

A Report on

**Study of Digitalization in Indian
Economy**

(11th January 2021 to 23rd January 2021)



By

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Under

TheRise Internship Programme - TRIP

An online internship programme

OBJECTIVE AND WORK PLAN

It was in November 2016 when the Indian Prime Minister proclaimed demonetization which created disastrous consequences on local populations, and especially the most deprived among them. However, this nucleated the digitalization in Indian economy. The focus was laid on the electronic payments via Automatic Teller Machines (ATM), digital payments via Point of Sale Terminals (POS), and mobile banking. The e-commerce also felt the impact of growing use of digital transactions along with various other sectors that were affected with the ongoing digitalization in Indian economy. But the challenges imposed due to limited computer literacy, digital divide and access to internet have been critical factors impacting the digitalization in Indian economy.

Objective: “Study of Digitalization in Indian Economy”.

Work Plan: Weekly Work Plan for each week starting from Monday to Friday will be as follows. The guidance can be sought on email any number of times. The intern has to communicate the progress of work done on each working day by email in minimum 25 words by 7.00 PM. After every week, the brief detail of the work done in the week in around 500 words should be sent latest by email by 7.00 PM on Saturday of respective week. There will be a weekly discussion with the intern as per the schedule notified on email.

Week 1: Searching the available literature and statistics pertaining to the broader objective.

Week 2: Writing and submitting an article (upto 1000 words) giving insights into impact of digitalization in Indian economy in respect to the ongoing economic issues in the country - The article should take up the contemporary issues to become relevant for publication

- Final report writing and its submission for issue of the internship completion certificate

ABSTRACT

Digitalization has revolutionized the way we use banking services. Today the idea of Hybrid Banks is gaining traction. Traditional customers have been demanding a robust digital experience and more services than just banking facilities.

India's demography, with the proliferation of cheap handsets and low-cost internet accessibility, has aided in the digitalization of the Indian economy. Research conducted in 2018 has revealed that India ranks in second place with the highest internet users pegged at around 570 million, next only to China and this base of internet subscribers is rising at a rate of 13% every year as reported by (Adhikari, 2021).

To pursue the objective of inclusive digitalization, the government has also introduced the flagship Bharatnet program to provide broadband connectivity to 250,000-gram panchayats throughout India. According to a report in ET Telecom (2020) through Bharatnet, the government will extend e-governance applications like telemedicine (e-sanjeevani), access to land records, and other utility services to Rural India.

This work involves the study of digitalization in the Indian Economy.

Keywords: *Digitalization, Indian Economy*

DEMONETIZATION AND DIGITALIZATION

India's digital revolution began with Demonetisation. The cash disruption led to an acceleration in digital banking and electronic payments as revealed in a report by PWC (2015, 2). Post demonetization and simultaneous adoption of digital and electronic payment methods reduced cash proliferation into the Indian Economy and the pandemic further provided a boost to digitalization and increased formalization of the Economy.

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As reported by (Desai, n.d.) Digitalization is the multiplying force in India. Under Jan Dhan Yojana, a tool for financial inclusion, 1.2 billion have biometric identity linked to their digital accounts and businesses digitally networked.

PROGRESS AND IMPACT

Digitalization helps widen the tax base, spurring a formalization of the Indian economy. Lewis (2021) reports that since March 2020, the government has distributed USD5 billion to

citizens using digital payment methods. The digitalization of the government has been prominently visible in few e-governance initiatives.

The government e-marketplace facilitates the procurement of goods and services by government departments. Digi locker has enabled sharing of documents and files electronically and through Direct Benefit Transfer, the government can directly send credit into citizens' accounts.

Digitalization has revolutionized the way we use banking services. Today the idea of Hybrid Banks is gaining traction. Traditional customers have been demanding a robust digital experience and more services than just banking facilities as reported by (Mehta, 2020).

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DIGITAL INDIA- A BRIEF

ABBAS (2021) reported that the government of India launched its flagship scheme of Digital India in 2015 to facilitate 100% mobile telephony, digital delivery of citizen-centric

services, and high-speed broadband for 1.3 billion Indians. Lockdown has brought a transformational change in consumers' behavior as they have become increasingly digital. There has been a phenomenal shift to digital businesses like virtual gyms, virtual classes, and telehealth.

CHALLENGES

As India embraces digital technology some challenges and threats need to be addressed.

From the current USD200 billion economy, The vision to become a \$1trillion digital economy in 2025 requires a leapfrog jump. Catapulting a digital economy requires increased investments in digital infrastructure, last-mile connectivity to coastal, landlocked, and island states. This has strengthened the argument for scaling up digitalization in sectors like data-driven lending and insurance.

In India, with the workforce transitioning online, there has been a spurt of cyberattacks.

As reported by IANS (2020) India experienced a 37% increase in cyberattacks in the first quarter of 2020 as compared to the last quarter of 2019, researched by Kaspersky Security Network (KSN).

In a study conducted by PWC (2020, 3) it was observed that the cyberattacks on remote working were doubled in March 2020 from January 2020, along with identity theft other malicious activities were pursued that disrupted the working of Indian Organizations.



CONCLUSION

According to the report by the Ministry of Electronics and IT (2019, 103), India's digital ecosystem has the potential to create USD1 trillion of economic value by 2025. The digital interventions will help create another 40-45 million job opportunities especially in the sectors like fintech, agtech, and health tech in the Indian economy.

The cycle of strong Economic growth depends upon the wheels of digital infrastructure and data privacy. Contextualizing it, post-pandemic India entails a digital recovery, wherein citizens will be digitally literate and aware. For this along with digital infrastructure we need awareness campaigns.

Edward G. (2020) reports that the number of internet users is expected to reach 1 billion and as per Roy (2020) Digital transactions are expected to reach INR 15 trillion a day by 2025. The extent of such digitalization demands safe cyberspace. Along with data privacy, the government needs to formulate a cyber-resilient policy, enact data protection laws and develop digital infrastructure.

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ANNEXURE

INTROSPECTING DIGITALIZATION IN INDIAN ECONOMY

Digitization is a process to convert information, without any loss into digital formats for increased accessibility and convenience, whereas Digitalization is infusing technology into business processes for better, efficient working and easy sharing of data among different sectors of the economy.

DEMONETIZATION AND DIGITALIZATION

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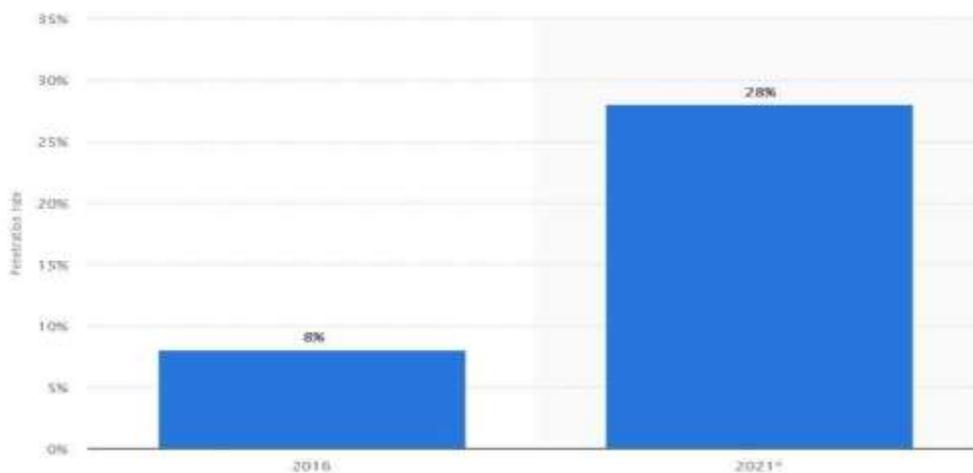
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Fig1: The penetration rate of digital buyers across India 2016-2021



NOTE- (KEELERY, 2020)

The above figure illustrates that there has been an increase in online shopping by digital buyers from 8% in 2016 to a whopping 28% in 2021, this rise is on account of a pent up digital demand due to the penetration of digital technology into the Indian economy.

To promote Digital India the traditional pen-paper census will for the first time mark a transition to a “Digital census” in 2021 as announced in the revolutionary Digital Budget of this year (INDIA TODAY, 2021). The digital data collected through mobile applications will ensure greater transparency and better policy formulation.

The Indian government’s Digital India Mission (Ministry of Electronics and IT, 2015) has been buoyed by Covid 19 induced restrictions that have spurred the digital transformation. Roy (2020) reports that as per RBI estimates, India is recording 100 million digital transactions every day, which is five-time of 2016 levels.

SCOPE OF DIGITAL RECOVERY

In the pandemic-stricken economy, the transition to online medium has accelerated digital adoption. For the Indian tech industry to capitalize on digital services, there’s a need to inject resources into the Indian economy. In a report by Mckinsey, it is observed that the fast-growing digital media and entertainment ecosystem has the opportunity to generate USD55 billion in economic value by 2030 (McKinsey Global Institute, 2020, 16)

As per Niti Aayog's report on Artificial Intelligence (AI), for agriculture to maintain a growth rate of 8-10%, leveraging digital technology is pivotal. Digitalization of the farm sector entails deploying sensors for soil monitoring, tech-enabled supply value chain, and Logistics management. Thus digital infrastructure is a prerequisite for Agriculture tech (Ag tech).

In health tech, the three digital themes are up for grabs, an electronic health record for every Indian by 2025, telehealthcare, and tech-enabled universal health insurance for all Indians.

The digital revolution can help achieve the ambition of Energy for all. Tech can be deployed to improve transmission and distribution of power. Research is needed in harnessing the potential of tech in Digital bills, prepaid meters, and smart grids.

THE RISE

CHALLENGES

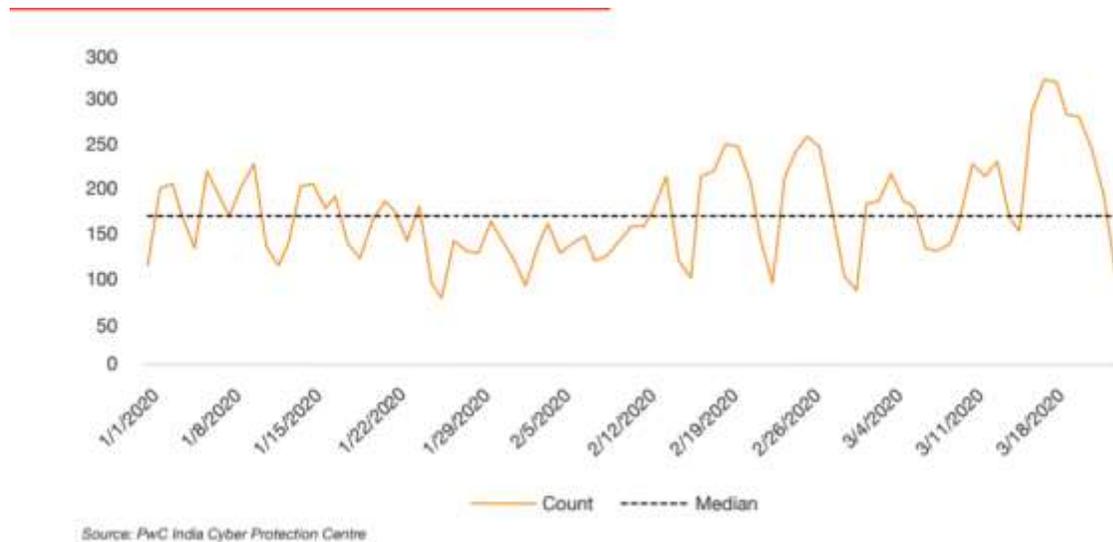
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Fig.2: The volume of cyberattacks experienced by Indian organizations



Note- (PWC, 2020, 3)

Way forward

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