

Government, Digital Economy, Start-ups, and new horizons in the employment sector

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Abstract:

A State and economy are always entangled and the growth of one depends on the growth of the other. Digitalization has brought unimaginable changes in lives and has made automation, one-click payments, home services, etc. a part of daily life. This article is an attempt to establish the hypothesis that the 'digital economy has led to the growth of startups and generation of employment.' With the upsurge of technology in every sector, the economic sector witnessed the first major change which was a shift from paper to digital. There had been different revolutions in transaction mechanisms which can be studied in three phases. The patterns of transaction changed during each and led to the increased consumer base for startup companies.

The Indian government has proactively supported its startups via national policies, subsidiaries, seminars, investor summits, etc. The incubation of startups has also led to the opening of new sectors of employment like entrepreneurs, online sellers, YouTubers, online teachers or instructors, investors, organic farmers, service providers, etc. The opportunities are no more restricted to the traditional options anymore. Talent and skill are the major aspects of this new employment sector.

The digital economy has brought everyone on a single platform where all are connected without borders and can interact, trade, communicate and transact. Trade has become more transparent, the economy has become more technology dependent and the number of startups has shown exponential growth instead of linear growth is optimistic as well as alarming too. The sustainability of this growth will need to be maintained in the future for holding these new earning opportunities that the digital economy and startups have brought in together. Regularization of FinTech companies and the role of EdTeches to provide a skilled workforce will be crucial to hold this growth.

Index Terms:

Digital Economy; E-governance; startups in India; FinTech Growth; Transaction revolution; Employment generation

Introduction

The wave of digitalization that started in the twentieth century changed the entire spectrum of the Indian economy. The nexus of workforce and resources witnessed an entirely new working culture that was feeding on technology. These changes made the process faster and error-free. Automation came with a benefit as well as the challenge of decreasing human efforts and human resources. The job sector started requiring skilled workforce who were cognizant of technological advancements. The government had challenges in skilling

up the workforce; pushing technical advancements to develop stable markets and create employment. With the launch of the Digital India campaign, this was taken a step further where startups were supported via investments, subsidiaries, tax exemptions, etc. This came from the government with multiple geopolitical as well as economic motives which will be highlighted further in this article. This era has been marked as the fourth industrial revolution where technology and digitalization will change everything about the economy (Schwab 2016).

In India, the economic sector was the first to witness this digitalization via a methodic shift from paper to computers for maintaining customer data as well as other information. This was followed by digitalization in the social sector, healthcare, agriculture, education, etc. The impact of the digital economy has brought a huge change in the urban as well as the rural economy of India. Other factors that played a huge role in empowering digital transactions are demonetization and Covid 19 which had their drawbacks but proved beneficial for EdTech and FinTech kind of startups.

This paper is an attempt to study the government's role; incubation of startups; facilitation of transaction mechanisms; and employment opportunities which all are intertwined with digital technology.

Digital Economy as a concept:

The 'Digital economy term came into existence or we may say that it came into popular use after the publication of Don Tapscott's book "The Digital Economy: Promise and Peril in the Age of Networked Intelligence." The book was published in 1996. The book highlighted the exponential shift in terms of market, telecommunication, networking, entertainment, and society. The term digital economy refers to the usage of any digital tools in the economic sector. These tools could be the internet, machinery, robotics, etc.

The government of India launched 'Digital India' as a campaign in 2014 which can be attributed as one of the biggest policy changes after 1991's globalization of the Indian economy. During that phase, the Indian economy was connected with the world economy via privatization and liberalization. That policy brought foreign investments into India stabilized the market and revolutionized the Indian economy. Since then, digitalization of the economic sector had been the second biggest step. The introduction of technology in the banking sector made it paperless and error-free. Life became much easier when accounts could be managed on a computer followed by internet connectivity where customers could access accounts from any bank, ATMs where cash transactions were simplified; banknote counting machines, note detecting machines, etc. All of these simplified the banking process. Similarly, many other fields like healthcare, agriculture,

entertainment, etc have been digitalized. This digitalization of the economy is termed as “Digital Economy” where the technological dependence has gone higher, the process has been simpler and error rates have gone low.

Classifying the different eras of the Transaction revolution:

This section highlights how the process of digitalization kept making the transaction process easier and brought an increase in the user base. There had been three different eras in terms of popular transaction methods for online/distant shopping. The first era can be marked as the time when cheques and DDs were popular mechanisms to make payments against goods or services. Electronic supply of services or payments was beyond imagination at that time. The trade experience for customers as well as suppliers was taxing and the failure rates were extremely high. The consumer, as well as seller base, was very limited during this phase where the payment modes were difficult, the supply chain was slow and failure rates were very high.

The second era began with the digitalization of the banking sector and increased use of net banking and ATMs. During this era, many e-commerce websites started entering the market which made the better environment for buying and selling. The payments were comparatively easier and could be done without visiting any bank or post office, and the delivery of goods was faster. This was a new experience for the Indian population. ATMs, internet banking, online reservations, and online shopping all came into the picture but still, rural population was a step behind in terms of participating in this digital revolution. The trust issues were very high with fear of not entering internet banking or card details anywhere. This era revolutionized the digital marketing experience for the urban and young population of the country.

The third era came as the biggest revolution in terms of transaction mechanisms and their increased uses. The Indian government's entity National Payments Corporation (NPCI) of India had launched UPI and this became more popular during demonetization. With the accelerated use of UPI, a lot of small-scale vendors could directly enter the market. Kirana stores, vegetable vendors, milk vendors, etc. started accepting UPI payments and providing home supplies. The culture of home deliveries strengthened during Covid-19. This era made established transaction mechanisms a trustworthy and easier process; strongly intervened in rural India and resulted in the growth of many unicorn companies in India.

Geopolitics and Digital economy:

The realist narrative will always attempt to study each event via the geopolitical motive of the government system. The Indian government has promoted its programs like Make in India, startup India, aatmnirbhar Bharat, etc

via nationalist emotions. These attempts of making the Indian economy independent of international markets can be linked to the swadeshi movement of colonial India or can be seen as learning from China which has the second-highest number of unicorn companies in the world (Department 2022). The Chinese expansion was largely supported by government mechanisms where taxes were waved off, summits were promoted by the government, spearheaded trades were made in Asian as well as African markets and the government itself created markets in other countries. The Indian government's support towards RuPay has been questioned by Visa Inc and concerns have been raised to the US government. The marketing giant feared that lobbying for RuPay will harm the Indian markets for them and called it nationalized unfair policy of the Indian government (Reuters 2022). From the Indian perspective, this has reduced the transaction costs as it's domestic now. Also, it will give long-term benefits to the Indian economy if there are any sanctions from the US or International politics. RuPay is yet to mark its international presence but the Indian government has proactively made attempts to go international with its India-based FinTech which is not only beneficial for the economy but also the geopolitical presence of the nation.

FinTech growth during demonetization: A planned move or an accident

There had been a sudden raise in FinTech startups in the last decade. The growth of the digital economy and FinTech growth have raised parallel. As mentioned above, these FinTechs have made transactions simpler which has contributed to the economy, and digitalization of the economy has supported the growth of these FinTechs.

The rapid growth of FinTech start-ups was noticed during the demonetization. The limited availability of new currency in the market led to paperless transactions via Paytm, BHIM, Phonepe, etc. These FinTech companies benefitted the most during demonetization. The government also supported the use of digital transactions to control the cash flow. Through e-governance, a huge number of payments like tolls, reservations, challans, government portal payments, etc. were made electronically. A plethora of e-payment mechanisms was introduced via UPI (Unified Payments Interface), NETC (National electronic toll collection), BBPS (Bharat Bill Payment Systems), AePS (Aadhar-enabled payment system), etc. According to a report by NPCI (National payments corporation of India, UPI had hit a record by touching 2.8 billion transactions in June 2021 (Hitachi 2021).

The government has supported these FinTech startups by providing an easy incubation process, tax exemptions, investor summits, etc. There had been debates over the sustainability of this FinTech which is operating as banks

without any reserves or physical setups. The growth of this FinTech will turn out to be a bubble or a sustainable setup in long run and will be an interesting event or study for the economic sectors. As of now, these startups are connecting the entire nation through a one-click payment mechanism and making the business a simplified process. This is leading to the creation of small businesses, empowering individual vendors, generating employment, etc.

Government policies for Digitalization of the economic sector

For any government, it's very crucial to keep the economy stable, bring investments, create opportunities and generate employment. With increasing automation, the opportunities started decreasing. The launch of the digital India campaign was one such motive that focused on three aspects that are E-governance to provide all government services online; Infrastructure development; Digital empowerment of every citizen. The governance methods changed as part of E-Kranti where most of the schemes came online and transparency increased. Through schemes like BharatNet, Make in India, startup India, Industrial corridors, Bharatmala, Sagarmala, etc., the investors were brought into confidence; startups started pitching in and Indian markets started generating employment. (Bharat, 2020) Huge support was provided to the startups. From a geopolitical perspective, now India is the third largest country followed by China and US in the terms of unicorn companies (Chaturvedi, 2022).

The Government had put digital transformation as one of the crucial agendas and this led to the growth of startups in the country. These new ventures have started creating employment and parallelly government schemes have started connecting rural India with them. This is just the beginning and it was reported that in 2018, 2.64% of total jobs were created by start-ups in India (Report, 2019).

Modi govt has launched a series of promotions, policy changes, and liberalization schemes for startups. Cities like Ahmadabad, Gurgram, Bangalore, Lucknow, etc are witnessing a gradual shift. These changes are also leading to an increase in investment from domestic as well as foreign investors. The government institutions like IITs, IIMs, NITs, And even private colleges are setting up special education and research divisions for Startups. These all are going to create long-term marks in economic growth, employment generation, innovation, etc. IIT or IIM admission was a dream for many in past but nowadays, basic graduates can get enrolled in short-term courses with them and learn the basics of what they need to skill up their knowledge. For any startup to function three parameters are most important: skilled human resources; investors; customer base. The government has incubated startup culture via institutions and they are producing a skilled workforce. Also, financial grants are being provided and

investor summits are called by the government itself which is providing full exposure to Indian startups and takes investors in the confidence. Along with many other social promotion methods, nationalism is being promoted via these Indian companies which are creating a customer base.

Employment creations via startup ecosystem

The start-ups have created earning opportunities that were beyond imagination in the past. In this new era, everything is delivered electronically may it be education or entertainment, or even employment. Work from home became a popular notion during covid times and the country could sustain itself because it was digitally connected. The lockdown phase gave birth to many new ideas and earning opportunities. During Covid-19, a lot of home delivery concepts came which made life simpler, empowered the service or good providers, and generated employment. Many IT professionals had also returned to their hometowns during covid and passed their knowledge in these unexplored markets for almost two years.

A lot of small vendors are selling their products via Instagram and Facebook as sharing product images are easier, payments are easier and brand name is not the most important thing as these sellers are dependent on individual reviews for their expansion in the market. There are plenty of educational platforms which are delivering academic, yoga, music, palmistry, interior designing, leadership, entrepreneurship, and whatnot courses through digital platforms. The 'Youtuber' or 'Instagrammer' is entirely a new profession that has entered the market and people are earning their livelihood. Similarly, the OTT platform has made it simpler for small as well as big-level production houses to put forward their content.

Impact on Urban & Rural India :

The digital economy has aggressively entangled with the daily life of the Indian population. This wave first touched urban lives via e-commerce sites and the internet banking process. The investors had started showing interest in these unexplored markets, e-commerce companies advanced and home deliveries and services became a part of daily lifestyle. One of the best examples is the growth of the 'urban company' which started in 2014 and has turned into a unicorn with a revenue of 249 Cr INR (Manchanda 2021). The company provides home services and during, covid this became an essential part of urban lifestyle. Similar had been the growth of another EdTech Byjus.

Urban cities are incubators of knowledge and technologies whereas rural India's geographic positioning and proximity make it an essential part of the digital economy. India's 60% of the population lives in rural India. Digital expansion in rural India was a challenge for two decades.

It was a crucial need to technically educate the rural population so they can draw the benefits of multiple schemes and get profited from the changing start-up ecosystem. UPI had made the mode of payment easier but demonetization made it a necessity to learn e-transactions. As per the IMAI report, India has 692 million active internet users from which rural India accounted for 351 million users (IMAI, 2022).

With the digital expansion, a variety of new apps have been created to meet different needs. These have connected rural India to Urban India as well as Cross-border consumers. The Key strength of Rural areas is that they have the manpower and products/ resources. Now we can see sudden growth of organic farmers, Tribal art, or cloth vendors directly on e-commerce platforms. Companies like Flipkart and amazon have created training and sourcing units in rural India for direct access to the products. An app like Farmizen uploads pictures from farmers and consumers can directly buy those products from farms. This has increased the trust between seller and buyer, simplified the procedure, improvised the product quality, reduced the time gap, etc.

Challenges of digital economy & startup growth:

The solidification of digital technology and the growth of start-ups have come with an overabundance of opportunities but there is an important aspect to consider regarding the sustainability of these start-up growths. There is a possibility that it got popularised due to government support, fluke factors like demonetization and covid lockdown, and new concepts which appealed. As mentioned in previous sections too that the growth has not been linear but exponential and if this is a bubble growth then it must be supervised and majors need to be taken for stabilizing the same.

The biggest challenge lies with the growth of FinTech companies that are operating as banks without following the norms which need to be followed for setting up a real bank. The failure or downfall of these FinTechs can be

harmful thus detailed strategy is required for the operation of these start-ups.

The exit strategy is a must need to be designed for a government that once government-led support, subsidiaries, and waivers are pulled out then will these companies sustain and maintain the same impact. There had been reports of the downfall of a few unicorns in post covid era and the same should not be the case with all. These challenges can be eliminated by proper use of popular culture for educating the public, regularising the policies for all fintech, and constant efforts of upskilling the workforce.

Conclusion

The hypothesis of 'Digital India has created a startup-friendly eco-system and generated employment' seems worth believing when we notice the number of rural sellers directly interacting with national and international markets; service providers connecting with consumers via apps, a number of the population earning via youtube channels, increased faith in online degrees and courses, etc. The new payment methods and smartphone-based economy has made it possible for the entire Indian population as well as the international community to connect on digital platform and be the direct role player in the market.

The government has played an active role in creating this start-up-based ecosystem via digital economy for employment creation as well as the strong geopolitical nation of the Indian continent amidst the raising tensions between the International community.

The most interesting development that has happened due to the Digital revolution is that now earning opportunities are not limited and youth can think beyond the limited job options which dominated the market for ages. The horizon of employment has expanded via start-up culture and the digital economy and the sustainable growth of the same will be an interesting study in the future.

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