

Digital Economys contribution in Indias Sustainable Economic Reinforcement

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Abstract

This study investigates the role of the digital economy in enhancing India's sustainable economic development. The overall goal of this research is to aid the government in selecting the best policy for implementing the digital economy and its impact on long-term economic development, particularly in India. In India, the digital economy has grown rapidly in the sphere of ecommerce. The ecommerce sector involves more than just purchasing and selling goods and services via the internet. However, it also includes inter-service providers, telecommunications providers, and other entities. This is why the ecommerce industry must change in order to keep the economic momentum flowing further. The government is presently declaring India to be the largest digital economy in the world by 2025, with the goal of becoming the largest in Southeast Asia. The digital sector is one of the declaration's foundations of national growth. By 2023, the government hopes to have INR 2800 crores in ecommerce transactions and 1,000 technopreneurs (Technology Entrepreneurs) with a company worth of 1000 crores. As a result, this research will provide policy benefits by reinforcing state institutions in order to control the implementation of the digital economy in India, which will have a positive impact on the community's ability to prosper while also having a favorable effect on the environment and rising financial benefit.

Keywords: Sustainable Economic development, Digital Economy, ecommerce

1. Introduction

The digital economy arose and evolved as the world's usage of information and communication technology became increasingly worldwide. The digital economy's wave has a sloping topography that is inclusive and stretches the quality of opportunities. This trait includes the concept of rivalry, which is an industrial spirit that may be readily boosted by businesses that emphasize collaboration and synergy. As a result, the digital economy is a "sharing economy," allowing many small and medium-sized businesses to reach the global market. The term "digital economy" refers to the future development and economic growth that is distinguished by the rapid development of business or trade transactions that use the internet as a medium for communication, collaboration, and cooperation between companies or individuals. "(Tapscott, 1997) first introduced the concept of digital economy, which is a socio political and economic system with the characteristics of an intelligence space, including information, various information access instruments, information capacity, and information processing. The ICT industry, e-commerce operations, and digital goods and services distribution were designated for the first time as components of the digital economy. In India, the digital economy has grown rapidly, particularly in the sphere of ecommerce. The ecommerce

sector is more than just buying and selling goods and services via the internet. However, it also includes inter-service providers, telecommunications providers, and other entities. This is why the ecommerce industry must change in order to keep the economic momentum moving further. This research provides significant benefits for the government in focusing on the digital economy in order to have a beneficial influence on sustainable economic development, saving the environment and boosting economic value. Sustainable economic development is economic development that aims to meet human needs while also protecting natural resources and the environment for future generations. Sustainable Economic Development Approaches generate significant GDP and employment growth, as well as long-term business and community development, by demonstrating that innovation, efficiency, and conservation in the use and reuse of all natural and human resources is the most efficient way to boost jobs, incomes, efficiency, and innovativeness.

The government is presently declaring India to be the largest digital economy in the world by 2025, with the goal of becoming the largest in Southeast Asia. The digital sector is one of the declaration's foundations of national growth. By 2023, the government hopes to have INR 2800 crores in ecommerce transactions and 1,000 technopreneurs (Technology Entrepreneurs) with a company worth of 1000 crores. As a result, this research will provide policy benefits by reinforcing state institutions in order to control the implementation of the digital economy in India, which will have a positive impact on the community's ability to prosper while also having a favorable effect on the environment and rising financial benefit.

Essentially, the overall objective of this study is to aid the government in selecting the best strategy for implementing the digital economy and its influence on long-term economic growth, particularly in Indonesia. This research will provide policy advantages by improving authorities in order to manage the adoption of the digital economy in Indonesia, resulting in a good influence on the community's ability to grow while also having constructive effects on the environment.

2. Methods

The researcher utilized primary information from interviews with Digital economy agencies, including the few people linked to the Finance Ministry of India. In this study, which was analyzed using qualitative descriptive analysis, namely data gathered from discussions with accomplices mentioned as a group and ancillary data from various sources whose authenticity can be merited. The research focuses on digital economic research that has an influence on India's long-term economic growth. [1]

3. Digital Economy's role in India's development

According to a news report from Mint [2], India is poised to become a trillion dollar digital economy by Financial year 2026. Due to the rise in dependence on digital technology brought on by the COVID-19 pandemic, the function of digitalization in the global economy has assumed increasing importance. In order to establish a digital economy, a wide range of economic activities must use digitalization as the primary factor of production. The G20 has acknowledged the significance of harnessing the advantages and minimizing the challenges associated with the growth of the digital economy. Over time, it has attempted to solve a number of issues brought about by the swift digitalization of the economy. These include the digital gap, cooperating in e-commerce, assessing the digital economy, and consumer protection. The necessity for policies that foster an inclusive, open, diverse, fair, and non-discriminatory digital economy has also been reaffirmed by the G20 leaders. The COVID-19 pandemic-related shift in

consumer behavior has made the internet and e-commerce sector in India one of the industries with the fastest growth rates in the nation.

Industry forecasts predict that India's consumer digital economy would reach US\$800 billion in 2030, representing a 10x increase from 2020. PE/VC investments in the sector increased by 370% year over year in 2021. Online activities like e-commerce and digital payments are expanding quickly as internet penetration rises and smartphone usage rises. The pandemic has expedited the rise of the next generation of digital consumers, placing India among the world's digital economies that are expanding the fastest. Consumer internet and e-commerce firms raised US\$38 billion in 2021, up from US\$8 billion in 2020, owing to large-scale investments in the fintech, hyperlocal, and e-commerce sectors as the Indian start-up ecosystem matures. The growth in late-stage investments has also led in the creation of Indian digital unicorns, with 30+ unicorns emerging across fintech, B2C and B2B e-commerce, and payments. [3]

Payments and wallets had the highest percentage of 100 million+ deals in 2021, with payment providers significantly expanding in contactless payments. BNPL has also become a popular niche as the reach of e-commerce and payments grows. Capital deployment has widened in 2021, with funding of \$100 million or more increasing its proportion of overall internet and e-commerce investments from 5% in 2020 to 13% in 2021. This has also resulted in a rise in average ticket size, indicating that Segway has reached the next stage of development in India's web start-up landscape.

4. Sectoral view: story of unique opportunities for the sustainable Digital economic growth in India

1. Edtech has aided in democratizing access to high-quality education and increasing student involvement - As schools and universities reopen as the pandemic situation normalizes, demand for online education services is projected to fall. However, the market is likely to develop in the next few years due to the usage of artificial intelligence (AI) and machine learning to deliver better products such as precise progress monitoring, individualized evaluation, and career counseling. The exam preparation category is expected to grow rapidly due to a shift in desire, while the language and informal learning segment is expected to grow steadily due to increased income generated from ads. Today, venture capital and private equity investors see the enormous potential in the Indian EdTech industry, and enterprises are searching for M&As to expand their product portfolios and regionally.
2. The Indian FinTech industry continues to surpass the rest of the globe in terms of acceptance - With one of the world's fastest-growing economies, India has also emerged as the world's third biggest fintech ecosystem. In India, paperless financing, mobile banking, Wealth Tech, InsurTech, purchase now pay later, and other fintech concepts are already in use. The Indian government's emphasis on developing a cashless economy, as well as the RBI's use of blockchain to launch a digital currency, are both beneficial to the fintech industry. In 2021, the sector will have seen a tenfold rise in PE/VC investments. In addition, India will account for four of the top ten fintech deals in the Asia-Pacific area in 2021. The most financed fintech sub-segments include digital payments and lending technology.
3. Agritech start-ups are reinventing farming by harnessing contemporary technology - financing has nearly tripled in the previous three years and is predicted to reach US\$10 billion by 2030. Nonetheless, India's agritech sector has yet to realize its full potential. Agritech penetration in India is now less than 1% of total Indian agritech potential. Post-harvest platform solutions that connect various areas of the

value chain and are infused with next-generation technology are likely to be future growth engines. By 2025, output market linkage and precision farming are estimated to account for over 68% of the entire agritech market. In the next year, the industry will see more tech-driven innovation and adoption throughout value chains. The enormous market potential in rural India is a primary investment driver, while established firms' foray into agritech is driving to M&As.

4. Hyperlocal service with a snap - Following some setbacks at the outset of the epidemic, the hyperlocal delivery sector has seen consistent development. In 2021, the online grocery market will increase by 70%, while online meal delivery will grow by 19%. Factors such as urbanization, tech-savvy customers, and changing consumer behavior, fueled by the pandemic, are propelling the hyperlocal industry forward. Initiatives like "no contact delivery" and "online payments" make it even easier for customers to use hyperlocal platforms. The online grocery industry is predicted to develop at a CAGR of 29% between 2021 and 2026, reaching Rs. 3600 crores by 2026, while the online food delivery market is likely to grow at a CAGR of 30% between 2021 and 2026, reaching Rs. 3880 crores by 2026.
5. Gaming rivalry in the digital era India has emerged as one of the world's fastest-growing gaming marketplaces, propelled by 450 million players, a 20% paying user conversion rate, and a 50% first time paying users rate. Startups accelerated growth by using innovative use cases like in-app purchases, real-money gaming, virtual gifting, tipping, and subscriptions. As the market saw more PE/VC investment, 2021 saw the creation of India's second gaming unicorn. Overall, the Indian gaming sector is predicted to triple by 2027, as the country shifts from being a net importer of global gaming titles to a worldwide producer of content and intellectual property. Furthermore, paid gamers are predicted to reach 240 million by 2026, up from 96 million in 2021.
6. In India, social commerce shoppers, who account for 53% of total online shoppers, are predicted to reach 228 million by the end of 2022, a 45% growth from the existing customer base, as people explore new ways of buying items online through social media applications. Currently, 55% of social commerce customers come from tier 2 and 3 cities, which account for over 80% of total gross merchandise value. Growing internet availability, rising impulsive purchases, and rapid adoption from smaller cities and towns are propelling social commerce forward. To capitalize on this huge potential, social commerce firms are using engagement platforms to provide a smooth and hassle-free process of product discovery for customers in their native language.
7. Travel and hospitality evolving via innovation - With the lifting of pandemic restrictions and the ongoing effective vaccination push, the Indian travel and hospitality business is likely to exhibit a significant rebound in 2022 and beyond. The Indian travel industry is predicted to develop at a CAGR of 7.5% between 2020 and 2027, while the internet travel market is expected to grow at a CAGR of 12.6% between 2021 and 2027. As financing approaches pre-pandemic levels in 2021, investors' interest in the space is expanding.
8. Mobility is preparing for EVs - The pandemic had a negative influence on the mobility industry, resulting in a fall in daily ridership due mostly to lockout restrictions. This prompted mobility companies to adopt novel solutions and diversify into other markets. To make money during the epidemic, companies ventured into B2C and C2C customer logistics. The shared mobility market in India is predicted to develop at a CAGR of 25% between 2021 and 2027.87, with ride-hailing and micro-mobility driving the expansion. The used automobile industry is expected to rise at a 12-14% annual rate between 2025 and 2026, reaching over 70 lakh cars from 38 lakh in 2020-21.88 This

growth will be driven by increased digitization, first-time purchasers, changing demographics and ambitions, and the convenience of payment alternatives.

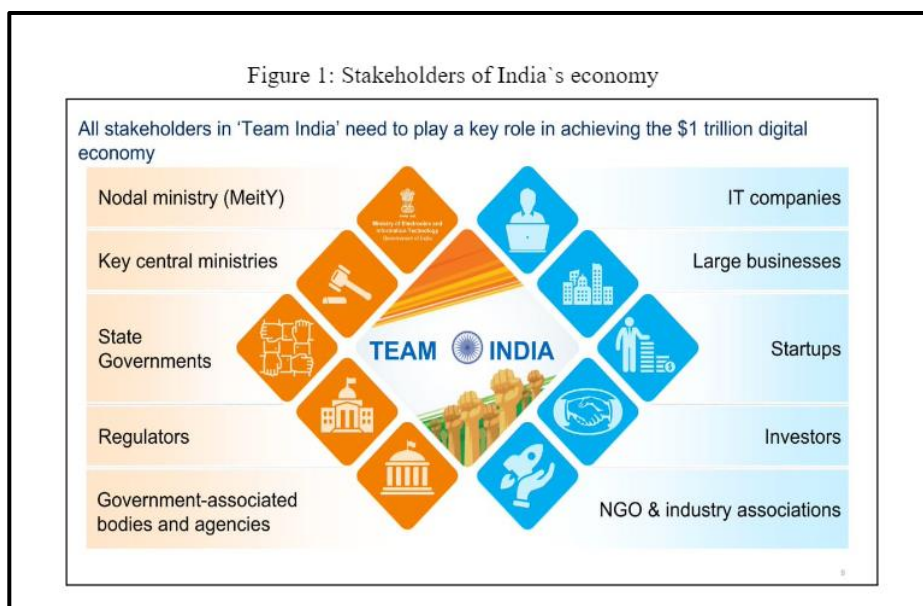
9. Payment and wallet seamless to cashless - The value of digital payment in India is expected to triple to US\$1 trillion by 2026, owing mostly to increased online purchases and digital adoption in the country. By 2026, payment gateways and aggregators will accept almost 44% of payments, QR codes will accept 34%, and point-of-sale devices will accept 22%.

5. Path to growth: consolidation and collaboration

The need to innovate, expand, diversify, and distinguish drives sector convergence and consolidation. Consolidation continues to be a recurring issue in several e-commerce industries, as market participants continue to push Inorganic development through partnerships, acquisitions, and alliances. Acquisition of technical capabilities, growth into new markets and locations, and portfolio diversification are the primary drivers of increased M&A activity. In 2021, the sector will see an uptick in M&A transactions as firms return to growth and strategic investments and partnerships return to their agenda.

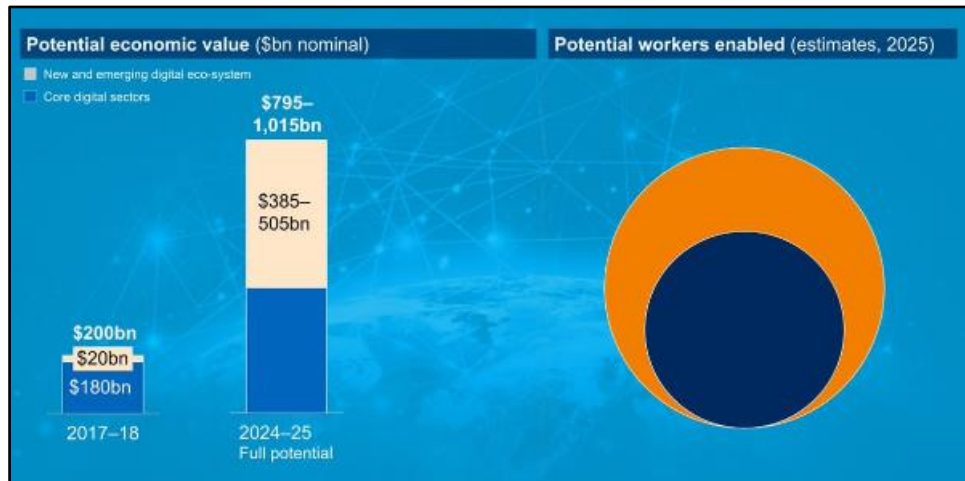
India is becoming a unicorn hotspot, spearheaded by e-commerce and digital start-ups. In 2021, the Indian start-up ecosystem will have 46 unicorns, more than tripling the overall number of unicorns to 90. The e-commerce and consumer Internet sectors, driven by B2C and B2B e-commerce, finance, and edtech, contributed significantly to the unicorn space. As consumption models altered and consumers turned digital as a result of the COVID-19 pandemic, internet-based companies saw exponential growth in the last 18-24 months, attracting numerous first-time clients as well as increased activity from current customers. And these tendencies do not appear to be passing. We have nine unicorns in the country three months into 2022, four of which are e-commerce and internet enterprises.

The 'Team India' ethos of partnership and collaboration across national and state governments, the commercial sector, industrial groups, and the social sector would be important. "Working with all stakeholders, India can deepen, broaden, and scale up its digital economy in the next few years, producing significant economic value and empowering millions of people from all walks of life," the Minister said at the event.[4]



According to the analysis, India can generate up to \$1 trillion in economic value from the digital economy by 2025, with around half of the opportunity originating in new digital ecosystems that can emerge in various sectors of the economy. Currently, India's digital economy adds around \$200 billion to the country's GDP.[5]

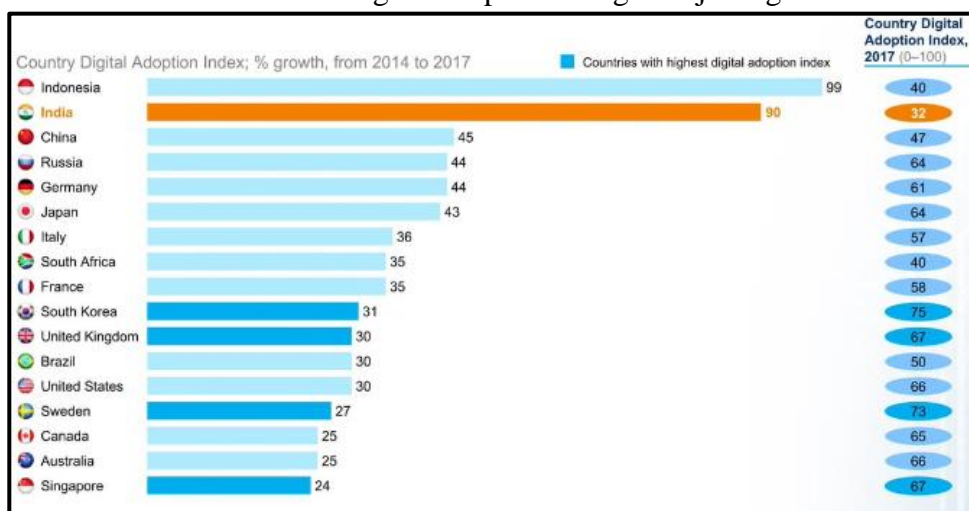
Figure 2: India has the potential to be a \$1 trillion digital economy by 2025



According to the report's Country Digital Index, India is the second-fastest digitizing economy among the world's 17 leading economies. The index is based on 30 metrics to measure digital adoption in 17 mature and emerging digital economies, including Brazil, China, Indonesia, Russia, South Korea, Sweden, and the United States.[6]

Thirty digital themes may be scaled out nationwide to expedite progress in nine critical sectors, thanks to significant growth in internet infrastructure and usage. The report outlines the enablers needed in nine strategic areas, ranging from creating 21st century IT infrastructure and software capabilities to using digital to serve key national priorities such as healthcare, education, and energy for all, doubling farmers' income, Make in India, next-gen financial services, jobs and skills of the future, and e-governance. These themes have the potential to generate up to \$1 trillion in economic value by 2025, while also empowering millions of employees, entrepreneurs, small and big enterprises, and consumers throughout the nation.[7]

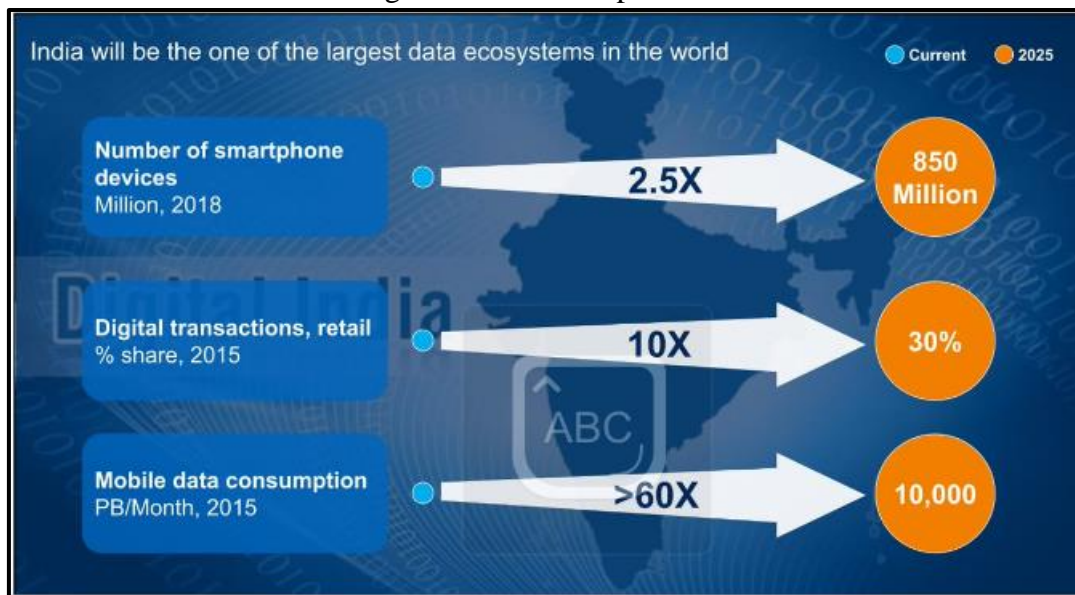
Figure 3: India is the second fastest digital adopter amongst major digital world economies



In 2025, India's digital economy of the future might create enough productivity and production to sustain 55 million to 60 million jobs. Digital technologies fundamentally alter work and generate a need for new sorts of skills and job responsibilities, resulting in increased demand for high-productivity, highly skilled professions. Apart from digital coders and solution suppliers, many sorts of labor will become digitally enabled, necessitating worker training as digital technology users. Retraining will be required for delivery persons and drivers in the logistics and transportation sectors, as well as healthcare professionals and advisory service agents in fields such as finance and agriculture.[8]

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Figure 4: Future scope



6. Conclusion

Because of the incredible penetration of the internet in India, as well as the country's population of 138 crores people, India may undoubtedly be a fantastic place for economic movers to promote their products. Furthermore, the grounds that make Indonesia a soft market for economic players are as follows: first, e-commerce market development in India is also strong; second, the population continues to rise; and third, of the 138 crores people, 60% are under forty years old. Fourth, there is a fast increase in the number of persons from the middle and upper economic groups.

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