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## **DIGITALIZATION AND INCLUSIVE GROWTH: NAVIGATING TOWARDS SUSTAINABLE COMPETITIVENESS**

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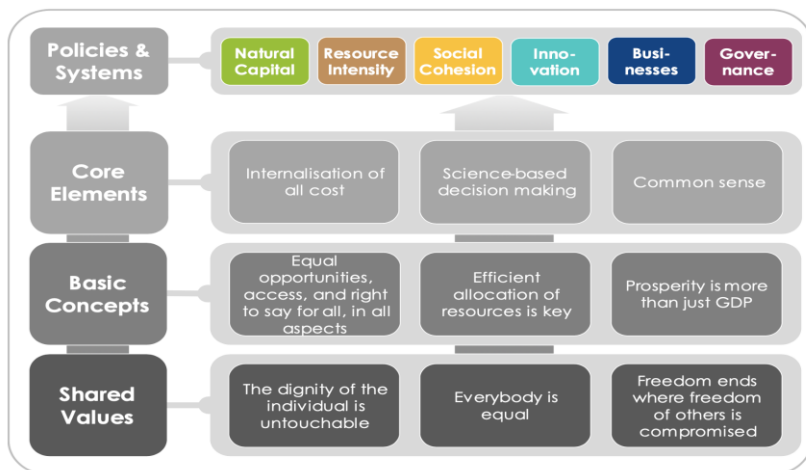
### **Abstract**

The article explores the nexus of digitalization, sustainable competitiveness, and inclusive development in the contemporary global context. It investigates the role of ICT and digital technologies in driving economic productivity and societal progress, emphasizing the imperative of digital inclusion to bridge disparities.

**Key words:** *digitalization, sustainable competitiveness, sustainable development, ICT, digital divide, inclusive growth.*

Despite the cyclical pattern of economic development and the evolving landscape of research determinants, achieving sustainable competitiveness remains a central focus of economic science. This dynamic shift is connected with the pressure of challenges of various origins (including climate, energy, migration and changes in local labor markets, pandemics, etc.).

Sustainable competitiveness emphasizes economic competitiveness as a catalyst of prosperity and sustained growth, while simultaneously recognizing the imperative of addressing environmental and social concerns (Fig. 1). Innovation traditionally holds a pivotal role in competitiveness analysis. However, within the framework of sustainable competitiveness, innovation is considered across all facets of sustainability – environmental, social, and economic—throughout the innovation process [1].



**Figure 1. Framework for Sustainable Competitiveness**

*Source: [1]*

Having a multidimensional character, the concept of sustainable development is based on economic, environmental and social principles to promote social well-being and prosperity. Regional sustainable industry involves creating conditions for firms to develop in order to make a sustainable contribution to society and overall industrial activity in a particular region [2].

According to the Global Sustainable Competitiveness Index (GSCI), the global average score for sustainable competitiveness stood at 43.4 out of a possible 100 points in 2023 (see Fig. 2). This highlights a substantial 56.6-point deficit from the ideal mark of sustainable competitiveness, indicating that society is still distant from achieving inclusivity and harmony with the natural environment. Despite concerning trends in natural capital depletion and a significant performance gap in intellectual capital, achieving sustainable competitiveness remains paramount. This necessitates identifying and promoting key drivers that can bridge this gap and foster environmental responsibility alongside economic growth [3].



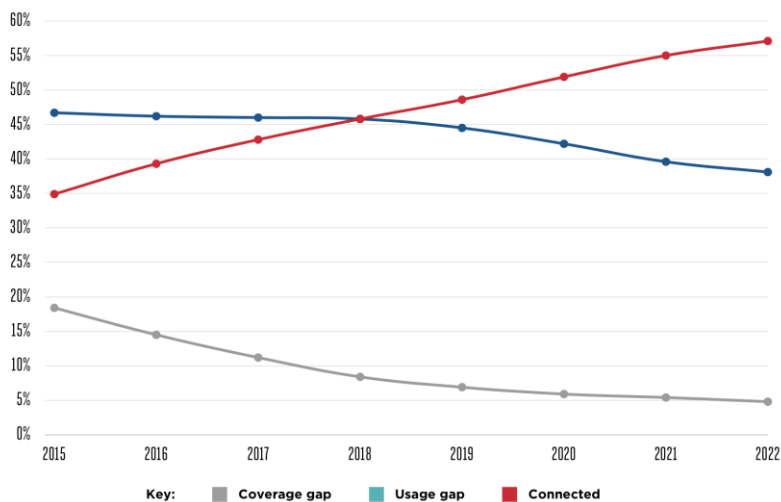
**Figure 2. The Global Sustainability World Map 2023**

*Source: [3]*

The contemporary phenomenon of the digital economy facilitates the integration of diverse economic activities within the context of an information society, facilitated by various platforms and the Internet. ICT and digital technologies serve as foundational elements in the digital transformation of traditional sectors within the global economic community. This transformation enables rapid changes across industries and societal spheres. Consequently, a new service-oriented economy emerges, characterized by altered value chains, digitized business models, networked structures, and increased participation from market actors, accelerating market transactions. The advent of digital technologies heralds the introduction of innovative business models, the creation of new digital products, and the provision of novel digital services [4].

In the context of the digital society, it is digitalization that acts as a catalyst for accelerating the implementation of sustainable development goals (SDG), thereby enhancing the pace and scale of economic and social transformation. Digitalization assumes a central role in fostering innovative, integrated, and cross-sectoral sustainable development outcomes, thereby exerting an integrative influence on society as a whole. The systemic impact of digitalization on sustainable development is inherently multifaceted, underscoring its significance in shaping the future trajectory of societal progress.

ICT, especially mobile broadband, stands as pivotal infrastructure platform for achieving the sustainable competitiveness. About half of the world's population is still unable to benefit from social and economic benefits due to the lack of ICT solutions, such as those that mobile Internet can provide (Fig. 3). Moreover, many individuals, both in developed and developing nations, remain unaware of the potential benefits encompassing access to medical information, governmental services, and digital payments. Achieving inclusive growth to maximize digital divide closure and poverty eradication in the context of building an inclusive economy is closely linked to sustainable competitiveness. Contemporary trends in digitalization underscore the imperative for economic growth to embody both social inclusivity and sustainability, thereby engendering enduring human development benefits [5].



**Figure 3. The global mobile internet connectivity from 2015 to 2022, including the percentage of people connected, the coverage gap and the usage gap**

*Source: [5]*

At the same time, the COVID-19 pandemic has highlighted the importance of the digital ecosystem in the global environment, accentuating the growing reliance of developing nations on systems and solutions sourced from other regions worldwide. Consequently, the development of indigenous

digital transformation models emerges as a paramount priority for each nation.

Today, digital inclusion stands as a cornerstone priority for nations across the globe. Addressing the digital divide represents a monumental endeavor necessitating concerted efforts from the global community, particularly in fostering collaboration between the private sector and national governments [6]. In nations characterized by excessively heterogeneous and undiversified production structures, predominantly informal and unprotected labor markets, and where significant segments of society remain excluded from value creation via digital technologies, connecting the populace assumes critical importance. Ensuring equitable access to high-speed broadband and technological devices is imperative, directly impacting the realization of fundamental rights such as health, education, and employment. Failure to address these disparities can exacerbate socio-economic inequality. Moreover, escalating debt levels among vulnerable populations and precarious lending practices further compound the challenges posed by globalization, underscoring the urgency of achieving inclusive digital development to restore equilibrium. This requires a global economic system built on three pillars:

- a productive economy with full and decent employment at high wages;
- a just society that eliminates socio-economic disparities;
- an inclusive community that protects vulnerable populations and economic rights.

Deepening digital integration often necessitates governmental leadership. The extremely complex level of coordination between ministries, departments, and companies requires complex management. Digital initiatives encompass a wide array of public life facets, spanning community development, education, and workforce enhancement. The realization of contemporary strategies for bridging the digital divide can be viewed through the lens of four primary policy directions adopted by nations worldwide, each with its distinct focus and stakeholders, intricately interlinked with one another (Table 1). These directions serve as guiding frameworks for navigating the complexities of digital integration, paving the path towards inclusive economic development and societal advancement [7].

Table 1

**4 main directions of existing policies to overcome the digital divide**

<b>Type</b>	<b>Goal</b>	<b>Indicator of implementation</b>	<b>Focus</b>
Technological	Creation and distribution of digital technologies	Access to basic technologies (number of Internet users, etc.)	Physical access to technologies
Economic	Support market competitiveness and innovative development	Affordability of technologies by the cost implementation	Access to technologies and participation of stakeholder
Educational	Formal and informal ICT education	Readiness for technology adoption	Digital skills of the population
Social	Inclusion of all participants	Readiness and relevance	Participation of all stakeholders

In light of the strong positive correlation between the technological structure of production and economic productivity, it is evident that digital inclusive transformation not only impacts productivity but also triggers substantial shifts in competition dynamics and the configuration of value creation chains. Furthermore, the emergence of new business models fosters heightened involvement of new stakeholders, inherently constituting digital market participants. They, through the utilization of digital channels, compel traditional players in the global market to conform to the latest trends in the digitization of global economic processes.

In the pursuit of enhancing prosperity, it is imperative to recognize that increasing competitiveness serves as a fundamental prerequisite. However, this pursuit must be accompanied by transformative measures that effectively adapt to evolving technological, geopolitical, and environmental landscapes, ensuring that the trajectory of progress aligns with the goal of advancing human development for all. Moreover, placing sustainable competitiveness at the forefront of sustainability discourse is crucial, given that competitive economies exhibit traits of innovation, resilience, and adeptness in responding to external disruptions. Consequently, prioritizing sustainable competitiveness not only fosters economic growth but also sustains a high level of prosperity into the future.

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