CONTEMPORARY ISSUES IN E-ECONOMY

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Economic overview- India's economy encomp" asses traditional village farmaing, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of support services. About a quarter of the population is too poor to be able to afford an adequate diet. Growth in manufacturing output has slowed, and electricity shortages continue in many regions. India has large numbers of well-educated people skilled in English language; India is a major exporter of software services and software workers. After several years of repid growth, 2009 will prove a testing year for India.

Inflation-Inflation continues to pose a threat. Inflation peaked at 12% in early August 08. Inflation, is being caused by repid growth (demand pull factors) but, also the cost push inflation factors (rising oil prices). Hopefully, the fall in oil prices and higher interest rates will reduce inflation without causing too much of a slowdown. On FEB 09 inflation rate has gone down to 3.92% but if you see the prices of essential commodities in the retail market "INFLATION" is still there !!!

Economic Growth -After reaching growth of 9.8% in 2007/08 growth is slow down to 7%. This might not be a bad thing as it will avoid inflationary pressures building further. However, some worry the global credit crunch could reduce growth much more.

Global Recession and Indian Economy-It appears that Europe, Japan and the US are entering into recession. Falling house prices, crisis in the financial system, and lower confidence could lead to a sharp downturn, with the worst still to come. Many agrue, that India's growth is not so dependent on growth in the West. However, the Indian stockmarkets have been hit by the global crisis. India's growing service sector and manufacturing sector would be adversely impacted by a global downturn. However, I still feel that India's economic success is not dependent on growth in the West, and at worst India's growth rate will be less than hoped for. The Indian government still have a target of 10% growth for 2010/11, but I think this could prove unrealistic.

Challenges for Indian Economy in 2009-Getting inflation under control Spreding the benefits of growth more equitably. Completing investment projects which are essential for long term development of economy. Dealing with global financial uncertainty, which will make capital flows and exports more difficult.

Sensex in 2009- After falling in 2008, the Sensex could after on of the best returns for global stockmarkets. India's strong economic growth will buck the global trend for lower growth.

Indian Rupee 2009-The Indian Rupee has had a surprisingly weak year. The Rupee has fallen from 39 Rupee to 1$ in January 2008, to 44 Rupee in September. Real interest rates in India are still negative, but, if the Indian inflation rate is reduced, and the government resists the temptation to go all out for growth, the Rupee may rebound, at least against the doller, which will face more difficulties in 2009

Strengths of Indian Economy-* FDI. India is one of the world's largest recipients of FDI. India has become the fevored location of outsourcing labour intersive work such as call centres. ***** India benefits from a well educated middle class, fluent in English.***** The economy is reaping some of the benefits of grater market liberalisation and privatisation. ***** Rich in National resources such as gold, Coal, iron, diamonds. (however a net importer of oil. only produces 25% of its energy demands.) Behind China, India is the second fastest growing economy. According to a survey by Goldman Sachs, India will become the 3rd largest economy by 2035. This is measured in $US. If we use PPP (purchasing power parity) which takes into account local purchasing power, India already has the 3rd largest economy.

Let's not beat around the bush ! Independent India's most splendid economic story has been the Information Technology revolution. This industry has charted double-digit growth and continues to grow five times as fast as the global IT services industry.

In order to understand the impact of IT sector in both the "developing" and "developed" States in India. We should look at the IT sector's significantly higher Employment Multiplier effects in "developing States" and Output Multiplier effects in technologi-

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cally advanced states, reinforces the different role IT plays in developed and developing regions in bridging the digital divide. Information Technology has come to play a pivotal role in contemporary societies and even more so in government, which are the biggest collectiors, users and disseminators of information. One of the areas in which IT is having a profound impact is the way Governments function and the manner in whcih government services are made available to citizens.

The need today is to provide citizen-centric governance focused on delivery of high quality public services designed around the needs of the citizen. This involves, amongst other things, strengthening of the district administration and local self government institutions and enabling people and civil society organizations to undertake the delivery of services themselves or assisting them in delivering services, whereever feasible and beneficial.

To achieve these lofty objectives, a comprehensive and continous assessment of E-readiness of state department and ministries is a critical exercise. The IT revolution refers to the sharp reduction in the cost of finding and communicating information that has been made possible by the convergence of information and communication technologies. For this reason, the IT revolution is also known as the ICT revolution. More convenient and more powerful computing equipment, especially personal computers(PCs), in combination with better and more affordable telecommunication services, are jointly driving the IT revolution. Perhaps the most familiar mainfestation of this far reaching revolution is the Internet, which can literally connect us to the rest of the world in the comfort of our homes and offices. The IT revolution is giving rise to a new economic paradigm - the New Economy or E-Economy.

If we consider the terms "IT in ECONOMY" we are definitely talking about "E-economy"

What is E-echonmy ? An economy that is characterized by extensive use of the Internet and information technology. Under its purview comes everything from E-Commerce, E-Banking to E-Retailing and also E-Governance.

E-commerce in India- The cutting edge for business today is e-commerc. Most people think e-commerce means online shopping. But web shopping is only a small part of the picture. The term also refers to online stock, bond transactions, buying and downloading software with out ever going to a store. In addition, e-commerce includes business to business connections that make purchasing easier for big corporations.

Ecommerce is generally described as a method of buying and selling products and services electronically. The main vehicle of e-commerce remains the Internet and the World Wide Web, but use of e-mail, fax and telephone orders are also prevalent. Electrinoc commerce is the application communication and information sharing technology among trading partners to the pursuit of business objectives. E-commerce can be defined as modern business methodology that address the needs of the organization, merchants and consumers to cut costs while improving the quality of goods and services and speed of service delivery. E-commerce is associated with the buying and selling of information, products, services via computer networks. A key element of E-commerce is information processing.

The effects of E-commerce are already appearing in all areas of business, from customer service to new product design. It facilitates new types of information based business processes for reaching and interacting with customers-online advertising and marketing, online, order taking and online customer service etc. It can also reduce costs in managing orders and interacting with a wide range of suppliesrs and trading and trading partners, areas that typically add significant overheads to the cost of products and services.

Some of the emerging hot areas of E-commerce services are.

* legacy application integration; * Internet application integration; * Customer Relationship Management (CRM), * Customer Service Management (CSM), * Enterprise Resource Planning (ERP) * Electronic DAta Interchange * (EDI) migration to web based modesl; * New IT frameworks and integration with business * Strategy (strategic IT consulting); * E-commerce training services. * Business web site development and maintenance. * Some of the barriers to e-commerce adoption in India include the following. * Limited Interned access among customers and small and medium enterprises SMEs (current level of internet usage is Low among businesses and users). * Poor telecom and infrastructure for reliable connectivity (Internet connectivity slow, access costs are high and connections are unreliable)

What E-commerce requires to flourish ?-Electronic commerce, security planning and management

calls for indentification of the users, better risk assessment and evaluation, application specific security identification, better and appropriate *network security polices, information resources protection,*, better security management policies, retransformation and reskilling human resources in terms of identifying roles and responsibilities and improving physical and environmental security, supporting e-laws and obove all better consumer education. The delivery machanisms and transporation should be tuned with appropriate modemization of clearing services of goods and products within and across the nation.

As regarding with E-Banking, E-Retailing and E-Governance all these fields share more or less the same concerns regarding the implementation and maintenance of the technology as it is the same, and these are a vast concepts so cover in this short article is not possible So I have to leave it here. (To Discuss more or to leave a comment, Do drop by on *http://shrivastavs.blogspot.com*) The concept of E-Banking has been taken in up and arms by the industry and with the around the corner availability of ATM's (Automatic Teller Machine) and online banking is now no more a mystery. One of the concern is of *"fishing"* sites cropping up, they require at least 128 bit encryption for the E-payments and some strict cyber laws. E-Retailing according to me, needs a little more time to grab the attention of the customers because of the weak supply chain and a weak distribution network.

For E-Governance it is good news as we have seen Indian government is pretty serious about this, with a dedicated Department of Information Technology for the national level and guiding the states to promote more and more use of ICT. ICT enables to reduce paper work, improve efficiency, transparency, accountability and expedite the decision making process. It also helps to break down barriers between departments and bring about 'any time, any where' government services to the citizen.

Set's Get the Facts Right ! As per NASSCOM (National Association of Software and Service Companies)

The Current Situation-* Worldwide, in an evaluation of 30 developed and developing, economies, IT investment increases GDP and productivity in all markets examined. * In economies more invested in IT, a 10% increase in IT capital can increase GDP by 3.6%; a 10% increase in labour hours increase GDP 4%. By contrast, in economies with lower existing levels of IT capital, or "underinvested" in IT, the same increase in IT capital yields only a 1.6% increase in GDP and has no statistically significant impact on labor productivity.

Unfortunately, despite India's worldwide IT prowess, the country is underinvested in IT. Therefore, critical social benefits of IT - such as individual productivity and economic growth - are not present. Some key characteristics of India's IT underinvestment include.

* IT capital share in India's economy - only 3.5% of total capital compared to 10% for economies invested in IT - is the lowest among all economies considered. * GDP per hour worked in India is less than three-fourths of the average rate in all economies underinvested in IT capital. * IT capital that does exist in India is not widely dispersed and is the least dispersed of any country examined. * IT capital investments are particularly imbalanced on the software side.

Why ?

Three major factors contribute to underinvestment in India : * Low income levels impacting investment ability. * Protectionist trade policy raising the cost of key IT assets * Non-transparent government procurement limiting efficient IT investment by the government.

How to Fix IT ?

Drawing on (1) an assessment of the underlying policies of India's successful IT producers; (2) an evaluation of the characteristics of India's IT underinvestment, such as low software assets; and, (3) a review of successful use of policy worldwide to stimulate IT investment by businesses, bouseholds and the government, we recommend.

* *Government letting the market function.* A major characteristic of India's IT production success has been the relative absence of government intervention. This will be an important underlying premise for enhancing domestic investment.* *Liberal trade and tax policy*. Low PC and Internet penetration rates reflect the high levels of taxes and tariffs on computer hardware in India. **Increasing access to financial capital for domestically focused IT companies.* A Milken Institute survey ranks India 41 of 51 countries in terms of capital availability. China ranks 33rd. Capital that is available is targeted to export oriented IT companies.* *Increasing levels of domestic research and development.* Research, as manifest by articles

published in technical journals, in India lags China. In 1999, China published over 11,000 technical journal articles; India published 9,000. * *Strengthen intellectual properly protection*. Strong intellectual property (IP) protection is critical to the software industry, particularly niche producers targeting software to the Indian market. In addition, IP is a statistically significant factor explaining PC and Internet penetraction rates. Hence, India's high software piracy rate also contributes to the low PC and Internet penetration rates. * *Continue to strengthen human capital assets*. India has some of the best engineers and computer programmers world wide, but policy influentials interviewed for this study believe the quality of the economy's engineers varies from state to state and that the majority of this talent is focused on export oriented IT. * *Improve physical IT and communitactions infrastructure.* Of all the policies examined, policy influentials were most concerned about the state of the IT and commonications infrastructure in India. Costs, hindered by extensive regulatory control, were a major concern.

Last Words-IT education would be a major driving force towards the development, adoption and growth of E-commerce in India. To keep pace with the changing software and hardware scenario it is necessary to emphasize on the current IT trends and develop quality programmes to impart training and education in contemporary topics. Newer, better and more effective methods of imparting education are evolving which will supplement traditional methods of teaching using books, classroom lectures and written exams on pen and paper. Using modern technologies like multimedia, online training and lesting etc, the emphasis is shifting to computer-based training which uses text, audio, visuals and animation in interactive as well as self paced mode. IT education could be encouraged by facilitating the setting up of institutes for imparting wuch education, by the way of tax incentives, etc. The government could partner with business houses to establish centers for IT training and education in big way. A development country can become industrialized and modernized if it can extensively apply IT to enhance productivity and international competitiveness, develop. E-commerce and E-governance applications. And information-based society or knowledge based society is composed of IT products, IT applications in society and economy as a whole. Many countries in Asia are taking advantage of E-commerce through opeining of economics, which is essential for promoting competition and diffusion of Internet technologies.

The Internet is boosting efficiency and enhancing market integration in developing countries.

The developed world has had a long lead over the developing countries in the telecom infrastructure. The world average of teledensity is 15 percent compared to the developed world average of 55 to 60 percent. Same is true of PCs, Internet connections, and the number of Internet hosts. All these traditional indicators for India as seen above are still small. But the total numbers of Internet connections are large in absolute numbers. Large enough to have a critical mass of 10 to 20 million users to be able to make an impact on e-commerce and e-governance. In the next 3 to 5 years, India will have 30 to 70 million Internet users which will equal, if not surpass, many of the developed countries. Internet economy will then become more meaningful in India. The number of E-transactions will be large enough to sustain the E-economy.

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