

DIGITALIZATION OF TRADE: INDIAN EXPERIENCE

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ABSTRACT

In the recent years, the world has seen a rapid advancement in technology. Digitalization is the process of converting information into a digital format and also the outcome of innovation and technological advancement. Digitalization is the use of digital technologies to change a business model and to provide new revenue and value-producing opportunities. Digitalization can greatly impact on the trade competitiveness of the countries, benefiting to those countries that are able to increase the digital content of the production and exports while adversely impact on those countries that are unable to catch up in the digital race. Digital trade comprises both digitally ordered trade in goods and services (cross-border electronic commerce (e-commerce)) and digitally delivered trade (services delivered internationally through the Internet or other networks). Several initiatives are being designed within the Digital India programme to accelerate India's digital transformation and to improve digital content in India's exports. In this context it is important to analyze and probe into the issues related to the Indian experience on digitalization of trade which is attempted in this paper.

Key words: Digitalization, Technology, Trade

INTRODUCTION

The world has seen a rapid advancement in technology in the recent years. The transactions are made using digital technology. Hence, digitalization has become a major drive in the business world. Digitalization is the process of transforming information into a digital format through Internet. Digitalizing data makes easier to preserve, access, and share useful information. Digitalization can greatly impact on the trade competitiveness of the countries. Digitalization benefits to those countries that are able to increase the digital content of their production and exports, while adversely impact on countries that are unable to catch up in the digital race. Impact of digitalization on global trade competitiveness of a country, it affects all the stages of a value chain, including pre-production, production, and post-production. Firms are using big data analytics to analyze consumer preferences, forecast demand, and customize products. People and businesses use online means of buying and selling and global value chains have become more and more digitalized. It is essential for businesses in developing countries to have the capacity to trade digitally.

Further, the pandemic has served to highlight the importance of digital technologies in supporting international trade. In 2020, global services exports fell by 20.0 percent compared with 2019, but exports of digitally deliverable services – those that can be delivered remotely over Information and Communications Technology (ICT) networks such as the Internet – proved relatively silent, declining by only 1.8 percent, despite extensive economic disruption during the pandemic. As a result, digitally deliverable services reached almost 64.0 percent of global services export. Several initiatives within the Digital India program are being designed to accelerate India's digital transformation and the Government is also in the process of preparing its National E-Commerce policy. Thus, in digital era, India increases its trade competitiveness by designing a digitally informed foreign trade policy, which can help in increasing the digital content in India's exports and improve its global competitiveness

OBJECTIVES

The main aim of this paper is to analyze Indian experience on Digitalization of Trade. The specific objectives are;

1. To examine the development of Digital Technology with reference to Trade in India.
2. To analyze the present status of Digital Technology and Trade in India.

RESEARCH METHODOLOGY

The paper is descriptive and analytical in nature. The analysis is based on secondary data and review of literature. The paper focuses on to analyze on digitalization of trade in India and the present status of digital technologies and trade in India.

DIGITAL INDIA

Globally, the use of internet and smart phone tend to be strongly connected to each other. India is dominating the country like US in case of internet usage and increase in access to mobile connections at home. In the year 2015, the government of India launched one of the important projects is digital India. Digital India provides services electronically by reducing paperwork and also includes connect rural areas with high-speed internet networks. Digital infrastructure is for providing high speed secure Internet in rural and urban area of India. India is the second largest telecom network in the world with 1.2 billion subscribers. This resulted in a rapidly growing internet user exceeds by 500 million in 2019.

The use of Smartphone has increased rapidly from 5.5 percent in 2014 to 26.2 percent in 2018. Currently, there are about 350 million smart phone devices in India. In the year 2017, India became the second largest production of 142.3 million (unit's) smart phone in market with a growth rate of 14.5 percent in 2018. In 2019, India had approximately 500 million smart phone users where in this combined with the country's young and diverse population.

As the Indians now have accessed more internet enabled smart phones, this number is expected to reach 829 million by 2022. Many state governments have already made significant strides in making their states ready for the smart phone revolution. States such as Andhra Pradesh, Kerala, Rajasthan, Tamilnadu and Gujarat have emerged as the leading states in terms of digital readiness. This has prompted other states to undertake various initiatives such as Sanchar Kranti Yojna in Chhattisgarh and Digital Agriculture in Jharkhand. Several factors have contributed to the smart phone user by reducing smart phone prices, increase in number of rural users, vernacular accessibility and various Government initiatives. Mobile apps are the primary form of service delivery. It leads to more efficient processes, transparent workings, ease of access to services, citizen participation and inclusion. The advent of smart phones has accelerated India's digital journey and bridged the gap between rural and urban India.

In India, ATMs have changed as an exclusive device for customers in urban areas, being as agent of social change, and financial support across towns and remote villages of India. The economic recession, Covid-19 pandemic, and the digitization have dealt another blow to the ATM (automated teller machine) industry. According to **RBI (Reserve Bank of India)** data, the total number of ATMs in India stands at 234,244 by end of September 2020, marginally down from 2, 34,357 in March 2020. The NFS network was transferred to NPCI (National Payments Corporation of India) in 2010 and since then, the number of ATMs connected to NFS has increased more than 251,000 on which 250 million cash withdrawal transactions were performed in May 2021. Thus, there is vast potential to leverage this reach for social and economic development under Digital India

DIGITAL TECHNOLOGY IN INDIA

The digital and E-governance initiatives including E- Kranti consolidate under the Digital India program. The vision behind Digital India comprises three key areas; Digital Infrastructure as a utility to every citizen, Digital services, and Digital Empowerment of citizens. These vision areas act as the guiding pillars for digital governance. In today's scenario, India lives in an era of Smart Phones, Internet and social technologies. The some of the components of the digital technologies are:

E-Commerce

E-Commerce deals with the purchasing and selling of Products and services over an electronic platform that is internet. E-Commerce has categories such as Business to Business (B2B), Business to Consumer (B2C), Consumer to Business (C2B) and Consumer to Consumer (C2C). E-commerce allows the business to communicate and to perform transaction at anytime. Major players of E-Commerce are Amazon, Flipkart,

Snapdeal.com and Myntra.com. In May 2021, Amazon introduced a video streaming service within its shopping app called Mini TV for users in India. In February 2022, Flipkart launched the “sell back program” to enable trade in smart phones.

According to **UNCTAD 2018**, electronically transmitted products are estimated to \$22.5 trillion. Of this, around \$21 trillion is estimated to be domestic e-commerce, wherein e-products across the national boundaries are estimated to be worth \$1.6 trillion. According to **NASSCOM**, the Indian E-Commerce market was worth \$14 billion in 2015, increased from \$10.5 billion in 2014, and having grown at a CAGR of 30.0 percent since 2010. India has a small share around 1.0 percent of the global cross border e-commerce market with 69.0 percent of it controlled by three countries: China (40.0 percent), the US, (20.0 percent), and the UK (9.0 percent). They are followed by Japan (5.0 percent), Germany (4.0 percent), and France (4.0 percent). Thus, six countries control more than 85.0 percent of the cross-border e-commerce market. With a turnover of \$50 billion in 2020, India became the eighth-largest market for e-commerce, trailing France and a position ahead of Canada. In October 2021, the e-commerce sales reached US\$ 4.6 billion, supported by the festival season in India.

Digital Marketing

Digital marketing is the process of promotion of products of various brands, selling of products and services through electronic devices. It is also called as social media marketing, search marketing, email marketing. The business promotions are made through internet, social marketing, mobile phones, electronic billboards, television, radio channels and video-based contents. This is the fastest-growing form of marketing to its reach, cost-effectiveness, measurability, and accuracy. Digital trade marketing tools can help manufacturers to reach the consumers. The retailers and manufacturers facing challenges in a shifting landscape, leveraging the power of digital in trade marketing and offers a unique opportunity to improve the customer experience. Digital provides the ability for a retailer to collaborate with the manufacturer and take consumer experience to the next level.

India has one of the largest users of internet in the world. With the increase in internet users, organizations are adopting digital marketing. Globally, 34.0 percent organizations are investing more than half of the annual budget of marketing on digital marketing. In India, digital contributes 22.0 percent of total budget on advertisement and on marketing promotion. 66.0 percent of Internet users make buying decisions on digital platform. E-commerce sales reached \$12 trillion globally by end of 2019 and likely to grow \$ 24.3 trillion by 2025. India targets to reach US \$200 billion by 2026 from US \$38 billion in 2017 with growth rate of 11.1 percent.

E- Banking

E-banking (Electronic Banking) is an integral part of the banking system in India. Before 1990, traditional model of banking is branch-based banking, but after that non-branch banking services were started. ICICI bank is the first one to launch internet banking in India. Electronic or internet banking is a payment system where consumers of a bank perform banking transactions through the banking institution's website. Electronic Banking has led to the globalization of the small scale and medium scale, Multinationals industries to perform different commercial transactions through internet. The main intention in introducing the e-banking system is to provide easy access to the consumers. E- Banking also helps companies to make new business alliances and market research at affordable costs. It brings together the business and customers from different geographical locations. The online banking system is divergent to traditional banking. Indian banks offer to their customers the various e-banking products and services like Automated Teller Machines (ATMs), Internet Banking, Mobile Banking, Phone Banking, Tele banking, Electronic Clearing Services, Electronic Clearing Cards, Smart Cards, Door Step Banking, and Electronic Fund Transfer.

According to the **RBI (Reserve Bank of India)** Annual Report 2020-21, the payment system recorded growth by 26.2 percent in terms of volume. Here some of the major key facts are as follows: Private sector banks represent about 67.0 percent of the Point of Sale (POS) terminal market while public sector banks account for 27.0 percent. Payments banks accounted for 5.0 percent market share, and foreign banks represented 1.0 percent. The number of transactions through mobile wallets in Quater1 2021 was 1.13 billion and the value was Rs.411.75 billion. This includes the purchase of goods and services and fund transfer through wallets. Transactions through wallets are growing steadily Consumers made 8.32 billion mobile based payments whereas Net Banking or Internet browser-based transactions were over 937.60 million.

DIGITALIZATION OF TRADE IN INDIA

Digitalization has impact on the global trade competitiveness of a country. By negotiating bilateral and multilateral trade agreements in the development of digital trade rules that will enable the country to capture the digital dividend. So, there is an opportunity for India to play a leading role in terms of digital trade in the global economy. Digital trade covers the production, distribution, marketing, sale or delivery of goods and services domestically and abroad supported by cross-border data flows. In India, It will also enable firms to reduce the cost of storing data, improve business practices, generate richer business insights, and enter new markets.

Digital trade also facilitates the more efficient management of global supply chains. In 2018, the economic value of digital trade enabled benefits to the Indian economy is estimated to be worth up to Rs.226 thousand crore (US\$35 billion). It is estimated that the economic value of digital trade reach Rs.3,331 thousand crore (US\$512 billion) by 2030, if India reduces barriers to digital trade and fully enables cross-border data flow. The export value of virtual goods and services enabled by the digital economy such as e-commerce could increase from the current \$58 billion to \$197 billion by 2030.

In this regard, by designing the various digital infrastructures for trade it helps to enhance digital connectivity of traders and also to encouraging use of digital technologies and digital services in traditional export sectors. India has to develop its digital infrastructure and skills, and increase the use of digital technologies in the export-oriented sectors of its economy to remain competitive in global trade.

RECENT DIGITAL TRADE INITIATIVES IN INDIA

Digital trade have significant on domestic and export growth opportunities for Indian companies and also for non-digital sectors. It supports large productivity in domestic sectors, support the production, improvement in quality and international competitiveness. The Foreign trade policy 2015- 2020 emphasis on improving the 'Ease of Doing Business' for trading business in India. Merchandise Exports from India Scheme (MEIS) as exporters were required to submit landing certificate as a proof of landing of consignment in the destination country. As a part of ease of doing business and reduction of transaction cost of the exporters, the government decided to do away with the Landing Certificates required under Merchandise Export from India Scheme.

With effect from 1st January 2016, filing of declarations by importers, exporters, Customs brokers and manifests by shipping and airlines through digital signatures is also initiated. India took a leap forward in digital trading by reducing the mandatory documents required for import and export of goods to three documents each. Thus, it is a major step in the direction of simplification of procedures and improvising ease of doing business in the country. India's strategy to maintain and enhance the strong performance in its export markets must be supported by greater cross-border data exchanges, processing and storage.

CONCLUSION

Building digital infrastructure for trade is the key to building trade competitiveness in the digital era. In india, there is a sentiment of urgency in adopting digital practices for greater efficiency and growth among the population. India needs to revisit the traditional approach to foreign trade policy and adapt it to the digital world with an emphasis on regulating and using data, and developing digital infrastructure and Information Technology to promote trade and inform trade policy in order to remain globally competitive. Further, there is a need to develop national digital skills and digital technologies for which technology transfers from foreign firms become imperative.

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