



## THE IMPORTANCE OF DIGITALIZING OF THE ECONOMY

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### ABSTRACT

In this article, I discuss 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.

Nowadays, techniques and technologies are evolving. This article highlights the digitization of the economy and its sectors and the introduction of new techniques and technologies. The digital economy is a business activity in which the main factor in the production and service is data in the form of numbers, which can be processed by processing large amounts of information and analysing the results of various types of processing. is to implement more efficient solutions than the previous system in production, services, technologies, devices, storage, delivery of products. The digital economy plays an important role in the life of society. So, this article will be about the digital economy.

Digitalization is fundamentally changing the economy and our society. It drives entrepreneurial innovation, productivity, and regional economic growth. It also has implications for growth, the labor market, and political participation. And it places new demands on education and training -- not only in the field of information and communication technologies.

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 economy is, without a doubt, one of the aspects that has been most impacted by the era of digitization. This continues today, transforming how we buy, how we work and how we live, with technological advances that seek to facilitate finances and processes of daily life.

The evolution of technology has been and continues to be shocking to many as it has spread across almost all industries, sciences, etc. This modernization gave rise to what is now known as the digital economy, a term that, according to BBVA's "*Digital Economy Situation*" report, is defined as "*the widespread use of ICTs, either directly, with the development of new ICT sectors, or indirectly, promoting the development of new companies and making traditional ones more efficient*".

It can then be said that the basis of this type of economy is hyper connectivity, which allows the user to connect with businesses, companies, machines, among others. Its scope has been such that, according to Nasdaq, it is estimated that by 2040, 95% of all purchases will be made using electronic commerce channels.

**The digital economy: investing in the future:** Investing is one of the most important decisions you can make and the trend you choose should be one that aligns with your ideals and has a greater chance of generating a positive return on your finances.

However, the impact of digitization by country and by sector is uneven. Developed economies enjoy higher economic growth benefits by a factor of almost 25 percent, although they tend to lag behind emerging economies in job creation by a similar margin. The main reason for the differing effects of digitization is the economic structures of developed and emerging economies. Developed countries rely chiefly on domestic consumption, which makes nontradable sectors important. Across developed economies, digitization improves productivity and has a measurable effect on growth. However, the result can be job losses because lower-skill, lower-value-added work is sent abroad to emerging markets, where labor is cheaper. By contrast, emerging markets are more export-oriented and driven by tradable sectors. They tend to gain more from digitization's effect on employment than from its influence on growth.

Policymakers can harness these varying effects of digitization through three main measures, which go beyond their current roles of setting policy and regulations. First,





they should create digitization plans for targeted sectors in which they wish to maximize the impact of digitization. Second, they should encourage the development of the necessary capabilities and enablers to achieve these digitization plans. Finally, policymakers should work in concert with industry, consumers, and government agencies to establish an inclusive information and communication technologies (ICT) ecosystem that encourages greater uptake and usage of digital services.

Ever since Adam Smith proposed the theory of absolute advantage enjoyed by a country in producing a good or service, policymakers have sought to build and maintain this advantage in key sectors of their economies. Digitization is emerging as a new tool to build and sustain such absolute advantages, and in some cases even to claim the “right to win” and beat the competition in certain sectors — a critical capability that underpins all other national economic efforts.

Creating digital markets and boosting digitization can yield significant economic benefits and lead to substantial social benefits to societies and communities. Digitization has the potential to boost productivity, create new jobs, and enhance the quality of life for society at large. For example, if emerging markets could double the Digitization Index score for their poorest citizens over the next 10 years, the result would be a global \$4.4 trillion gain in nominal GDP, an extra \$930 billion in the cumulative household income for the poorest, and 64 million new jobs for today’s socially and economically most marginal groups. This would enable 580 million people to climb above the poverty line.

If policymakers want to capture these rich returns, then they need to go back to the drawing board and figure out how they can build their digital markets — the markets where the bulk of the world’s information and goods will be bought and sold in the upcoming decade of digitization.

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