

# Performance of Digital Economy in India

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**Abstract:** India's digital economy in 2017–18 accounted for 8% of nominal GDP, or about \$200 billion, according to estimates of MGI (McKinsey Global Institute). The report stated that India could see significant economic growth coming for three distinct sectors and activities, as digital applications are becoming omnipresent. Three distinct sectors namely Digital products and services at scale, including IT and business process management (IT-BPM), \$115 billion; digital communication services, including telecommunications, \$45 billion; and electronics manufacturing, including mobile handsets \$10 billion. The remaining value comes from early scaling of newly digitizing sectors and applications like e-commerce and direct benefit transfers. Widespread adoption of digital technologies across India on the back of increasing internet access could potentially boost key economic sectors by 2025, said a report by McKinsey Global Institute (MGI) released on Wednesday March 27, 2019.

**Keywords:** Digital Economy, Digital Revolution, Performance of DE in India.

## 1. Introduction

Digital economy refers to an economy that is based on digital computing technologies. The digital economy is also sometimes called the internet economy, the new economy, or Web Economy. Increasingly, the "digital economy" is intertwined with the traditional economy making a clear delineation harder.

The digital economy refers to a broad range of economic activities that use digitized information and knowledge as key factors of production. The digitization of the economy creates benefits and efficiencies as digital technologies drive innovation and fuel job opportunities and economic growth.

Digital revolution: The digital economy is the new productivity platform that some experts regard as the third industrial revolution. Digital revolution, also known as 'The Internet Economy' or Internet of Everything (IoE), is expected to generate new market growth opportunities, jobs and become the biggest business opportunity of mankind in the next 30 to 40 years. India's new leadership considers the digital economy as a major growth enabler. Anticipation of lot more new data driven business models and ecosystems are coming up in agriculture, healthcare, logistics, energy, education and financial services collectively could generate huge amounts of economic value by 2025. India's data consumption will continue increasing at a fast pace propelled by rising smart phone penetration, increased broadband connectivity in remote areas across India under the Bharat Net 2 and increasingly

affordable data costs.

## 2. Objectives

- To know the performance of Digital economy in India.
- To know the process of digitalization and its impact on different areas.
- To find out how the benefits of exercise of digital India and its impact on economy.
- To draw the estimations for the future of Indian digital economy.

## 3. Review of literature

Anu Madgavkar and Alok Kshirsagar, partners and co-authors report called for a rethink, which will bring about a fairer distribution of the gains from the digital economy.

Rani Suman (2016) concluded that the digital India project provides a huge opportunity to use the latest technology to redefine India the paradigms of service industry. It also pointed out that many projects may require some transformational process, reengineering, refinements to achieve the desired service level objectives.

Dibyendu Maiti (2018) studied the impact of information and communication technologies (ICTs) on development and well-being beyond economic benefits and highlights some emerging issues relating to the realities, constraints and digital divides with particular reference to India.

He investigates the impact of ICT on governance, users, well-being and social outcomes. Combining insights from analyses of a variety of socio-economic dimensions related to digitalization,

## 4. Method and data

Historical data have been collected and observation method has been applied in this study. Secondary data have been used in this study.

Scholarly views, debates, writings in various magazines and journals have been used for conceptual description. The primary focus is to know the performance of digital economy in India.

## 5. Discussion and Analysis

India ranked fourth in terms of growth in the share of the ICT sector's value added in GDP between 2010 and 2017. The first-

ever Digital Economy Report said the size of the global digital economy range from 4.5 to 15.5 percent of world GDP.

*Components of Digital Economy:* The three main components of the 'Digital Economy' concept can be identified as:

- a) e-business infrastructure (hardware, software, telecoms, networks, human capital, etc.).
- b) e-business (how business is conducted, any process that an organization conducts over computer mediated networks).
- c) e-commerce (transfer of goods, for example when a book is sold online). However, the digital economy is not simply about moving business transactions from face to face to online.

The digital economy is about transforming the many facets of business interactions and transactions and also enabling economic innovations. For example, the digital economy both is enabled by and has given Narula and Rana 301 rise to the advent of new digital currencies and payment processes (i.e., Bitcoin and the digital wallet).

#### A. Initiatives under digital India and their advantages

The main initiative under Digital India is the 'National Optic Fiber Network'. Started much earlier in 2011, it was an ambitious program to connect 2.5Lakh Gram Panchayats through broadband. It would be pursued with renewed vigor, planning and monitoring.

Nine pillars of growth areas which would be focused are

1. *Broadband Highways* – High speed connectivity and high speed internet
2. *Universal Access to Mobile Connectivity* – To reach inaccessible areas also
3. *Public Internet Access Programme* – Connect India to the world and newer ideas. It's a National Rural Internet Mission.
4. *E-Governance* Improving governance using technology. This is to improve the government to citizen interface for various service deliveries.
5. *E-Kranti* – Deliver services electronically and thus in a faster and time bound manner. This is helpful in education, healthcare, planning, security, financial inclusion, justice, farmers, etc.
6. *Information for all* - This will bring in transparency and accountability by easy and open access to documents and information to the citizens.
7. *Electronics manufacturing* – This will encourage manufacturing of electronics in India and reduce electronics import and help in job creation too. This will help in achieving goals of 'Make in India' initiative also.
8. *IT for jobs* – Employment opportunities will be increased as well as training aspect will be focused on under 'Skill India' program. Focus will be more on IT training.
9. *Early Harvest program* – This has a number of

programs under it which are to be implemented within a short timeline. They addresses development in variety of sectors like education (school as well as university level), weather forecast, telecom, social problems like lost and found children, etc.

#### 6. Performance in India

1. India ranked 9th in e-commerce sales in 2017 with total sales of \$400 billion or 15 per cent as a share of GDP. Of the total sale, share of B2B was 91 per cent at \$369 billion.
2. The global employment in the ICT sector increased from 34 million in 2010 to 39 million in 2015, with computer services accounting for the largest share (38 percent).
3. Three developing countries Brazil, India and Moldova employed over 50 per cent of ICT sector employees in computer services.
4. Some countries have been successful at developing an export industry in ICT services.
5. Among the top exporters, the relative importance of ICT services in total services exports varies considerably.
6. In Finland, India, Ireland and Israel, this share is higher than 25 percent.
7. India, which ranked second, is the largest developing country exporter of such services, almost a third of which are computer services.
8. China and India are leading in the creation of startups, accounting for 58 per cent of the total for the region.
9. The extent to which Internet users are concerned about their privacy online varied from country to country.
10. Facebook is the top social media platform in more than 90 per cent of countries.

A 2019 survey on Internet security and trust conducted by the Centre for International Governance Innovation (CIGI) and Ipsos, in collaboration with UNCTAD and the Internet Society, found that 78 per cent of Internet users in 25 economies were at least somewhat concerned about their privacy online. As per the study, wealth and power in the digital sphere are increasingly being held by a small number of so called "super platforms", comprising the seven global brands Microsoft, Apple, Amazon, Google, Facebook, Tencent and Alibaba.

#### A. Digital economy a \$1-trillion opportunity for India

IT Ministry report details prospects to be created by digital revolution. India can create over \$1 trillion of economic value from the digital economy in 2025, with half the opportunity originating in new digital ecosystems that can spring up in diverse sectors, says a report from Ministry of Electronics and Information Technology, in partnership with McKinsey.

"The trillion-dollar economy report is the symbol of opportunity that India offers," said Ravi Shankar Prasad, Minister of Information Technology.

"Digital India is also an opportunity for people in digital space to do business in India. The size and scale that India offers is a big business opportunity for global companies," he added.

### 7. Contribution to GDP

Currently, India's digital economy generates about \$200 billion of economic value annually 8 per cent of India's GVA in 2017–18 largely from existing digital ecosystem comprising information technology and business process management (IT-BPM), digital communication services (including telecom), e-commerce, domestic electronics manufacturing, digital payments, and direct subsidy transfers, the report said.

“By 2025, India could create a digital economy of \$800 billion to \$1 trillion (value equivalent to 18-23 per cent of the country's nominal GDP). The existing digital ecosystem could contribute up to \$500 billion of economic value, but the potential economic value for India could be as much as double that amount almost \$1 trillion, if digital technologies are used to unlock productivity, savings, and efficiency across more diverse sectors such as agriculture, education, energy, financial services, government services, healthcare, logistics, manufacturing, trade, and transportation,” the report said.

According to Prasad, while India's e-commerce market grew to \$35 billion, growing at 17 per cent year-on-year in 2018. As much as two-thirds of that growth came from catchment areas in rural India, because “they don't have malls”. He said the work on data protection policy has mostly been finalized, and the government is also working on a software product policy.

The future of India's digital economy

- Indian digital economy will touch USD 1 trillion-mark by 2022: Garg
- Voice, video and vernacular: India's internet landscape is changing to tap new users
- India has the world's third largest startup base - NASSCOM report
- Digital Payments to become a trillion-dollar industry by 2023
- India's IT Services Market to Reach USD 13.2 bn by 2018
- India's e-commerce market to treble to \$ 100 bn in the next 4 years: Report.

### 8. Disadvantages of digital economy

Digital India it had to be sooner or later: Most of the disadvantages that we can count arise due to problems with digital literacy rates and people with malicious intents.

- 1) Online Fraud: Although the elderly and uneducated ones fall into this trap, others aren't safe too. Prizes, Free Goods, ATM PIN, OTP's are just some ways to lure potential victims.
- 2) Fake news: people tend to believe just about anything on the internet ranging from Unicorns to UNESCO prizes bestowed upon our nation.
- 3) Hatred: doctored clips and photo shopped images are the thing in propaganda policy right now. Once an idea has taken roots in your brain no amount of logical reasoning can shake it off easily.

- 4) Cyber Bullying: Youngsters' new to social media platforms fall prey to predators resulting in dire consequences. One recent example is the Blue Whale Game.
- 5) Viral Videos: it is one of the worst cases of internet misuse. Making videos and pics viral is seen a tool to defame and shame the victim. Another sad aspect is when children are involved in a sexual nature.
- 6) Digital Currency: this is one step intended towards reducing hard currency usage but its sudden implementation has seen people unable to buy goods or pay (demonetization!).
- 7) Distraction students: have distanced themselves from books thanks to dirt cheap data packs. Not many years have passed by when we used internet cautiously so as not to exhaust our monthly limit. Now that just a day's quota.
- 8) Social Life: families get to spend very less quality time like back in the past when we used to watch TV together so for any other activity. Now everyone just wants to remain updated with the world but not with their loved ones.
- 9) Hype beast: there's this fake pride in showing off wearing the latest brands enjoying being the center of attraction while being hollow inside.
- 10) Identity theft: this is one big unaddressed issue that looms over us. Security measures aren't up to international standards and we mistake by not identifying this as that big a problem.

### 9. Conclusion

The digitalization brings innovation, easy operating, new job opportunities and growth within the economy. It helps to bring transparency within the system and a lot of clear area unit the flow of funds within the economy less is that the downside of non-payment, parallel economy etc. however with of these advantages obtainable it additionally makes it necessary for the folks to own basic monetary information and a push towards the importance of the monetary attainment.

Digitalization also plays a very important role in action this goal because it can have a larger reach to the folks. By this we are able to reach on a conclusion that the new technology has to controlled well and for this it's not solely the provision however additionally the information to use it and acquire advantages from it.

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