

## **DIGITIZATION: A TRANSFORMATIONAL IMPACT ON INDIAN ECONOMY**

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### **Abstract:**

Digitalization has changed the lives of modern consumers and associated business ecosystem. The ever-increasing propensity of consumers and business units now-a-days to resort to digital mode of payments and financial transactions, especially in these post pandemic years, has not only opened up new vistas of economic growth opportunities, but also has increased the consumer expectations worldwide across all industrial sectors leading to increased innovations and competitive services. This paper has been prepared on the back of a primary survey conducted across some of the leading Indian metro cities, wherein the objective was to assess the impact of the present digital wave nation-wide. Whereas the growth of e-commerce and deeper penetration of internet connectivity has aided the spread of digital transactions, the survey indicates that public convenience and overall ease of payments – anytime and anywhere – have further added fuel to this inclusive preference for digital modes in India.

**Keywords:** Digitalization, Business Ecosystem, Consumers, Financial Transactions.

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### **Introduction:**

As per press release of Telecom Regulatory Authority of India (TRAI) dated 23<sup>rd</sup> December, 2024 the total wireless subscription base in India as of Oct 31, 2024 was 1.15 billion of which 54% were spread across urban cities, while the rest 46% were rural subscribers. The release further mentions that India had 0.94 billion internet users. Sustained focus and support of GOI over the last decade towards building the digital infrastructure has enabled such an inclusive adoption of wireless connectivity across all quarters of the Indian society. Cascading effect has been that all service providers have together focused on building a robust digital transaction system reaching out to millions, whether in urban or in remote rural areas of the country. Thus, the Digital Public Infrastructure has borne fruit, yielding economic benefits and growth of innovation and entrepreneurship.

The objective of this paper is:

- i) To assess the degree of digital adoption in India
- ii) To analyse the above digital penetration at different strata and profiles
- iii) To further apprehend and forecast the future of digitization in our country

### **Literature Review:**

Digitalization in all aspects has been identified as one of the major trends affecting society and business today. Digital transactions or digital payments have increased over the past few years in both developed and developing

countries alike. Many studies have been conducted to apprehend this impact of digital payments on consumer spending patterns.

Kurniawan et.al. showed that digitisation has made life easy for the people as they can make their transactions anytime and anywhere. This has changed the pattern of household spending from cash transactions to cashless transactions leading to an increase in the number of digital payments.

In a recent study of Pakistan, the authors (Ahmed & Hadi) tried to find the role of digitization on consumer buying behaviour and demographic factors. Data was collected from 300 respondents and statistical packages were used to conduct the statistical tests. The tests proved that digitization affected consumer buying behaviour directly concerning consumer demographic factors. Demographic factors like age were found to be crucial in the relationship between digitization and consumer buying behaviour. The direct role of other factors such as gender and educational qualification were also found to be significant. The study suggests that while designing digitized advertisements and packages companies should focus on the age brackets of their consumers.

It was observed that there is a spectacular change in the consumption pattern of urbanites in the era of digital revolution in the country. The study confirms that there is an overspending tendency and debt issues of households using e-wallets (54% of the respondents overspend attracted by offers and cash backs). Another 84% of the respondents say offers, discounts and cashbacks attract them while 80% of them said their savings become less. So, the study found that saving and wealth creation and long-term financial plans of the urbanites are at stake due to digital payments, usage of credit cards and pay later options. This would lead to more interest payments for the repayment of debt, growth of fin tech entities and lead to concentration of society's wealth in few hands. It may lead to huge inequalities in income distribution in the country. The changing lifestyle of millennials and the financial options for taking loans available through online and mobile apps are leading to deaths due to inability to repay the debts in semi urban and urban areas. There is a huge increase in overspending, less saving and huge debt burden to households in the society.

(Dimova, 2021) studied the impact of the overall digital transformation process on consumer behaviour and, the need of the retail companies to influence consumer behaviour in particular.

The results of Laila Ramadhani's research conducted on 240 students of Malang State University explained that there was a significant influence between the use of e-payment on student expenses. This is due to the ease and speed of e-payment. He found a high correlation between the spending behaviour of students and the use of digital payments (e-payment) [4].

Jun Ma, Gokhan, Karaati also researched the influence of the internet network on people's shopping style and decision making. The results of his research show that the rapid development of digitisation, especially in the field of business, increases the desire of the public to be able to shop through the e-commerce network.

### **Research Methodology:**

The paper is built on the basis of a primary survey conducted over a probable group of respondents shortlisted through a stratified sampling methodology basis occupation and geography. A google form multiple choice questionnaire was provided to the respondents for their independent responses. The selected population were

essentially adult habitants of Indian metros. The responses were analysed from various standpoints to categorize and/or group the population basis specific views of the respondents. Further secondary data around the spread of digitization in India over the past few years were also collated and integrated further with the responses of the above primary survey. Conclusions were drawn to forecast the future of digitization and analyse the associated policy implications for India in the next decade.

#### **Findings:**

The survey was carried out among 138 respondents which constituted 76 females and 62 males. Whereas strategically equal proportions of young (aged below 30 years) and middle-aged respondents (aged between 30 to 50 years) had been chosen for the responses, another about 10% of the population were also chosen in the senior age bracket (above 50 years) to make a comprehensive representation of the wider profile of Indian population. The respondents were also selected judiciously by their profession (salaried and non-salaried) and by educational qualification (under graduate, graduate and post graduate) to better understand the basic approach and viewpoints towards the current digital wave that's sweeping across the country.

The results of the survey were duly tabulated and further analysed for appropriate conclusion. The findings were as follows:

- About 13% of the population was still outside the purview of the digital modes, which was mainly the youth (aged below 30 years). *This signifies that although digital transactions have become the preferred mode of money transfers among all Indians, there is some number of trainings and/or education which may be required amongst the youth for them to fully catch up with the digital wave.*
- Among the mid to senior age group of salaried people, 92% of male are into digital modes of transactions, whereas the same for female is 100%. *This signifies that popularity of digital transactions are even higher amongst the grown-up females owing to the ease of money transfers at the click of buttons.*
- Nearly three-fourths of the household transactions undertaken by married couples are spent digitally towards buying the daily kirana and grocery items. *It again points to the fact that digital modes are part of the daily lives of Indian families all across the country.*
- Interestingly, as much as more than 70% of the married people admitted that their household expense could have been saved by more than 25% had there been no option of digital transaction mode and all the transactions were available only in physical currency mode (like what India had about a decade and half earlier). *This shows the significant impact that the advent of digital modes has had on Indian masses, especially when it comes to their willingness to spend in their daily life.*
- Finally, almost 80% of all the respondents agreed and/or strongly agreed that digital mode of transaction will eventually become and/or stay as their primary mode of transaction after another 5 years from now.

#### **Conclusion/ Policy Implications:**

Digital payments in India have become the order of the day. Progressively, as it gets momentum further owing to its easiness and convenience that it provides the consumers worldwide, the same will eventually overhaul the physical currency transaction mode. As reflected in the primary survey above, almost everybody predicts himself

to be on the digital bandwagon at some point of time in the near future: such is the power of digitization that's sweeping across the masses of this country.

However, with the digital fever catching everyone in the country, it brings added responsibilities on the Government of India to ensure safety and cyber security to protect the consumer interests. Accordingly, there has been added push towards building strong firewalls and robust payment architectures in order to protect consumers from cybercrimes and frauds. This will become more rigid, regulated and pronounced in future.

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