

The Power OF Digitalization ON Monetary Progress: An Experience

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Abstract

Digitalization in its simplest form refers to the conversion of data into digital format that can be processed by the computer or any digital equipment. Digitalization is an innovative and necessary step taken by our government in order to make people of our country digitally literate for making their lives easier. Digitalization really helped everyone in various ways. During the time of pandemic, digitalization has introduced itself as a life saver as well as economy saver because it enabled people to do “Work from Home”. This concept of “Work from Home” ultimately contributed towards maintaining our economy from falling down even when the complete lockdown was imposed in the entire country during the pandemic phase. Digitalization plays a vital role in almost every dimension of our daily lives and simultaneously affecting our economy positively by accelerating the growth of our economy. We can say that our economy is gradually becoming the digital economy. Digital economy simply refers to the economy in which the financial or commercial activities takes place by using the digital computing technologies. In this paper, we are discussing more about economic growth along with digitalization including its meaning, characteristics, pros and cons and most importantly the impact of digitalization on economic growth. This study will be helpful in identifying and understanding the barriers or obstacles in execution of the plans that can be helpful in making people of our country more digitally literate and further the strategies that will work in favor of accomplishing the target of building a more digitally sound economy. Further our study will analyze how digitalization is affecting the economy of our country by accelerating its growth.

Keywords: Digitalization, Digitally Literate, Digital Economy, GDP, Globalization, Internetworking.

1. Introduction

The meaning of term ‘digitalization’ is enabling the people to improve their business processes by using digital technologies. In digitalization, people integrate their daily life activities with the digital technologies to make their lives comparatively easier. Digitalization is helpful and important in our personal as well as in our professional lives. It enables us to do our jobs or business transactions via digital equipment and Internet.

Digitalization is also affecting our economy by accelerating the economic growth of our country and gradually converting our economy into digital economy. Digital economy includes the usage of digital equipment and implementation of knowledge and information in production process along with labor, capital and land. Digital economy focuses on increasing the production, distribution and consumption of goods and services by using digital technologies. Digitalization has transformed and still transforming the various parts of our economy and it even includes the digitalization of information and this is the crucial one.

The digital economy indicates that we are moving towards a knowledge- based society. Knowledge- based society indicates the society in which the decisions regarding policies would be knowledge based. And our entire society is turning into a knowledge- oriented economy from a material- oriented economy.

In this paper we are going to discuss about digitalization and impact of digitalization on economic growth including various sub topics.

2. Concept of Digitalization

Digitalization in its simplest form refers to the conversion of data into digital format that can be processed by the computer or any digital equipment, like tablet, mobile phone etc. Digitalization is an innovative and necessary step taken by our government in order to make people of our country digitally literate so that they can make their lives easier in many ways. A digitally literate person is able to use different digital platforms to communicate or to evaluate the available information through typing or via using any other media.

Basically, the motive of this step was to connect people of different areas or places (i.e. urban- rural or remote areas) together with high speed internet to form a network which can be used to solve various purposes. Digitally literate people can do so many different things by using the Internet like they can do communication, financial transactions, online shopping, online payments etc.

Digitalization plays a vital role in our daily lives and affects our lives as well as our economy by accelerating the growth of our economy. Now, we can say that our economy is gradually becoming the digital economy, i.e. the economy which is digitally sound.

2.1 Advantages of Digitalization

There are a lot of advantages of digitalization. Let us discuss some major advantages.

1. Centralization of data: Digitalization made it possible for the individuals, business organizations and government to keep the entire data at one place. Now, everyone can maintain their organizational or departmental records in the digital format and in the centralized manner instead of managing so many paper as they used to do while maintaining the manual record.
2. Easy accessibility of data: Digital records can be accessed quite easily. Likewise, we can get plenty of information or data in one go over the Internet about anything.
3. Communication over Internet: Now people can do fast and better communication via Internet. For example, apart from text messages we can make voice or even video calls to our family or friends by using different social media platforms.
4. Increase in employment or job opportunities: Because of digitalization, people get the opportunity of doing online jobs. It means now people are able to do remote working but of course only in those fields that the internet has allowed for.
5. Facilitates online business: Digitalization created the opportunities for businessmen also. Now people can start online businesses. By this we mean that anyone can start an online store and sell anything over the Internet and not just in the local market but they can sale their products globally.
6. Increase in commercial competition: Digitalization increases the competition. Now consumers have so many options and they can choose any of them. It prevents the consumers from the dictatorship of the biggest companies.
7. Brings digital currency into existence: Digitalization speeds up the financial exchanges and makes the process comparatively easier. And it is also advantageous for the people who are engaged in and willing to do international or foreign trade. It may also be possible that the “Cryptocurrency” will be the only form of currency available in the future for checking the developments in every kind, e.g. Bitcoin News.

2.2 Disadvantages of Digitalization

Some major disadvantages of digitalization are as follows:

1. Centralized records: Centralization of data is advantageous for us on one side but on the other side it is the biggest disadvantage for all of us. Our entire information, whether it is personal or wealth related, is available in centralized storage that puts us on higher risk (in terms of security of our data) because the hackers or the persons with unknown destructive potential can access it without having any authorization and we can lose control over our assets.

In short, it increases the scope of cyber or digital crime.

2. **Misuse of information:** The easy availability of information to each and every person is also a negative aspect of digitalization because it increases the chances of the available information to get misused. People can misuse the available information for several destructive and manipulative purposes.
3. **Social disconnection:** Digitalization widely disconnecting the people from each other in real life. People are connected to each other only via different digital platforms. This is leading us towards the isolation.
4. **Plagiarism and copyright:** The latest trend of putting or posting everything on social media or digital platform enables the people to copy everything in just one go. Students can simply copy-paste their homework, assignments etc. without even actually learning anything. And sometimes it also happens that people adapts someone else's content and claims to be the original creator of the content.

3. Concept of Economy

Economy in general terms refers to an area in which different activities related to goods and services takes place. These activities include production, distribution & trade and consumption of goods and services. There are several agents in an economy to perform all the above stated economic activities (refers to those activities in which money is exchanged) and are known as Economic Agents. These agents can be individuals, business organizations and governments. Different agents perform different economic activities and they do all the transactions in a certain currency.

To determine the growth of the economy of a country, we usually consider the GDP of that country. GDP stands for Gross Domestic Product. The GDP of a country measures the size of the economy of a country. In GDP, only economic activities are included.

But GDP is not the only indicator that can be used to monitor the growth or performance of economy of any country. Some other indicators are:

1. Consumer Spending
2. Exchange Rate
3. Stock Market
4. Interest Rate
5. Government Debt
6. Unemployment
7. Rate of Inflation, etc.

4. Concept of Economic Growth

Economic growth, as the name indicates, represents the growth in the economy of a country. It means the production of goods and services increases over a period of time that ultimately contributes towards the increment in the wealth of a country.

5. Digital Economy

Digital Economy simply refers to the economy in which the financial or commercial activities take place by using the digital computing technologies. Our economy is gradually becoming a digital economy, this is so because digitalization has saved our economy from falling. During the time of pandemic, digitalization has introduced itself as a life saver as well as economy saver by enabling the people to do "Work from Home". And this concept of "Work from Home" ultimately contributed in maintaining our economy from falling down even when complete lockdown was imposed in the entire country during the pandemic phase. This is because digitalization enabled people to do their part of job from home (only that part of job for which the technology is available) and this leads to continuation of production and consumption of goods and services and that is how our economy got saved from falling down and took us a step ahead toward the digital economy.

5.1 Characteristics of digital economy

1. Digitized Objects: The analog objects available in the digital economy generate digital signals. And it is quite easy to measure, track and analyze these signals for taking a better decision by properly examining each and every signal.
2. Connectivity: In an enterprise, all the assets, including physical assets, stakeholders, workers etc., are connected to each other that is quite helpful in taking data-driven decisions and improving the safety and efficiency.
3. Personalized Goods: The digital economy not only provides the facility of getting the goods to consumers but also to get the goods with the personalized touch. This facility the customers to get the required goods in the form as they want and at the place where they want.
4. Elimination of Intermediaries: The digital economy helps in shortening the distribution channel by eliminating the intermediaries (middlemen) and also improves the communication between the buyer and the seller.

5.2 Components of Digital Economy

There are three major components of digital economy and these are as follows:

1. E-Business
2. E-Business Infrastructure
3. E-Commerce

5.3 Advantages of Digital Economy

1. Promotes the investment in research and technology: Digital economy is very much dependent on technology, hardware, software etc. Internet is the core element in digital economy. That makes the people to invest more in research, technology, hardware, software and digital communication and services etc.
2. Digital availability of required stuff: Today, everything is available digitally. Now, people can do online shopping, online banking, avail online entertainment facilities etc. without visiting the shops, banks or any other physical place respectively. People can take a lot of digital services.
3. Expansion in the e-commerce sector: Digital economy makes it easier for the businessmen to grow or expand their businesses digitally. Now sellers and distributors can sell their products across the world by using the Internet even just by sitting at their homes or local offices.
4. Increases transparency: Digital economy is also contributing in increasing the transparency in transactions. For understanding this more clearly, we can consider cash transactions because when somebody performs online cash transactions then the chances of black money and corruption decreases and hence, the transparency increases.

5.4 Disadvantages of Digital Economy

1. Increase in unemployment: The increase in the usage of Internet and automation tools drastically decreases the requirement of human resources and that leads to unemployment.
2. High implementation cost: Digital economy is not cost effective at all because digital economy requires proper hardware, software, high speed internet, high- tech infrastructure, etc. and for having all these facilities one needs to invest a huge amount. The main thing is that this investment is not enough because after arranging all the resources, there arises a need to provide training for all the employees so that they can be able to use the technology efficiently and it also incurs cost.
3. Unavailability of enough professional experts: To do everything with the help of latest technology and Internet is not that much easy for everyone. So, to use the technical resources properly and efficiently, people needs to get trained but our country is in developing stage and all the facilities are not available in every area of our country, that's why we are facing the problem of lack of professional experts who can provide training to the people for making them capable to use the latest technology properly and efficiently.

6. Subject- Matter of New Economy

As we are referring our economy as “new economy”, this clearly indicates that there must be something new in this economy. So, here we are going to discuss 12 strategies behind the concept of digitalization that are (and will be) playing a vital role in transforming our economy into new economy:

1. **Knowledge:** In the new economy, there is a special space for knowledge. In the older economy, importance was only given to the physical assets like land, capital etc. not to the actual asset that resides in the head of every worker and manager, known as intellectual asset, but now it is truly believable that the knowledge worker is the real asset for an organization.
2. **Digitization:** Our new digital economy is crucially dependent on digitization because working of digital economy is only possible when things gets digitized. It means when the entire information is represented in the binary form (i.e. in the form of 0 & 1). This digitization of the information is really very much helpful for everyone. It is very easy to communicate with each other through digitized information because this information can be transmitted worldwide in a fraction of seconds via high speed Internet. And most importantly digitization enabled everyone to carry their entire information (whether it is personal or work related) in their pockets.
3. **Virtualization:** In the new digital economy, the physical things are getting digitized as well as virtual, like virtual malls, virtual jobs, virtual offices, virtual stockyard, virtual bulletin etc. This is the concept that enables the people to do their work by using the digital equipment and Internet without actually visiting the physical places.
4. **Molecularization:** ‘Molecule’ is the smallest unit of any substance. The main property of a molecule is that it has its own identity and it cannot be broken down further into smaller pieces. Similarly in the new economy, every knowledge worker is an individual unit. They are self- motivated, self- learning and takes the initiative to apply their skills, tools, knowledge and creativity to create or upgrade the value.
5. **Integration/ Internetworking:** Integration means to get combined to each other and also the meaning of internetworking is to get connected to each other for getting extra benefits by sharing the information and resources. Both the concepts are core elements of the new economy. In the new economy, different molecular units gets integrated with each other to form a cluster and then these different clusters get internetworked with each other to form a huge network so that they can exchange their information and resources in order to increase their wealth.
6. **Disintermediation:** In simple words, it can be described as the elimination of middlemen from the traditional supply chain. The new economy is digital and there is no need of intermediates. There is a direct communication between the seller and the consumer. This intermediates the middlemen from the entire process of selling and purchasing.
7. **Convergence:** This idea focuses on the convergence of computing industry, communications industry and content industry with the capability and quality of the organization in order to achieve the success in Internet business. Computing industry acts like a nerve center that processes the data and provides the required information. Communication industry provides the technology to transmit the information from one place to another. And finally, the industry that offers the service(s) to market in cyberspace is known as Content Industry. All three industries are equally important to achieve more and more success in the business.
8. **Innovation:** The tastes, preferences and requirements of the consumers never remains the same. Consumer demands for something new very often. And to survive in the market, it is very much important to satisfy the requirements of the consumers. So, here arises the need of innovation. Innovation is always helpful for both the parties (i.e. manufacturer and consumer). Manufacturers gets the ‘competitive advantage’ and consumer gets the ‘satisfaction’. That’s why innovation plays a very important role in the survival of an organization in the market and to achieve the unbeatable success.
9. **Prosumption:** The new digital economy is fading the gap between the producers and the consumers. Now consumers can get their customized products as per their requirements. Also there is an opportunity for every consumer, with the knowledge of information technology, to become a producer for providing the services to the public. And this concept of transformation of consumers into producers introduces a new category of individuals known as “prosumers”. This category includes all those consumers who started providing information technology based services to the public.

10. **Immediacy:** This idea focuses on providing the cheaper, better and faster services to the consumers. This is what that can satisfy a consumer and helps the producer to beat the competition. If the service provider shifts from mass production to customized on-line production and facilitates “Just-in-Time” services to the consumers, then the producer will definitely beat the competition and ensures his/her survival in the market.
11. **Globalization:** The idea of globalization is very much advantageous for both the communities, sellers as well as consumers. This concept removes all the limitations of time and space and allows the sellers to sell their products from the place they find convenient and cheap according to them. Sellers can take the orders 24*7, this helps them to expand their business. Similarly, consumers can place the order for their desired products anytime and from anywhere and also at the prices they find reasonable. Globalization has made it possible to consider the whole world as one single virtual society.
12. **Discordance:** Discordance simply means lack of agreement. Unprecedented social issue arises because it is not that much easy for the people to accept the changes in their old cultures. But the new economy will raise far-reaching questions about power, equality, equality of work life, privacy, access, and quality of general life and the future of the democratic process itself.

7. Impact of digitalization on economic growth

The step of digitalization, taken by the government of our country, is transforming our country from “India” to “Digital India”. This initiative helps us to believe that soon our country will be independent from bureaucratic processes, the services will reach in time to the public and more importantly corruption rate will decrease. We can hope that the impact of digitalization on economic growth will be long lasting.

Some of the key initiatives taken in our Digital India are as follows:

1. Providing a digital locker (known as DigiLocker) to the citizens of our country so that the people can safely store their government id(s), such as PAN card, passport, driving license etc., on cloud storage and can use these ids whenever required.
2. Providing a government portal (known as MyGov) that helps the people of our country to get all the services, provided by our government, at one place.
3. Providing a portal that helps the citizens of our country to online book their appointments with the doctors and government hospitals. And the name of the portal is ORS. It stands for Online Registration System.

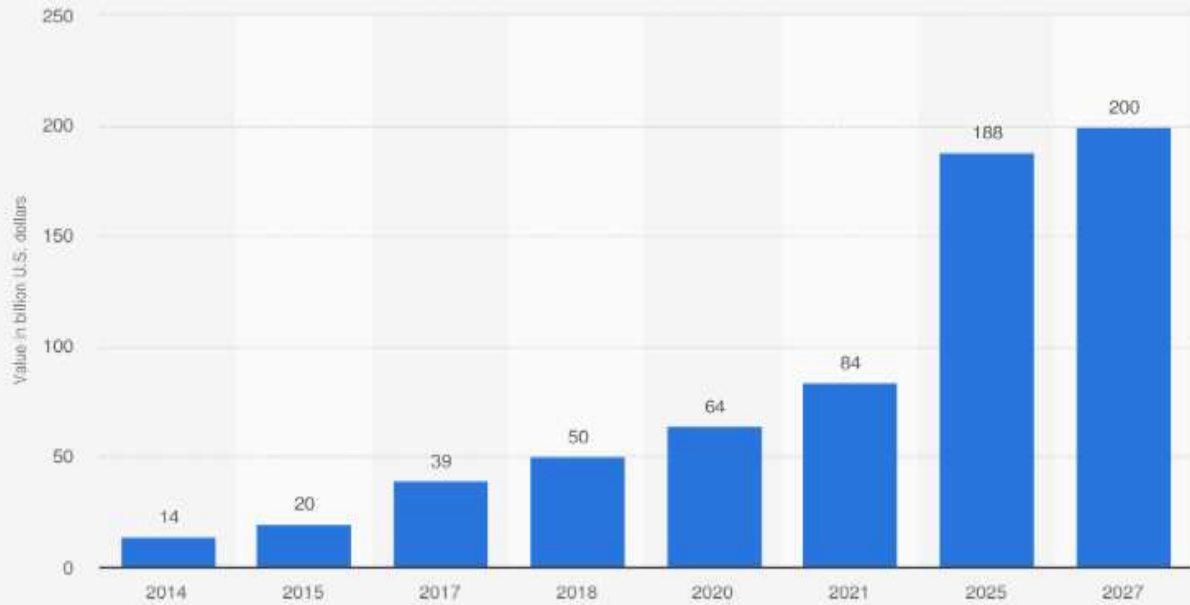
Apart from all these initiatives, there are a lot more initiatives taken by our government to develop the country with the help of the latest technology.

The biggest advantages that the citizens of our country gained from digitalization are as follows:

1. Creation of job opportunities for the youth.
2. Immense motivation to the youngsters for starting the new startups by thinking new and creative ideas.
3. Encouraging the citizens to go for the cashless transactions. It means to make payments digitally rather than using the hard cash or paper currency notes.
4. Providing the technical security to the citizens to keep their plastic money safe and secure.
5. Increase in cashless transactions ultimately discourages the money laundering and terrorism funding etc.

The following statistics will help us to know more about the impact of digitalization on our economic growth:

Market size of e-commerce industry across India from 2014 to 2018, with forecasts until 2027 (in billion U.S. dollars)



Sources

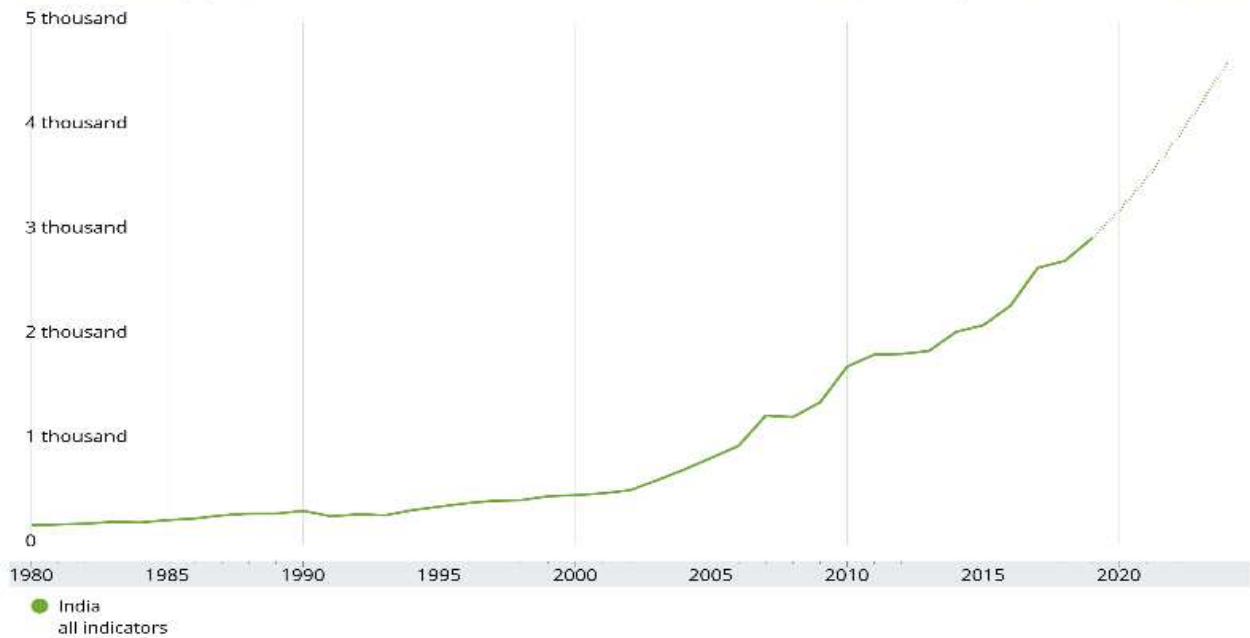
India Brand Equity Foundation; Various sources (Media sources); BCG; Bain & Company; Morgan Stanley
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Additional Information:

India: Various sources (Media sources); BCG; Bain & Company; Morgan Stanley; July 2020

IMF DataMapper

GDP, current prices (Billions of U.S. dollars)

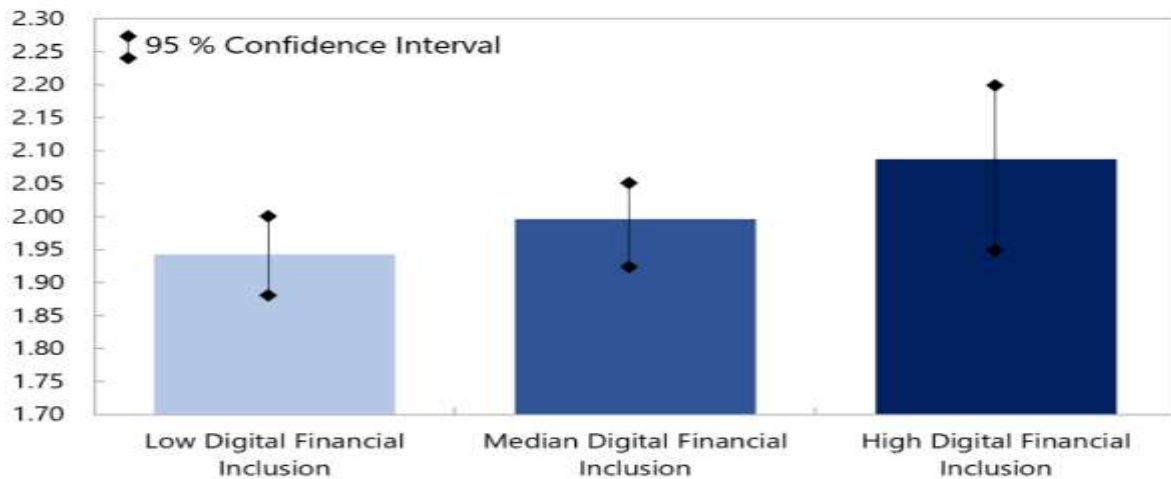


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Good for the economy

Digital financial inclusion is associated with higher GDP growth.

Impact of Digital Financial Inclusion on Growth (In Percent of Annual GDP Growth)



Source: IMF Staff calculations.

Note: Annual GDP growth rates for countries with low (25th percentile), median, and high (75th percentile) levels of digital financial inclusion are shown, holding other explanatory factors of growth at their median levels.

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8. Barriers in the process of Digital Transformation

Some of the major barriers are as follows:

1. **Lack of experimental ability:** The businessman doesn't like to do experiments with their businesses. They usually oppose to adapt the changes. They always want to go with the flow. This is the biggest barrier in the digital transformation because without adapting new technology, it is not possible for the business to transform digitally.
2. **Cybersecurity:** People are actually concerned about the issues related to cyber security and that's why they don't want digital transformation. As the digital transformation always carries the risk regarding cyber security. Although the technical team is working so hard to take proper measures to avoid or minimize the risk of cyber security.
3. **Insufficient Budget:** For doing digital transformation one requires proper hardware and software and for this people needs to invest such a huge amount that everyone can't afford. This creates the barrier in moving forward towards the digital transformation.
4. **Lack of knowledge:** This is the barrier which arises when the latest tools and technologies or strategies are not in the knowledge of the businessmen. This lack of knowledge never allows a businessmen for doing their more efficiently.
5. **Lack of talent:** The IT decision makers are unable to complete their digital transformation projects because they are not putting their talent and skills in the right direction. And success can't be achieved without putting the right skills in the right direction.

9. How digitalization is accelerating the economic growth

1. By increasing the job opportunities
2. By increasing the productivity

3. By facilitating globalization
4. By providing online platform and reshaping business models

10. Conclusion

From the above study, it can be concluded that digitalization is very helpful in making our lives easier and our economy more productive. The digitalization has accelerated the economic growth of our country by increasing the productivity, creating the job opportunities, facilitating business and communication over internet etc. This means that the impact of digitalization on economic growth is quite positive so far. And hopefully the strategies will work in the right direction in order to remove the barriers and accelerating the economic growth.

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