

# STATE OF INDIA'S DIGITAL ECONOMY (SIDE) REPORT : ECONOMY

**NEWS:** *Indian digital economy ranked 28th on user spending: report*

## WHAT'S IN THE NEWS?

The State of India's Digital Economy (SIDE) 2025 report, published by Prosus and ICRIER, evaluates India's digital transformation using the CHIPS framework. While India is the third-largest digitised nation, it lags in AI research (11th) and infrastructure (16th), highlighting the need for greater investment and policy focus to compete globally.

## State of India's Digital Economy (SIDE) 2025 Report

### Published by:

- **Dutch investment firm Prosus and Indian Council for Research on International Economic Relations (ICRIER)** (a leading Indian think tank).
- The report assesses **India's digital economy** in comparison to global trends, focusing on **AI, digital infrastructure, and user-level digital adoption**.

## CHIPS Framework: Methodology of SIDE 2025

The **State of India's Digital Economy (SIDE) Report 2025** is based on the **Connect-Harness-Innovate-Protect-Sustain (CHIPS) framework**, which evaluates the **depth and scale of digitalisation** across different nations.

- **Connect:** Measures digital connectivity and internet penetration across different population segments.
- **Harness:** Assesses how well businesses and individuals leverage digital tools and services.
- **Innovate:** Evaluates the extent of digital innovation and research, especially in **Artificial Intelligence (AI)** and emerging technologies.
- **Protect:** Examines cybersecurity, data protection regulations, and digital governance policies.
- **Sustain:** Focuses on long-term digital sustainability, including investments in digital infrastructure and future-readiness of the digital economy.

The framework not only considers **technological advancements** but also incorporates **societal, economic, and policy-driven aspects** of digital transformation.

## Major Findings of the Report

### Global Insights:

- The **global AI race** is currently led by **the United States and China**.
- Other **front-runner nations** in AI and digital transformation include **South Korea, Singapore, and the Netherlands**.

- These countries have a **strong AI research ecosystem, advanced digital infrastructure, and proactive policy frameworks** that support AI-driven innovations.



### India-Specific Findings:

1. **India's AI Ranking in the Global G32 Group (32 Countries Analyzed):**
  - **AI Research Ranking: 11th**

- **AI Infrastructure Ranking: 16th**
  - India is making progress but **lags behind developed economies in AI-related investments and infrastructure.**
2. **India as a Digital Powerhouse:**
    - India is the **world's third-largest digitised nation**, following the **United States and China.**
    - The country has a **large number of internet users** and a **high level of digital engagement.**
  3. **Challenges in Digital Adoption:**
    - Despite having a **large user base**, **India ranks 8th in the G32 group** when combining **country-level and user-level digitalisation scores.**
    - This means that while **digital services are widely available**, their **usage and impact remain uneven** across different population segments.
    - The **average Indian user is not yet fully digitalised**, reflecting disparities in **access, affordability, and digital literacy.**
  4. **India's Potential in the AI Race:**
    - India has **significant potential to compete with AI giants like the US and China.**
    - To **close the AI gap**, India needs:
      - **Greater investment in AI research and infrastructure.**
      - **Targeted policies** that foster AI-driven innovation.
      - **Stronger digital skilling initiatives** to develop an AI-ready workforce.
    - With **strategic interventions**, India could **emerge as a global leader in AI and digital economy transformation.**

### **Conclusion: The Road Ahead for India's Digital Economy**

- India's digital economy is on a **strong growth trajectory**, but **greater efforts are needed to bridge the AI and digitalisation gap.**
- **Key focus areas** for the future:
  - **Strengthening AI research and development** to improve India's global AI ranking.
  - **Enhancing digital infrastructure** for wider accessibility and affordability.
  - **Boosting digital literacy and user-level engagement** to ensure **inclusive growth.**
  - **Encouraging AI-driven innovations** through government and private-sector collaboration.

With **strategic investments and progressive policies**, India can **strengthen its position as a global digital leader** and challenge the **current dominance of AI superpowers.**

**Source:** <https://www.thehindu.com/business/Economy/indian-digital-economy-ranked-28th-on-user-spending-report/article69274466.ece>