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Challenges of Digitisation and Way Forward

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This article is based on editorial **“Why economics must go digital to remain relevant”** which appeared in Live mint on 12th June 2019. It talks about, challenges of digitisation and what steps India can take in this context.

In the age of digital economy, data is the new oil or currency of the 21st century. Lots of apps have no revenue generation, but their only benefit is data. This business model of the Internet is called **Surveillance capitalism**, where all social media apps and other such platforms make their money collecting data on users and monetising that. Companies such as Google, Facebook, and Amazon have all built empires atop the data economy.

Apart from **Surveillance capitalism**, the majority of world’s consumer data is with few digital companies like, Google, Facebook and Amazon that dominate online search, social media and online retail, respectively. Thus their market power creates an imbalance for new market players. Thereby hurting both producers and consumers of data, resulting in twin problem of **Data privacy and Net neutrality**.

How data privacy and net neutrality are opposed to principles of free and fair trade(market economy)?

Through Big data analytics Data privacy and Net neutrality both have been compromised.

What is Data privacy

- Data privacy or information privacy is a branch of data security concerned with the proper handling of data – consent, notice, and regulatory obligations.
- It got highlighted when identifiable data of about 50 million Facebook users was breached by an analytics firm(Cambridge Analytica).
- Privacy is a basic human right, in the digital age where life has so prominently got integrated with the digital world, data privacy has become a human right too.

What is Net neutrality?

The principle that Internet service providers should enable access to all content and applications regardless of the source, and without favouring or blocking particular products or websites.

What is Big data?

- **Big Data** is a phrase used to **mean** a massive volume of both structured and unstructured **data** that is so **large** it is difficult to process using traditional database and software techniques.
- Through the use of high-end computing and algorithms, Big data has been used in the industry to provide customer insights by analyzing and predicting customer behaviour through data derived from social media
- Due to inability of government to address this market concentration, it has resulted in the **creation of digital market oligarchy** (In this case, a small group of companies like Facebook, Google, Amazon etc. control and set rules for the entire market) because these larger players enjoy significant returns to scale.
- Thereby the digital economy poses a **problem for competition policy**. Competition is vital for boosting productivity and long-term growth because it drives out inefficient producers and stimulates innovation.
- So rather than assessing short-term benefits due to specific digital markets, there is a need to estimate the potential long-term costs implied by the inability of a new rival to enter into the digital market.

How to fix this digital market imbalance in India?

Economic policies must itself move towards digitisation to remain relevant in this digital era. This can be done by:

- India must protect its startups from becoming proprietary of foreign brands(through takeovers), this can be done by allowing preferential shares.
For eg: Take over of Flipkart by Walmart.
- Its high time data must be monetised on part of data subjects, data subjects must be paid a royalty for use of their data.
- The government must lay down policies that put a check on anti-competitive policies of these digital companies.
In this light, **Draft e-commerce policy** is a welcome step.
- India till now has no law to stop apps from sharing your data with data brokers or data analytics firms.
- An ideal data protection law must reflect the **Supreme Court's recent decision**: That all interference with the right to privacy must be necessary and proportionate.

- Data protection law must incorporate inspiration from the European Union's implementation of the **General Data Protection Regulation (GDPR) and BN Srikrishna report.**
- The law must also lay down norms of accountability on part of digital tech giants.
- Also, the government must clear the air around the use of Aadhaar, that has raised speculations about the surveillance state.

In the digital era, data privacy, open and equitable access to the internet is like clean air or safe drinking water. It has become a central pillar of socio-economic and political dynamics of society, It is a public good that we need to safeguard as a collective right through laws that make controllers of data accountable.

Drishti Input:

It is widely debated now that data is the new oil or currency of the 21st century. Highlight the issues emerging out of digitalisation and what steps a country like India must take to cope up with them.?