

# The impact of the Internet on economic growth and prosperity

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## **Abstract:**

The Internet is changing the way we work, mingle, make and offer data, and arrange the stream of individuals, thoughts, and things around the world. Yet the greatness of this change is still overlooked. The Internet represented 21 percent of the GDP development in experienced economies in the course of recent years. In that time, we went from a couple of thousand understudies getting to Facebook to more than 800 million clients around the globe, including numerous driving firms, who routinely overhaul their pages and offer substance. While vast undertakings and national economies have harvested significant advantages from this mechanical upset, singular purchasers and little, upstart business people have been a percentage of the best recipients from the Internet's enabling impact. In the event that Internet were a segment, it would have a more prominent weight in GDP than agribusiness or utilities.

**Keywords;** Internet on economic growth and prosperity.

## **INTRODUCTION**

From a dark system of analysts and innovation specialists three decade back, the Internet has turned into a normal reality for more than a quarter of the world's kin. Today two billion individuals are associated with the Internet, and very nearly \$8 trillion trade hands every year through e-business.

### **THE INTERNET IS DRIVING ECONOMIC GROWTH**

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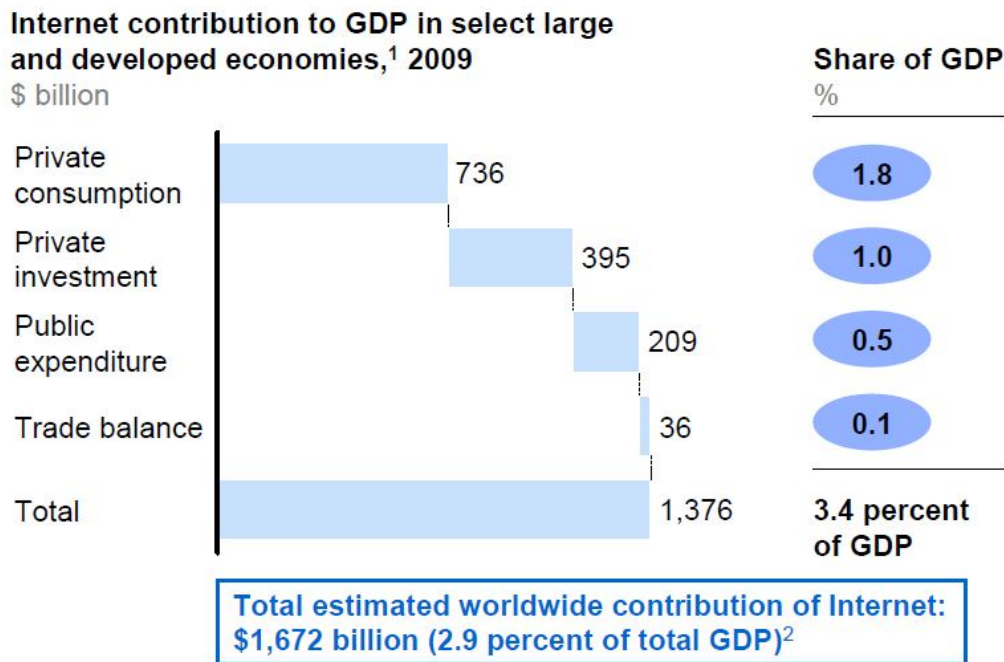
But then we are still in the early phases of the changes the Internet will unleash and the opportunities it will encourage. Numerous more mechanical developments and empowering abilities, for example, installments stages are liable to develop, while the capacity to unite numerous more individuals and things and draw in them all the more profoundly will keep on extending exponentially.

Subsequently, governments, approach producers, and organizations must perceive and grasp the tremendous open doors the Internet can make, even as they work to deliver the dangers to security and protection the Internet brings. As the Internet's development in the course of recent decades has illustrated, such work must incorporate serving to support the improvement of a sound Internet biological community, one that helps base and access, constructs an aggressive situation that advantages clients and lets pioneers and business people flourish, and sustains human capital. Together these components can amplify the proceeded with effect of the Internet on monetary development and flourishing.

### Strong contribution to GDP growth

Over a scope of substantial and created economies, the Internet applies a solid impact on financial development rates. Our exploration demonstrates that the Internet represents, by and large, 3.4 percent of GDP over the vast economies that make up 70 percent of worldwide GDP. On the off chance that Internet utilization and consumptions were a segment, its weight in GDP would be greater than the vitality or horticulture industry. The Internet's aggregate commitment to worldwide GDP is greater than the GDP of Spain or Canada, and it is becoming speedier than the GDP of Brazil.

### The Internet constitutes 3.4 percent of GDP in large and developed economies

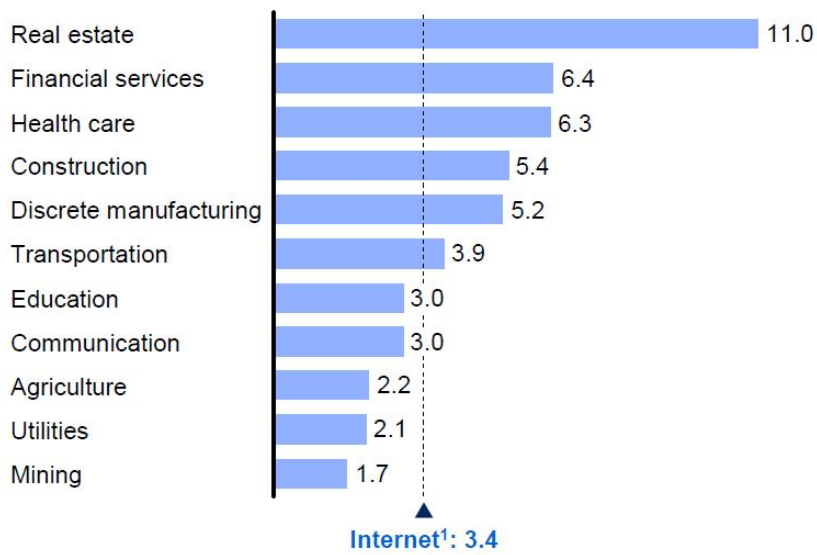


1 We took a gander at the Internet commitment in 13 nations constituting 70% of worldwide GDP. The nations concentrated on incorporate G8 nations; China, India, and Brazil (developing nations); and Sweden and South Korea (as they are most developed nations as far as broadband infiltration).

2 For whatever is left of the world, we utilized assessed rate shares in view of Internet entrance in every nation.

**If Internet were a sector, it would have a greater weight in GDP than agriculture or utilities**

Sector contribution to GDP, 2009  
% of total GDP



Internet share includes parts of other sectors (e.g., communication).

**The great transformer:** How the Internet is changing the globe and its citizens

In the propelled economies we considered, the Internet represented 10 percent of GDP development in the course of recent years, and its impact is developing. In the course of recent years, the Internet's commitment to GDP development in these nations multiplied to 21 percent. On the off chance that we incorporate the extensive, developing economies of China, India, and Brazil, the Internet contributed 7 percent of development in the course of recent years and 11 percent in the course of the last five. In nations, for example, Turkey, Malaysia, and Mexico, where both Internet use and GDP every capita fall inside the medium range on the worldwide scale, the Internet has likewise contributed generously to monetary development, however to a lesser degree than in experienced economies. Research as of now under way recommends the Internet drove generally half as much GDP development in these nations still a significant sum with the possibility to increment essentially. Be that

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as it may, there is sizable variety among nations, including those at generally comparable phases of improvement, leaving enormous space for further Internet-related development.

**Internet ecosystem maturity related to rising living standards.** There is in like manner a sensible relationship between the improvement of the Internet ecosystem<sup>1</sup> and rising desires for ordinary solaces. We found that an augmentation in Internet improvement like the one fulfilled in forefront countries over the span of late years join with an addition in certified each capita GDP of \$500 by and large in the midst of this period. It took 50 years for the Industrial Revolution of the 19th century to achieve the same results. This shows both the degree of the beneficial outcome the Internet passes on to all levels of society and the pace at which it passes on them. The association with extended desires for ordinary solaces is particularly material for making economies, where the potential exists to rapidly bounce forward and drive Internet-related improvement.

Regardless of the way that the United States has as yet drove similarly as the nature of its Internet base, access, and progression, the scene is progressing rapidly. India, China, and Brazil have the snappiest creating organic groups, and other made and making countries are rapidly building up their utilization through improved base and access.

**The Internet drives business transformation and economic modernization.** Reviving customary exercises has been the Internet's fundamental effect. The Internet has empowered major business changes that compass the whole esteem chain in practically all segments and sorts of organizations not simply online ones. These movements incorporate wholesale changes not just in how items are purchased and sold additionally in how items and administrations are outlined, delivered, and dispersed. Indeed, even a modest business today can work with a powerfully oversaw store network that compasses geologies and works with a worldwide workforce. Our worldwide Small and Medium Enterprise (SME) overview found that 75 percent of the financial effect of the Internet gathered to conventional organizations that would not characterize themselves as unadulterated Internet players. These organizations have profited from the higher efficiency the Internet empowers.

The Internet can likewise serve as an effective impetus for occupation creation. Obviously the Internet has made a few employments out of date. Be that as it may, early confirmation proposes the Internet can be a net occupation maker. Employments are made in the Internet biological system itself, as Internet organizations employ specialists

running from architects to deals and administration work force who outline and convey Internet items and administrations. In any case, the Internet likewise has helped make occupations in different commercial ventures. An itemized investigation of the French economy, for instance, demonstrated that while the Internet is accounted for to have decimated 500,000 occupations in the course of recent

years, it made 1.2 million new ones, a net expansion of 2.4 employments for each one devastated. This conclusion is bolstered by study, which discovered 2.6 occupations were made for each one decimated.

## **MORE CAN BE DONE TO FULLY CAPTURE THE BENEFITS OF**

### **THE INTERNET**

Given the patterns portrayed in the past area, we accept that the advantages of the Internet can develop in every nation. While the Internet represents around 6 percent of GDP in nations, for example, Sweden and the United Kingdom, in others, its commitment is underneath 4 percent, leaving colossal space for further extension. In less created nations, the space for extension is considerably more noteworthy. Such economies have an extraordinary chance to "jump" in their utilization of Internet advances, pretty much as some creating nations executed current portable telephony instead of take after the example of created nations in conveying landline foundation first.

Our exploration demonstrates that a solid Internet environment one that cultivates rivalry, empowers advancement, creates human capital, and manufactures a thorough Internet foundation and helps access—empowers a nation to catch the greatest worth this innovative change offers. (See Exhibit 5.) However, there is no single way to construct a viable Internet economy. Nations can discover diverse zones of ability from which to develop the emotionally supportive networks for their imaginative new commercial enterprises. As strategy creators look to improve the positive effect of the Internet on their economies and their subjects, there are various lessons to guide the way they pick.

- **Foster competition.**

Nations that make their businesses more open and focused accomplish more prominent efficiency. Such rivalry guarantees that the most creative and gainful organizations make more appealing items and administrations for clients and increase piece of the overall industry to the detriment of the less beneficial. In the Internet's quickly changing environment such replenishment is especially vital to guarantee advantages are caught. The nations that have profited most from the Internet's commitment to development have had a tendency to have open and exceptionally aggressive Internet environments.

- **Encourage innovation.** A situation that empowers development and business is indispensable to catching Internet-related development. Highlights of such a domain incorporate access to fire up capital, assurance of protected innovation rights, support for innovative work, and the accessibility of world-class "centre examination" directed via research colleges and government-subsidized groups. For instance, Israel and South Korea, similar to the United States, have taken

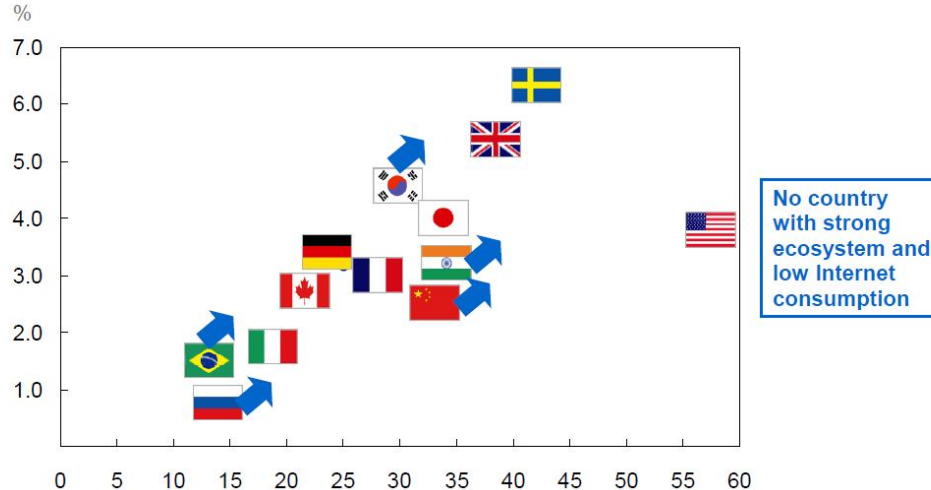
steps to guarantee that sufficient financing and the privilege monetary instruments are accessible to seed advancement and bolster entrepreneurial determination.

- **Develop human capital.** The United States specifically has utilized its endless ability pool, resilience for danger, and fantastic assets in tertiary training to advance Internet-related human capital, serving as a hatchery for new commercial ventures and as a magnet to pull in abilities from around the world. This gifted human capital has been pulled in, produced and supported by colleges, corporate Research and Development focuses, and early stage organizations. Bunches of business and advancement have shaped around world-class colleges that have made the thick, interconnected social networks of individual connections that underlie a danger - taking, startup society. Accordingly, the United States is today the nation with the most different structure inside the worldwide Internet environment, collecting moderately measure up to commitments from equipment, programming, administrations, and information transfers. Notwithstanding, the United States will progressively go after such ability with different nations, as opponents attempt to imitate a percentage of the highlights that have described US accomplishment and in addition concoct developments they could call their own.
- **Build infrastructure.** Base, the establishment of the whole Internet environment, is an essential for development. It makes the stages whereupon clients and associations encounter the Internet and whereupon business visionaries and organizations develop. The United Kingdom and Sweden have utilized exceptionally solid foundation to increase more prominent significance inside the worldwide Internet environment. The quality of their telecom administrators has made a real commitment to their accomplishment around there. The need to construct framework is not simply an issue for creating countries. As the Internet keeps on growing in a period of distributed computing, enormous information, and different developments that will draw in clients all the more profoundly, base necessities will keep on growing, even in the most exceptional economies.

**Countries with a high Internet contribution to GDP correlate to those with a strong Internet supply ecosystem**

➤ Growth >10%

**Internet contribution to GDP**



## Conclusion

As the Internet's evolution over the past two decades has demonstrated, such work must include helping to nurture the development of a healthy Internet ecosystem, one that boosts infrastructure and access, builds a competitive environment that benefits users and lets innovators and entrepreneurs thrive, and nurtures human capital. In the advanced economies we studied, the Internet accounted for 10 percent of GDP growth over the past 15 years, and its influence is growing.

Over the past five years, the Internet's contribution to GDP growth in these countries doubled to 21 percent. In countries such as Turkey, Malaysia, and Mexico, where both Internet usage and GDP per capita fall within the medium range on the global scale, the Internet has also contributed substantially to economic growth, though to a lesser degree than in mature economies.

Our research shows that a strong Internet ecosystem one that fosters competition, encourages innovation, develops human capital, and builds out a comprehensive Internet infrastructure and boosts access enables a country to capture the maximum value this technological transformation offers. The countries that have benefited most from the Internet's contribution to growth have tended to have open and highly competitive Internet ecosystems.