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DIGITAL PENETRATION AS A DRIVER OF COUNTRIES' ECONOMIC GROWTH

The progress of digitalization is critical in the present setting, which is exceedingly impacted by the post-pandemic economic instability that has been exacerbated by the international food and energy crises generated by the Russian war in Ukraine. Contemporaneously it can be argued that the digital economy provides an advanced additional stimulant for long-term economic development.

The digital economy can be identified as an economy that is based on digital technologies, including communication networks (the Internet, intranets, and private value-added networks), computers, software, and other related information technologies [1, p. 5]. Therefore, the key elements of the digital economy are the implementation and real application of digital technology for data collecting, storage, processing, transformation, and transmission in all areas of human activity.

UNCTAD conducts an annual analysis on the development implications of ICTs and e-commerce, the results of which are highlighted in the Digital Economy Report. According to the findings in the most recent report, electronic data flows are rapidly increasing. Concurrently, the majority of data flows across borders between North America and Europe, as well as between North America and Asia [3, p. 42].

Based on the research made in the Digital 2022 April Global Statshot Report conducted by Datareportal, the number of internet users increases each year. Compared to 2002 the number of internet users

increased by 9,8 times in 2022 which demonstrates the ever-elevated level of Internet engagement [4, p. 16].

At the same time, International Data Corporation (IDC) predicts that digitally transformed businesses will account for 52% of global GDP by 2023 and that 51 percent of IT spending will be devoted to digital innovation and transformation within the next year [2].

However, it is important to note that large imbalances accompany the current data-driven digital economy. Thus, only 20% of people in the least developed nations use the Internet, and when they do, it is usually at slow download rates and at a significant cost [3, p. 25].

This inhibits one's ability to participate in and profit from the data-driven digital economy as it develops. Thus, prompts the discussion of whether digital economic development is a crucial part of the economic prosperity of countries. As a result, the traditional digital divide is being exacerbated by a data-related difference.

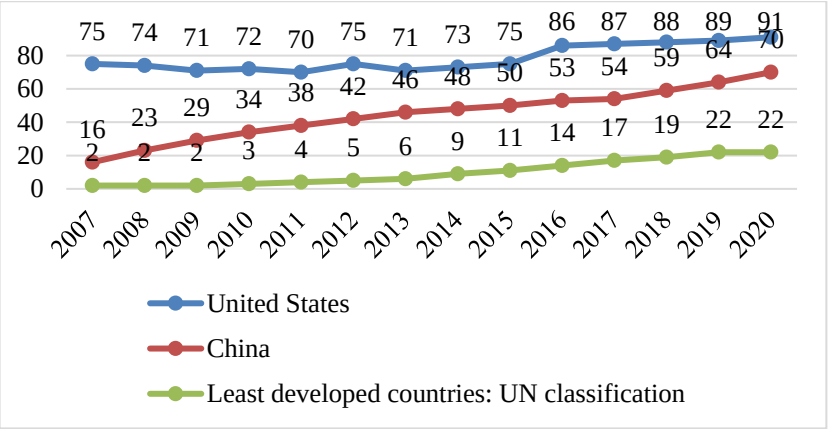

Fig. 1. Individuals using the internet in selected countries 2007–2022, % of population

Source: created by the author [5]

As shown in figure 1 there is a clear imbalance between the USA, China, and the least developed countries (according to the UN classification). The United States and China stand out the most in terms

of their ability to benefit from the digital economy. These two countries, apart from being the two most influential economies in the world, own most of the world's most valuable digital platforms.

The USA is a steady leader, peaking in 2020 with 91% of the population using the internet. With rapid economic development, China managed to improve its position: it improved the percentage from a mere 16% in 2007 to 70% of Internet users in 2022. However, it is evident that the least developed countries started to significantly boost their connectivity to the internet only in 2015.

During the world financial crisis in 2007–2008 individuals using the internet in China varied between 16–29% and in the least developed countries was steadily at 2%. However, afterward, China improved its position with 70% of the population using the Internet, while the least developed countries had less than 25% of the population using the Internet. This demonstrates the clear disproportion between China and the least developed countries, that are not ripping the benefits of ever-growing digitalization.

In 2020 the gap in the levels of digitalization between developing and developed countries has increased, while the gap between China and developed countries has decreased.

According to the US Bureau of Economic Analysis (BEA), the digital economy in the United States contributed 9 percent ($1,849.3 billion) of current-dollar gross domestic product (GDP) ($20,580.2 billion) in 2018 [6, p. 2]. The digital economy ranked slightly below the manufacturing sector, which shows the importance of a highly developed digital economy for gross economics.

In recent years, even before the COVID-19, China was a global leader in several digital economy businesses, such as e-commerce, considering China has undergone significant digitization, owing to the integration of ICT with conventional service sectors such as finance, entertainment, and e-commerce.

Concurrently, for the least developed countries, digital connectivity and access to modern technologies are critical in terms of further improving their economies. As stated above, the majority of the population of least developed countries still lack access to digital

technology and services, which have become indispensable with the spread of COVID-19 which also worsened the digital disproportion.

To accelerate the digital development of developing countries, additional measures of assistance in the field of digitalization should be developed and provided. Such digital stimulation can create several economic benefits such as increasing in e-commerce, the evolution of human capital, and an increase in the knowledge economy.

To conclude, the rise of a digital economy was triggered by the expansion of economic links among the world's main countries, the development of information technology, and mobile communications. Transition to digital economies has had an impact on the establishment of several economic sectors. Furthermore, the Internet system has enhanced people's capacities by allowing them to generate and share their ideas, resulting in the creation of new marketplaces. However, already established leaders in the sphere of the digital economy – the United States and China – prove that a high level of digital development helps enhance the economy as a whole. Thus, least developed economies struggle with speedy improvement of their digital disposition and subsequently struggle with furthering their economic stances.

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