



DIGITALIZATION OF THE ECONOMY

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ABSTRACT

Digitalization may be viewed as a technology/supply shock which affects the main economic aggregates, notably via competition, productivity and employment effects, as well as through its interaction with institutions and governance. Digital technologies are also changing the ways in which firms do business and interact with their customers and suppliers. Understanding digital transformation and the channels through which it influences the economy is therefore increasingly relevant for the conduct of monetary policy.

Keywords: Digital economy, monetary policy, Technologies, Companies, Smart systems.

The digital economy is the economic activity that results from billions of everyday online connections among people, businesses, devices, data, and processes. The backbone of the digital economy is hyperconnectivity which means growing interconnectedness of people, organisations, and machines that results from the Internet, mobile technology and the internet of things (IoT).

The digital economy is taking shape and undermining conventional notions about how businesses are structured; how firms interact; and how consumers obtain services, information, and goods.

The digital economy refers to a broad range of economic activities that use digitized information and knowledge as key factors of production. The internet, cloud computing, big data, fintech, and other new digital technologies are used to collect, store, analyze, and share information digitally and transform social interactions. The digitization of the economy creates benefits and efficiencies as digital technologies drive innovation and fuel job opportunities and economic growth. The digital economy also permeates all aspects of society, influencing the way people interact and bringing about broad sociological changes.

People regularly work from different offices, their home, or a local coffee shop – now even more so since the pandemic has pushed remote working to the fore. While where we work has changed, we all expect the same level of connectivity experienced in the physical office. The emergence of this flexible, global enterprise requires organisations to manage a dynamic ecosystem of talent and enable next-generation





digital business processes that prove to be effective, even when distributed across various places and time zones.

The 2020 pandemic has certainly fast tracked this transition in some respects, at least in the short term, but has also highlighted the need for organisations to adopt a more open minded approach to longer term digital enablement of the workforce.

In the digital economy, all customers – business-to-business as well as business-to-consumer alike – want to interact with businesses when and where they want and in a fashion that is most convenient for them. Additionally, customers desire engagement with brands through experiences that are seamless, omnichannel, direct, contextual, and personalised.

It has become crucial to give all customers a personalised and unique journey right from the minute they land on a business's website, all the way to making a purchase in your store and beyond.

The Internet of Things (IoT) connects the digital and physical worlds by collecting, measuring, and analysing data to predict and automate business processes.

As sensor prices continue to drop, we are on the cusp of an era where everything can be connected – people, businesses, devices, and processes – to each other. The melding of the physical and digital world brings every asset into a digital domain where software dominates.

IoT solutions enable businesses to analyse data generated by sensors on physical objects in a world of intelligent, connected devices. This data can transform businesses, revealing hidden patterns and insights that can help you make more informed decisions and take action more quickly.

When an organisation can understand its physical and digital asset inventory at any given moment, it can operate with precision previously unimaginable, paving the way for the ultimate lean enterprise. This will not be a nice-to-have differentiator, but an imperative for any digital business within the next two years.

More people are using smartphones, tablets, smart watches and bracelets, and other mobile Internet devices to connect to a global environment, anytime and anywhere. Millions around the world can take part in the digital economy to buy or sell goods and services.

According to US economist and statistician Thomas Mesenbourg in his 2001 paper, three components distinguish the digital economy from the regular economy:

- **Infrastructure.** Businesses have software, hardware and other technological resource, plus specialist human talent.
- **E-business.** Computer applications, online tools and digital platforms help carry out business processes.





• **E-commerce.** A familiar concept, e-commerce means the sale of goods and services online.

Advantages of the digital economy

The digital economy is set to carry more weight in the future, as the “Internet of Things”, artificial intelligence (AI), virtual reality, blockchain, self-driving cars, and other technology develop. Some advantages it offers are:

- **Information.** Consumers have more information — not just from manufacturers and firms, but also from other consumers in forums and reviews — to make decisions about goods and services.
- **Proximity.** Direct customer service channels enable customers to resolve queries and issues with a manufacturer or service provide more quickly.
- **Global presence.** With goods and services available consumers anytime and anywhere, companies can enter more markets.
- **Security.** Digital technology, like strong authentication of online payments, makes transactions more secure.

The digital economy is transforming age-old production sectors. Agriculture has already begun to benefit from technological innovations. Mobile apps connect crops to farmers, providing them with real-time updates on quality, soil and irrigation to make management decisions.

The digital economy has the potential to radically change the social environment and economic activities of Asia. It is already experiencing high growth, rapid innovation, and broad application to other economic sectors. However, despite the vast opportunities presented by the digital economy, Asia has not yet fully realized the potential of harnessing digital technology for sustainable development, due to (among others) poor ICT infrastructure, inadequate skills development, and socioeconomic barriers that prevent much of Asia’s population from engaging in the digital economy.

Objectives

- Promote a better understanding on the role of the digital economy in Asia, particularly how digital technologies impact Asian economies and transform both business practices and societies.
- Examine how institutions, policies and regulations, and human skills can be transformed to keep up with the quickening pace of digital transformation in Asia.
- Exchange views on the current state of the digital economy in Asia, including issues related to digital flows; e-commerce; financial technology; the role of education, skills, and innovation on digital economy; and implications of digital transformation on Asia’s economic landscape.





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