services online and by telephone, maintaining banking secrecy has become more challenging due to the processes of data transmission, processing, and storage. In such an environment, the data of clients engaged in business activities may be more vulnerable to cyberattacks and the risks of data leakage.

As practice shows, digital banking, on the one hand, enhances efficiency, while, on the other hand, creates “new vulnerabilities” for the misuse of digital technologies by business account holders and for breaches of banking secrecy. One of the legal challenges of digital banking is that businesspeople should retain control over their personal data; however, this is often difficult to achieve because personal data is exchanged repeatedly and foreign services are widely used. As a rule, unauthorized access to business accounts poses a significant threat to banking secrecy, particularly when access is obtained through weak passwords used by businesspeople or insecure communication channels.

In practice, many legal scholars emphasize the ease of access to digital platforms as an advantage in banking relations involving business activities, which very often has a significant impact on the security of the banking secrecy system. For example, due to the simplicity of certain digital banking technologies, the data of businesspeople may become accessible to third parties, such as payment systems, banking applications, or organizations providing other financial services. Such data exchange may increase the risks of data leakage or unauthorized use. Our studies indicate that a number of simple digital banking

technologies, such as remote or electronic communication between banks and businesspeople, increase the ability of cybercriminals to obtain information relating to businesspeople that is protected by banking secrecy.

In practice, businesses entrust their financial information to authorized third-party providers, thereby enabling such providers to offer innovative and tailored services. At present, open banking is gaining significant momentum as a transformative force that drives innovation, enhances customer experience, and facilitates the faster fulfilment of financial obligations.

Practical experience shows that the growing popularity of open banking gives rise to a number of issues relating to banking secrecy and data security. In this regard, the Bank for International Settlements (BIS) warns that banks and banking supervisors should pay greater attention to the risks associated with customer-authorised data sharing and the increasing connections between banks and various third parties (Bank for International Settlements, 2019).

The findings of our study suggest that, within the framework of the legal regulation of banking, the most effective means of ensuring banking secrecy and preventing the leakage of information to unauthorised parties is the "informational" digitalisation of banking processes through the application of "informational" technologies, such as encryption systems employing "paired private" and public keys, as well as authentication certificates. These technologies are particularly relevant for minimising the risk of disclosure of banking secrets in cases where the legislation on banking secrecy of a particular country grants banks the right to provide banking information to courts, prosecutors, the police, national security authorities and other law-enforcement bodies, as well as, in certain cases, to affiliated persons and third parties (Republic of Armenia, 1996b, arts. 10, 11^{1}, 12, 13, 13^{3} and 17).

As an example, we present the content and specific features of the "paired-key" encryption mechanism developed by us to prevent the disclosure of "banking secrecy". For the sake of clarity, it should be noted that the "paired" keys are generated together, with one complementing the sequence of operations performed by the other. In other words, the encrypted information can only be accessed in the presence of the private key used to create the electronic signature.

Access to the "paired-key" platform is granted exclusively by the central banking authority responsible for issuing certificates. Other entities within the banking system may access the platform only after entering into an agreement with the central authority.

4. CONCLUSIONS

Based on the research we have conducted into the digitalisation of taxation and banking activities in the field of business services, as well as into the development of new tax and banking legislation incorporating the use of digital

technologies in the regulation of business activities, we have concluded that the development of digital banking and new tax legislation will contribute to and stimulate business activity as a new form of property ownership. This, in turn, will support the implementation of a number of the State's socio-economic functions, thereby ensuring sustainable economic growth, stable prices for goods and services, maximum employment of the working-age population, a certain increase in household incomes, guaranteed protection of the socio-economic rights of citizens engaged in economic activities, and the maintenance of a balance in the areas of banking and tax cooperation between States.

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