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## The Digital Revolution and the Indian Economy: Making India the Fastest Growing Economy

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### Abstract

India is currently undergoing a major digital transformation. With a focus on Information Technology (IT) and Information and Communication Technology (ICT) services, the country is rapidly positioning itself as a global leader in the digital economy. The benefits of digitalization include the innovation of processes, the creation of new employment opportunities, and the development of the economy. Digitalization also enhances transparency which generates positive social impacts. Adam Smith, a well-known economist, described the absolute advantage of a country in producing a particular good or service. For many years, policymakers in various countries have attempted to create and sustain this advantage in particular areas of the economy. Digitization has provided a new means to achieve and maintain absolute advantage, and in some instances, gain the “right to win” and surpass competitors in select areas. This is an essential economic capability for any nation to possess.

**Keywords:** Definition, Digital Economy, Various Agents, Opportunities & Challenges, Economic Development.

### Introduction

India's rapid digitalisation is widely praised around the world with most countries acknowledging India's position as a leader in the global digital economy. The Digital India programme is an example of India's growing digital economy. The Indian government initiated the Digital India programme on the 1st of July 2015 with a mission to develop the nation into an empowered digital economy. India's position as a leader in the global digital economy has further been endorsed by the digitalisation of the Indian economy. India's digital economy has experienced a tremendous growth in the past few years. The COVID 19 pandemic has changed the modelling and policies resulting in what can be described as ruptures and multiple incremental changes in the Indian digital economy. The major contributors to these changes

include the Prime Minister of India, the private sector, the country's information and communication technology (ICT) sector, the digital governance of the Indian state, and the changes in the market as a result of state interventions such as Make in India and Digital India, and more significantly the propensity of the Indian people to adapt to technology.

The adoption of digital services by consumers, businesses, and governments has become one of the most significant catalysts of economic growth and employment generation. There are increasingly visible impacts of the Digital India initiative on the country's economic development. The digital economy has come to define the prevailing contours of the global economy. Importantly, unlike in previous decades, the digital economy cannot be seen in isolation. Instead, digital services are available in every sector of the economy. India is one of the most rapidly expanding digital economies in the world. The digital economy has already grown 6 times and, given the increasing demand and usage of digital services and products by Indian consumers, it is expected to grow to \$1 trillion by 2030. India is already on course to become one of the world's largest economies. By 2047, it is expected to be a global economic powerhouse with a GDP of \$35 trillion.

### **Review of Literature**

Numerous articles and research papers have focused on the digitization of the Indian economy and the Digital India Programme. These papers discuss in depth the impact of the Digital India Foundation Programme on the Indian economy and the potential effects of the programme on the country's position as one of the fastest growing economies in the world. Some of these research papers, which have been retrieved from various journals, have been reviewed for this case study.

**Midha (2016)** considers Digital India a good initiative for building India's future as a knowledge economy, though she warns that without more flexibility and accessibility in its plan, it may ultimately fail. Digital India is currently encountering numerous problems, and if these are resolved, it can provide a positive outcome for all citizens. Collaboratively, we Indians can build a knowledge economy.

**Shukla, Mansi & Bose, Shilpi (2017)** "Impact of Digitalization in Economy and the effects of Demonetization." Digitalization is not simply the process of changing other transaction and business process from face-to-face interactions to online interactions, but involves a fundamental reconfiguration of business processes, interactions and relationships that can be described as innovation in and fragmentation of an economic system. Rapid technological development, increased consumer demand, and intensified competition create growth opportunities for every industry. India is at the forefront of rapid growth in Internet and e commerce. Digitalization is transforming business and The way economy of the world operates.

According to **Sumathi and Savitha (2019)**, the digitalization process is beneficial for the Indian economy and suggests that the Digital India initiative is functioning in many areas including industry, business, commerce, education, science, employment, banking, and others to strengthen services to the community.

According to **Binod (2020)**, digitalization in India has facilitated innovations, easy and quick operations, employment opportunities, and overall economic growth. In addition, digitalization improves system transparency and reveals the operational state of funds in an economy suffering from issues such as a deficient cash flow, a shadow economy, etc. Despite the numerous, obvious advantages of digitalization, it is still important for people to possess basic financial literacy and emphasize the need for financial education. Since digital payments are cashless, the Indian economy is eradicating illegal financial activities. Moreover, digital transactions and the use of credit cards provide technical and safe freedom to consumer.

A digital society would deter money laundering and the funding of terrorism, as cash remains the dominant medium of exchange in these criminal activities.

### **Objectives**

- To comprehend the concept of digital economy and its diverse players. This is crucial to understanding the growth of digital economy.
- To identify the significances of digital economy.
- To examine the opportunities and challenges of the digital economy.

### **Methodology**

The methodology employed in this paper is a combination of descriptive and evaluative methodology. The study is mainly constructed through reviews. For this, only secondary sources of data have been used. These sources include books, journals, papers, articles and websites.

### **What is Digital Economy?**

Digital technologies integrate into every aspect of global society today, including a world defined by economic activity. A digital economy works primarily through a combination of technologies like the internet, mobile devices, and various digital platforms. Areas of the economy include internet-based commerce, digital banking, mobile banking, digital advertisements, analytics of data, and management of financial technologies. Technology of any type is critical in every aspect of commerce, including the creation and management of businesses. The rapid changes in technologies and digital tools encourage and inspire business model innovations, global audience connections, and market disruptions. The digital economy is a worldwide economic driver, sustaining and promoting the economic growth of nations while encouraging the competition and collaboration of countries. The digital economy

enhances and supports the cross-border trade of services and the investment of businesses throughout multiple countries.

### **Different Segments**

Several segments influenced the digital economy, each playing a role in constructive development and incremental modifications, as discussed below:

- **The Contributions of Indian Prime Minister Mr. Narendra Modi**

Prime Minister Mr. Narendra Modi's vision for India is encapsulated in the concept of "Atma Nirbhar Bharat," which stands for a self-reliant and empowered India. For him, Atma Nirbhar Bharat represents a transformative vision where economic growth, social welfare, and technological innovation are the pillars of India's development. Mr. Modi envisions India as a digital economy and a knowledge powerhouse, believing that through digital transformation across all sectors, the country will emerge as one of the developed nations by 2047. His commitment to an inclusive and innovative India underscores his belief that technology can drive progress for all citizens.

Prime Minister Modi deserves full recognition for spearheading India's digital transformation. In 2015, he launched the Digital India Program, a mission to empower India through digital means and establish a knowledge-driven economy. Under this program, the Indian government has introduced several initiatives aimed at enhancing digital infrastructure, promoting digital literacy, and providing digital services. One of the most notable and globally recognized initiatives under this program is the Aadhaar project. Aadhaar, the world's largest biometric ID system, is designed to digitally empower every Indian by providing a unique identification number to all citizens, enabling easy access to government services and benefits.

- **Private Sector**

Numerous startups and unicorns created within the private sector have also contributed significantly to the digital economy in India. Numerous established private sector players assist in the growth of startups and sustain the PM Modi endorsed Start-Up India and Stand-Up India initiatives. India is exhibiting rapid growth in its start-up ecosystem and is emerging as one of the global leaders in this sector with several highly successful unicorns. Companies such as Paytm, PhonePe, Swiggy, Zomato, Flipkart, and numerous other successful companies have garnered considerable media attention resulting in heightened funding and investment in the sector. This sector is also improving the employment scenario in the country and thereby improving the economy.

- **e-Commerce**

The digital economy, especially B2B & B2C e-Commerce, has been expanding, with online marketplaces like Amazon and Flipkart being major

contributors to this growth. B2C e-Commerce has transformed the entire retail sector. It has been helping consumers with quick access to competitive pricing, while also providing Merchants with a large pool of customers.

- **IT Sector Infrastructure**

India's digital economy has also been driven by the IT sector Infrastructure. Protecting digital systems and data through cloud computing is an example of process management and efficient collaboration. Cloud computing eliminates the data storage and operational cost burdens of traditional IT infrastructures.

### **Different Digital Projects**

There are many ways to help the digital economy grow, and one of them is the Bharat Net Project. It is also one of the most important. For the first time, all of the villages in India will have access to high-speed broadband internet by the year 2023. Providing internet access to rural communities will open many doors in education, health care, and business.

Another important initiative is the National e-Governance Plan. This plan aims to create a seamless online government service delivery system. Bringing all government front-end services online seeks to build efficiency and accessibility in order to meet the needs of citizens and improve transparency and accountability.

Also in 2016, the Digital Saksharta Abhiyan (DISHA) initiative started. This initiative is also about promoting digital literacy, however, it has even greater goals. It seeks to make at least one person in digitally every household. This initiative has greatly affected engagement in the digital economy by improving the education system and encouraging learning.

- **Social Media Platforms**

Social media platforms have now become part of the digital economy and e-marketing. Their cost-effective marketing services allow companies of all sizes to connect to their customers using targeted advertising and collaborating with influencers. Business marketing studies are also conducted through social media platforms by means of online surveying.

### **Impact of Mobile Technology Demand Shift In India**

The last few years have seen India change dramatically as mobile technology has been adopted en masse. The rapid increase of smartphone use along with affordable internet data and the rising use of the internet have enabled countless customers to access digital services. The rapid expansion of mobile technology has radically changed the way people worldwide communicate, access information, and conduct business. This has resulted in an enormous potential market for digital services such as e-commerce, digital payments, online marketing, and digital

entertainment. The Indian government aims to provide 4G services to all uncovered villagers by 2024.

- **Data-Driven Decision Making**

The advancement of the digital economy is also fueled by data-driven decision-making. Business management policies and strategies are influenced by Big-Data analytics, which offer insights into consumer behavior and market dynamics, such as the improvement of products and the optimization of supply chain management.

- **Technical Golden Age in India**

With the supportive government policy framework, an increasing number of skilled technical professionals for new technologies and innovations is significant. The initiation of digital literacy and the Skill India program by the Indian government is aimed at the development of digital skills. Programs of digital literacy are aimed at various target populations and are designed to assist professionals in skill enhancement, skill upgrading, and re-skilling through training, internship, and apprenticeship activities. The Skill India program aimed to train 40 crores of people in diversifying skills. To combat cyber-crimes and financial frauds, for which the government recently initiated the Sanchar Saathi Initiative critical on May 16, 2023, is intended to raise awareness and build technical security.

- **Largest Start-Up Ecosystem in the World**

As of now, India is the world's third largest start-up ecosystem, with more than 99,000 recognized start-ups by the DPIIT, and 108 unicorns valued at \$340.80 Billion, making India the third largest start-up ecosystem in the world.

India's startups span 56 different industries. However, 13% of these are in IT services, 9% in healthcare and life sciences, 7% in education, 5% in agriculture, and 5% in food and beverages. India is second in the world for the quality of innovation and ranks highest for the quality of scientific publications and universities in the middle-income bracket. India's innovation is wide-ranging, and some unicorns are becoming decacorns, startups with a valuation of over \$10 billion. India's Decacorn cohort includes four startups: Flipkart, BYJU's, Nykaa, and Swiggy.

### **Impact of the Digital Economy on the Indian Economy and Society**

In the Indian economy and society, the digital economy is helping them both positively and progressively. For India, the digital economy is like a new ray of hope with benefits which has helped radically changed a way of life, work and, interaction. It has also helped to new business models and new tech industries. For example, e-commerce, digital payments, online education, online entertainment, online marketing, Fintech, etc.

- **Ability to Connecting People and enhanced customer engagement**

The digital economy crosses the barriers of geography and time and allows people to connect in real-time and improve communication and collaboration. Through social media, websites, mobile apps, businesses and customers can now communicate with each other and provide feedback in real time. This provides them with customized marketing opportunities and improves the quality of customer relationships.

- **Job Creation**

The growing adoption of digital services by consumers, businesses, and government has been a digital economy driver of growth and job creation in recent years.

Every business sector and economy as a whole benefit from digitalization's increase in productivity and the related improvements concerning employment and job creation. Directly and indirectly, the employment initiatives of Startup India and Standup India have resulted in the creation of hundreds of thousands of opportunities across all sectors. E-commerce (e.g. Amazon, Flipkart, eBay, etc.) has the potential to increase productivity, and as a result, employment opportunities, because the digitized economy lowers trade barriers, enabling small businesses to engage in international commerce. From a socio-economic perspective, the digitized economy's ability to enhance international trade and employment opportunities for small and medium enterprises (SMEs) is a significant advantage.

- **Increasing Productivity and Cost Savings in a Wide Range of Sectors**

Technology improvement enables significant productivity increases while also removing the need for physical infrastructure in many areas, including manufacturing and healthcare. This results in a reduction of operational overhead costs in a traditional business framework. Savings associated with rent, utilities, and inventory control can enhance profit levels while also providing lower cost solutions to the consumer.

- **The Ability to Deliver Services and Collaborate Across Borders**

The digital economy has been a means to facilitate borderless service delivery, enabling qualified people to work from anywhere and provide support to clients anywhere in the world.

The services sector could be greatly altered for the better by digital services for both the providers and the recipients. In addition, digital services support worldwide partnerships. Companies can work with their global business partners and customers on digital services, which can be a catalyst for the distribution of innovation, the exchange of knowledge, understanding of different cultures, and economic collaboration and trade.

- **Innovation & Entrepreneurship - The Ability to Reach a Larger Audience**

Digital services also allow for innovation and entrepreneurship. With less investment and lower cost barriers, people and small businesses can create new services and products, which spurs invention, competition, and economic advancement. Furthermore, businesses can promote their offerings on digital social media services like Facebook, Insta, and Twitter to a much larger audience and create and maintain customer support relationships.

- **Economic Resilience and Environmental Sustainability**

Digital services also provide the opportunity for businesses to incorporate sustainable strategies in their operations. Remote work, digital paperwork, e-commerce, and virtual business meetings all help to lower carbon footprint and conserve business resources. Lastly, during difficult periods such as an economic crisis, the digital economy provides a flexible and adaptable way to conduct business operations.

In order to balance risk and sustain operations, firms maintain the flexibility to shift strategies, venture into new markets, and utilize digital avenues.

### **Opportunities of Digital Economy**

- Improved data collection channels, social networks within a country, and a wider selection of merchandise, including digital services, contribute to the overall reduction in price, thus enhancing the quality of life of millions of people. Digital economy possesses all of these characteristics.
- As of now, India is predicted to be the highest mobile market in the world by 2025, with 300 million additional mobile subscribers.
- Thanks to India's rapidly growing middle class and young tech-savvy population, the demand in digital economy will increase, particularly in online personal services, along with international firms becoming interested in the digital economy of India and expanding their investments.
- Internet economy has great employment potential.
- In addition, the high demand for digital skills is justified by the available high-caliber workforce in India.
- Research indicates that the digital economy is also affecting the more conventional manufacturing industries. That is, the assimilation of more digital technology and digital processes is improving manufacturing processes.
- Today, digital economy shifts the center of gravity from investments in fixed capital to investments in people.
- Self-initiative, along with solidarity, cooperation, and mutual trust in the work environment, are vital elements of success in the informational society. The

Internet has become a multi-billion-dollar industry, which is important for the infrastructure of the global economy.

### **Challenges of Digital Economy**

The digital economy, besides creating new growth and innovation opportunities, also revolutionized imitation processes and operational activities across all industry sectors. However, there are a variety of challenges and concerns influencing the growth of the digital economy.

- **Digital Divide Inequality**

Technological backwardness is the most notable challenge. This includes two primary elements, which are digital divide and inequality. The digital economy circulates and expands the digital divide, and the deficiency of digital economy services continues in many rural populations, which in turn escalates the divide. This also gives rise to new inequities, whereby individuals access disparate levels of education, employment opportunities, and essential services.

- **Cyber Security Risk and Privacy Concern**

The digital economy has raised concerns related to the privacy of data, and also has a multitude of contemporary risks associated with computing, such as data breaches, hacking, and identity theft. These risks are even associated with financial loss, lost reputation, loss of private data, and fraud. For these reasons, people are concerned about the use and value of their private data, especially when data is collected and processed. Users in a number of digital financial systems are also concerned and even frustrated about the speed of fraud associated with digital transactions.

- **Limited Correction Capacity**

Due to the rapid transfer of funds, addressing corrections or fraudulent issues can be difficult. If participants feel their privacy is being compromised, this could result in a lack of trust and calls for regulation to be enacted more stringently.

- **The Need for Skilled Personnel**

The failure to build a skilled workforce during the digital age will limit the possible outcomes of the digital public infrastructure. It is important to strengthen the role of educational institutions in the creation of a digitally proficient workforce.

- **Regulatory and Legal Complexity**

The digital economy is characterized by high speed. Ensuring the settlement of digital economy competition and the protection of consumer rights and the resolution of issues of violation of intellectual property rights require responsive and comprehensive regulation.

- **Regulatory infrastructure**

The digital economy needs the presence of dependable and high-speed networks. However, the absence of these networks, especially in rural and remote regions, can result in the absence of equal opportunities for people and institutions.

### **India's Digital Transformation Empowering Indian Economy and Facilitates Sustainable Economic Growth**

Over the past ten years, the rapid digitization of the Indian economy has helped position the country as one of the world's economic leaders. Furthermore, with the country's continued digitization, we can expect India's economy to grow exponentially throughout the 21st Century. India's digital economy has already successfully operated to improve the efficiency of numerous services, including, but not limited to, education, healthcare, transport, finance, banking, travel, and marketing. The Indian government has recently implemented a variety of digital solutions that have transformed the way citizens govern, interact with, and Service one another. The share of the digital economy in India's GDP has seen an emergent increase from 4-4.5% in 2014 to 11% today, and is projected to surpass 20% by 2026. In the years to come, it is anticipated that the contribution of the internet economy to the country's digital economy will increase substantially from 48% in 2022 to 62% by 2030. In India's latest economic forecast, the Reserve Bank of India estimates a 6.5% economic growth for the nation in 2023-2024. Expected quarterly growth rates for the period, 8%, 6.5%, 6%, and 5.7%, are all predicted to fall.

The rapid expansion of the digital economy can be attributed to the use of digital technology in tier 2+ cities, the digitalization of traditional business practices, and the completion of India Stack. With the increase in digital economy, India will also be the most attractive funding investment opportunity as household incomes rising from \$2500 to \$5000 will be key to driving the growth.

India surpassed many countries to become one of the largest digital economies due to the online usage of citizens in their daily lives.

As household consumption is set to double in the next decade, digital commerce will be further embedded within the daily lives of Indians.

India's Gen Z is the most digitally active of all, spending 8 hours a day online. Government initiatives like the Bharat Net Project, which aims to improve internet access in rural areas, will also significantly contribute to the next wave of smartphone adoption in rural India. By 2030, India will likely have 500 to 600M online shoppers, making it the second largest online shopping market.

All segments of the economy have seen rapid growth in both B2C and B2B e-commerce marketplaces.

The explosion of metrics justifies noting the behavioral change. By 2030, the market size of eCommerce is expected to reach US\$350 billion.

India has been able to achieve growth in internet economy due to the interest of consumers in Tier 2 cities and towns, the rapid digitization of large and Micro, Small and Medium Enterprises (MSMEs), and the effectiveness of India's digital economy. A wide range of crucial digital sector segments include the Business-to-Consumers (B2C) and Business-to-Business (B2B) eCommerce, online travel, online food delivery, online media, ride-hailing, edtech, healthtech, adtech, and Software-as-a-Service (SaaS), which are defined in the opportunities, challenges and enabler for digital economy growth. The increasing acceptance of digital tools and solutions among consumers and merchants will improve the prospects of digital financial services, with an average growth rate expected to reach between 8 to 13 percent from 2022 to 2030 across payments, lending, investments, and insurance. Initiatives like Unified Payments Interface (UPI) and other AI-backed projects are evidence of the government's efforts to improve the country's tech ecosystem.

The country has also made it possible for other countries to access India Stack, a collection of digital public goods, which facilitates cross-border payments and more.

As part of India's G20 Presidency, the MeitY Startup Hub launched the G20 Digital Innovation Alliance. Its goal is to foster the development of startups from the 20 G20 members and the 9 invited guest countries across 6 sectors: edtech, healthtech, agritech, fintech, secured digital infrastructure, and circular economy.

The Union Cabinet has confirmed the budget allocation of 14,903 crores for the expansion of the Digital India initiative. This will also provide funding for 1,200 startups in Tier II and Tier III cities.

### **Conclusion**

The new economic growth is spread through business digitization and self-employment opportunities. Opening self-employment opportunities is in a way the opening of economic growth potential. In the global digitization of economies, India is rapidly emerging with the help of PM Modi, the private sector, and the golden era of Indian IT, along with supporting digital initiatives, and the the Make in India and Digital India campaigns, and the Indian populace's adaptability. The characteristics of the digital economy include efficiency and new market opportunities. In furtherance of the optimism for digitization, there are threats that must be managed. Therefore, governments across the globe must prioritize the expansion of adaptable innovation and entrepreneurship infrastructure. In India specifically, Digital India is paving the way for an empowered technology-enabled nation. The growth of the digital economy in India has been transformative: creating and supporting the access of the populace to services, opportunities, and increased productivity.

The challenges in the digital economy include the digital divide, inequality, and data privacy and security concerns. While continuing digitization, India must assess how the digital economy impacts the various societal strata, and develop a more inclusive sustainable digital ecosystem. Adaptation to the technological changes in the economy and society will bring forth great social and economic opportunities through digitization.

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