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**A STUDY ON BENEFITS AND CHALLENGES OF DIGITALISATION OF INDIAN ECONOMY**

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**ABSTRACT**

*The present paper attempted to explain about the concept of digitalisation of Indian economy. The main focus of this work is to educate the readers about the various benefits of digitalization besides focussing on the challenges that the country has to face. The present work also explained the need for digitalization of the economy. This work focuses on the merits of digitalisation such as Creation of Digital Infrastructure and Electronic Manufacturing in India, Digital Empowerment of Native Indian People, Delivery of all Government Services electronically (E-Governance), a Digital Identification which will verify the end user, a Mobile for worldwide access to all services etc. This work focussed on various challenges ahead before digitalisation of the Indian economy, such as lack of digital infrastructure, high dependency on cash by the Indian population, challenge of digital literacy, Scepticism in Merchants etc. A part from various merits and demerits the present work also focused on the need of digitalisation of Indian economy.*

**KEYWORDS**

digitalization, economy, benefits challenges, infrastructure.

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**INTRODUCTION**

**D**igital 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.

**DEFINITION**

The term "Digital Economy" was coined in Don Tapscott's 1995 book. The Digital Economy: promise and peril in the age of Networked intelligence. The Digital Economy was among the first books to consider how the Internet would change the way we did business. According to Thomas Mesenbourg (2001), three main components of the 'Digital Economy'<sup>1</sup> concept can be identified:

e-business infrastructure (hardware, software, telecoms, networks, human capital, etc.),

- e-business (how business is conducted, any process that an organization conducts over computer-mediated networks),
- E-commerce (transfer of goods, for example when a book is sold online).

But, as Bill Imlah comments, new applications are blurring these boundaries and adding complexity; for example, consider social media and Internet search.

In the last decade of the 20th century. Nicholas Negroponte (1995) used a metaphor of shifting from processing atoms to processing bits. "The problem is simple. When information is embodied in atoms, there is a need for all sorts of industrial-age means and huge corporations for delivery. But suddenly, when the focus shifts to bits, the traditional big guys are no longer needed. Do-it-yourself publishing on the Internet makes sense. It does not for a paper copy

In this new economy, digital networking and communication infrastructures provide a global platform over which people and organizations devise strategies, interact, communicate, collaborate and search for information. More recently Digital Economy has been defined as the branch of economics studying zero marginal cost intangible goods over the Net.

**IMPACT**

The Digital Economy is worth three trillion dollars today. This is about 30% of the S&P 500, six times the U.S.' annual trade deficit or more than the GDP of the United Kingdom. What is impressive is the fact that this entire value has been generated in the past 20 years since the launch of the Internet.

It is widely accepted that the growth of the digital economy has widespread impact on the whole economy. Various attempts at categorizing the size of the impact on traditional sectors have been made. The Boston Consulting Group discussed "four waves of change sweeping over consumer goods and retail", for instance In 2012, Deloitte ranked six industry sectors as having a "short fuse" and to experience a "big bang" as a result of the digital economy.

Telstra, a leading Australian telecommunications provider, describes how competition will become more global and more intense as a result of the digital economy.

**OBJECTIVES OF THE STUDY**

1. To study benefits of Digitalization of Indian economy
2. To examine the various challenges ahead in Digitalization of Indian economy
3. To explore the need for Digitalization of Indian economy

**RESEARCH METHODOLOGY**

This study is a secondary data analysis of reports and articles regarding digitalization of Indian economy benefits and challenges.

**SOURCES OF DATA**

The analysis of reports and articles of economic change considers secondary data essential, as it is impossible to conduct a new survey that can adequately capture past challenges and benefits developments. However, secondary data analysis is used in preparing this paper. It has been collected from all the sources available

and is used in previous research, making it easier to carry out further research. A clear data using secondary data is that much of the background work which has been already been carried out, such as review of literature and studies.

## REVIEW OF LITERATURE

*Chaudhuri payel in her work "Role of Digitization and E-commerce in Indian Economic Growth: An Employment Generation Perspective"*<sup>2</sup> explained that the objective of the paper is to investigate the impact of digitization on economic growth and its potential for creating employment opportunities. Digitization being a key economic driver in the present world it is important to integrate the economy by creating digital markets. Firms, prices and productivity are the three benefits derived by an economy. It is found in large economies internet accounts for about 3.4% of GDP on average along with stable employment generation. During global downturn 6 million jobs were created worldwide by the digitization effects and 94% were from emerging economies and 6% from North America and Western Europe. This showcases the potential of the digitization in creating employment opportunities. Researches show developing economies has more possibilities of gaining advantages of e-commerce than the developed economies as developing economies have wider scope of reducing inefficiencies and increase production. In India, increasing internet penetration, rapid technology adoption and high sale of technical gadgets like smart phones, tablets, etc, have led to an attractive online customer base and unprecedented growth of e-commerce.

*Saima khan, Dr shazia khan, Mohsina Aftab in their paper "Digitalization and its impact on Economy"*<sup>3</sup> attempted to explain that The waves of adoption and usage of ICTs (Information and Communication Technologies) have revolutionized our world by introducing distinct technology-enabled services in every sphere of our lives. There are various applications of ICT, digitization is one of them. Digitization is a process of converting the diverse forms of information, such as text, sound, image or voice into digitalized format. The digitization has a proven impact on economy and society by reducing unemployment, improving quality of life, and boosting access to knowledge and other public services. The process of digitization is marked by cost effectiveness to cut the cost that incurred in various knowledge practices related to the production, organization and communication of information that makes long-term economic growth. Their paper highlights the concept of digitization along with the social economic and ecological benefits of digitization of knowledge and information.

*Besley Tina, Peters A Michael in their paper "Digitized youth: constructing identities in the creative knowledge Economy"*<sup>4</sup> attempted to explain that some of the recent research findings about US youths' engagement and identities in the digital world that have become available since 2007. It examines the creativity of youths and the constructive means they use to develop new identities and subjectivities that resist the worst excesses of the market while engaging and negotiating the emergent social media and developing their own hybridized sense of style in music and culture. Finally, the article looks at youth and creativity—the implications for the creative knowledge economy with this new generation of digital natives and how education might finally take an active role rather than banning children's participation.

*Bingham Adrian in his work "The Digitization of Newspaper Archives: Opportunities and Challenges for Historians"*<sup>5</sup> attempted to explain that It is clear even to the most casual observer of the historical profession that research practices are being gradually transformed by the digitization of archives and primary sources. So many new digital resources are being released—cabinet papers, parliamentary proceedings, sound recordings, photographic collections—that it is difficult to keep up with the riches available. One of the most useful of these developments for modern British historians is the digitization of a number of significant newspaper archives. Although there was once widespread scepticism about using newspapers because of their doubtful accuracy and their ephemeral nature, ever since the 'cultural turn' and the increasing scholarly interest in language, representation and meaning, there are few who deny the value of newspaper content for understanding politics, culture and society.

## DIGITAL INDIA

Digital India is an initiative by the Government of India to ensure that Government services are made available to citizens electronically by improving online infrastructure and by increasing internet connectivity. It was launched on 1 July 2015 by Prime Minister Narendra Modi.

The initiative includes plans to connect rural areas with high speed internet networks. Digital India has three core components. These include:

- The creation of digital infrastructure
- Delivering services digitally
- Digital Literacy

## NEED FOR DIGITALISATION

The basic idea of digitization is to make full use of ICT facilities for accessing worldwide resources and beneficial for society at the same time. As going digital is the need of the hour, to remain environment healthy and safe. Various organizations are involved in digitizing their material because they remain influenced of the enduring value of such resources for learning. Digitization also raises the reputation of the institutions as global users can know the institutional collection and utilize these resources from distant locations. The main reasons to digitize are to enhance access and improve preservation. By digitizing their collection, institutions can make information accessible that was previously only available to a select group of users. Digitization can also help preserve materials making high-quality digital images available electronically and may reduce wear and tear on brittle and fragile documents.

## BENEFITS AND CHALLENGES OF DIGITALISATION

The recent move of demonetization has rattled the dusty cages of cash based economy. The demonetization drive was initially termed as a tool to tackle the problem of black money and fake currency, but since then, the narrative has clearly shifted base. Now it is a way to promote cashless transactions among citizens, which is really a good idea for the country. But the question is whether India is ready for it or how feasible it would be for the government to turn India into a cashless economy by 2020.

India has a large amount of black money. According to recent estimates around 1/4th of Indian GDP is the shadow economy of India, which is like a parallel dimension slowly sucking out energy and matter from our dimension (economic ecosystem). However, one thing needs to be made clear that of all the black money in India only 10% of it is in hoarded cash and the rest is in floating in the market or is in form of gold, stocks or real estate. The success or failure of demonetization as a means to curb black money and fake currency can only be determined after a couple of months but the fact that digital economy is good for the country, is overwhelmingly accepted as true.

What you need to know is, how it can be beneficial for our country and what are the challenges in front of India in going cashless.

Now let's move on to the **MAJOR ADVANTAGES**:

1. Creation of Digital Infrastructure and Electronic Manufacturing in Native India.
2. Digital Empowerment of Native Indian People.
3. Delivery of all Government Services electronically (E-Governance).
4. A Digital Identification which will verify the end user.
5. A Mobile for worldwide access to all services.
6. A Bank account for Immediate Benefit Transfers of subsidies and payments.
7. The program also aims to eliminate all electronics imports from foreign countries by 2020 and make India an electronics manufacturing super power.

**OTHER ADVANTAGES:**

1. It will help in decreasing crime if applied on whole.
2. It will help in getting things done easily.
3. It will help in decreasing documentation.
4. Some of the services which will be provided through this desire effort are Digital Locker, e-education, e-health, e-sign and nationwide scholarship portal.

5. It will ostensibly create a lot of jobs.

6. It will be a boost to industry; both large and small enterprises.

Digital India without a doubt is a very commendable project and deserves full support. As far no disadvantages could be noticed as it's an initiative we are talking about. However, the initiative also lacks many crucial components including lack of legal framework, absence of privacy and data protection laws, civil liberties abuse possibilities, lack of parliamentary oversight for e-surveillance in India, lack of intelligence related reforms in India, insecure Indian cyberspace, etc.

### CHALLENGES INCLUDED IN DIGITALISATION OF NATION

However, in a country of 1.3 billion people, not all is perfect and not all is rosy. Going cashless must be an exponential curve, slow initial builds up then fast paced in later stages, not a digital step signal. That could be counterintuitive to the whole process. India is a large country that needs a change that is systemic and systematic. Here is a list of challenges-

1. High Cash Dependency: India has a high cash penetration in almost all of its transactions that happen as B2C transactions. Total cash flow in the market accounts for 12.04% of the GDP, which is among the highest in developing countries. This goes to show our dependence on cash is acute and it requires time to tackle it.
2. Lack of Digital Infrastructure: The first and foremost requirement of a digital economy is the penetration of internet and smart phone. Although a billion mobile subscriptions (not users), only 30% of subscribers use smart phones. With 370 million mobile internet users, over 70% of them are in cities while 70% of Indian population lives in villages.
3. Scepticism in Merchants: Small time merchants as well as users have high amount of suspicion over plastic money and they need to be educated over the potential benefits of using it. One cannot expect an overnight change in the perception of a majority of Indians over the use of plastic money. Government needs to come out with awareness and incentive schemes to promote digital economy.
4. High Merchant Discount Rate: These are the percentage deducted from each purchase a merchant makes by the card issuing authority or bank. These are volume dependent and are more economical if the merchant is able to sell a large amount of products, thereby beneficial for big merchants. For smaller merchants, it does not provide enough incentive to make the shift from cash.
5. The challenge of digital literacy when major part of rural Indian folk is illiterate.
6. Proper and efficient access to connectivity in geostrategic areas with challenging physical features like seven sister states, Border States etc.
7. Cyber security
8. Effective database management, skilled professionals, inclusion
9. Management of e-waste

### POTENTIAL

1. India is the largest exporter of IT services which is evident of having skilled and qualified human resource that would help in building a digitally aware society by public private partnership programmes and community programmes.
2. Recommending the Corporate Social Responsibility programmes to be in focus of digital literacy and towards building digital infrastructure.
3. Surge in e-Commerce reveals that e-transactions are preferred to real time transaction.

### CONCLUSION

The government thought of going for Digitalisation is no doubt sound but for a country like India having a huge amount of population living on the country side, who does not have proper banking facilities in their villages. First of all, before planning for Digitalisation the government must provide the basic infrastructure, with which a citizen can able to use digital services. In this context let the government provide proper banking facilities to all parts of the country, including remote areas. Each and every person of the country must be provided a bank account with Debit card facility along with sufficient ATM services in the country. Apart from all these facilities the government must provide good internet services to do transactions Digitally. The government must bring proper awareness among the people about the benefits of doing the transactions digitally through print and electronic media. It is the responsibility of the government to resolve the apprehensions of the people relating to cyber frauds. Over and above the most important challenge on the part of the government is to see the citizens of the country are well educated then only the idea of the government to make digital economy would be successful otherwise it would be sound on paper and poor in actions.

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