

India's Digital Economy:

Current State and Future Outlook

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ICRIER, 5th August 2026

Digitalisation has made dramatic progress, but the way it is being measured has not we wanted to change that



Feb 2023



Feb 2024



March 2025



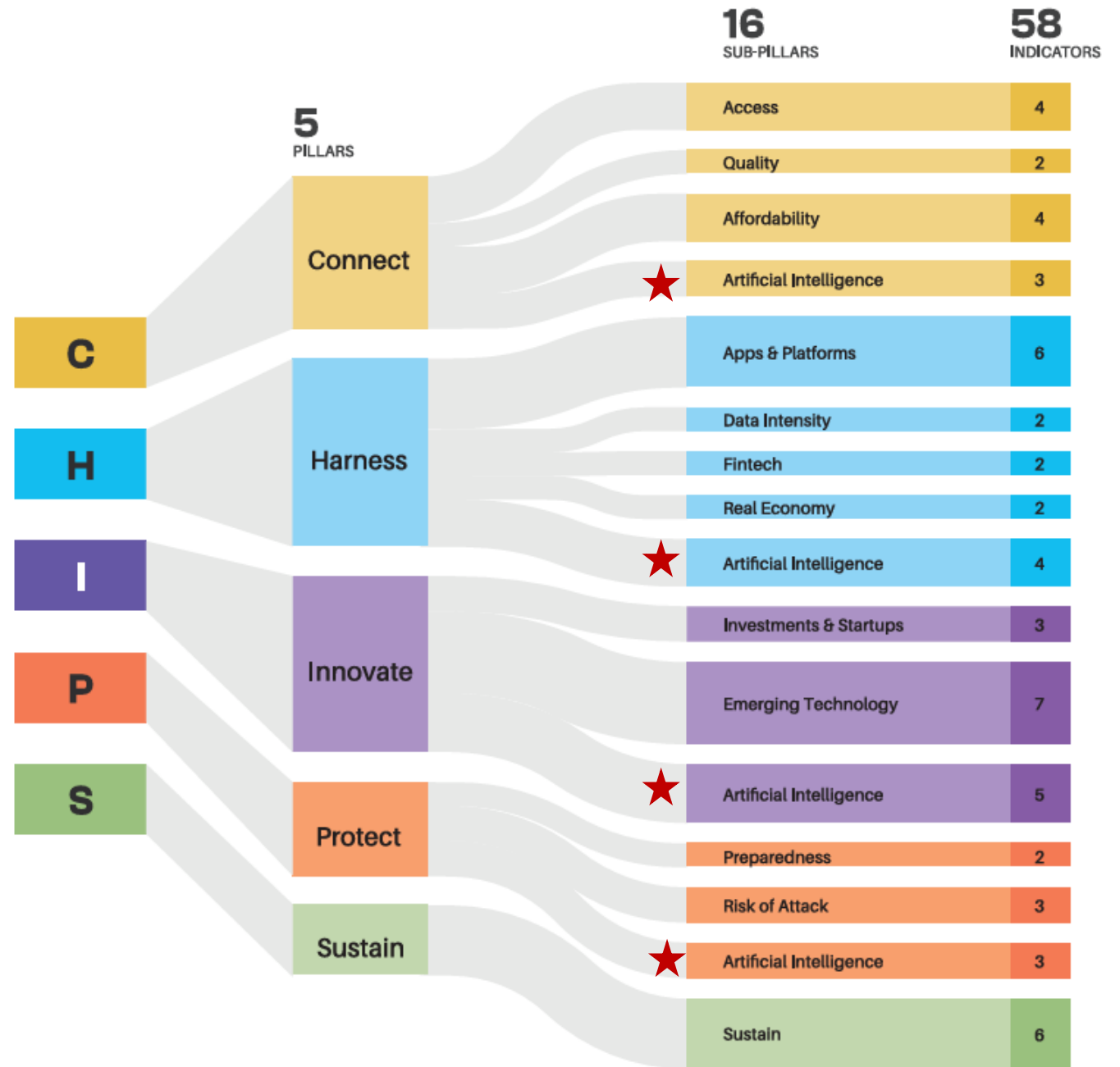
Dec 2025



May 2026

The CHIPS Framework, Upgraded for the AI Era

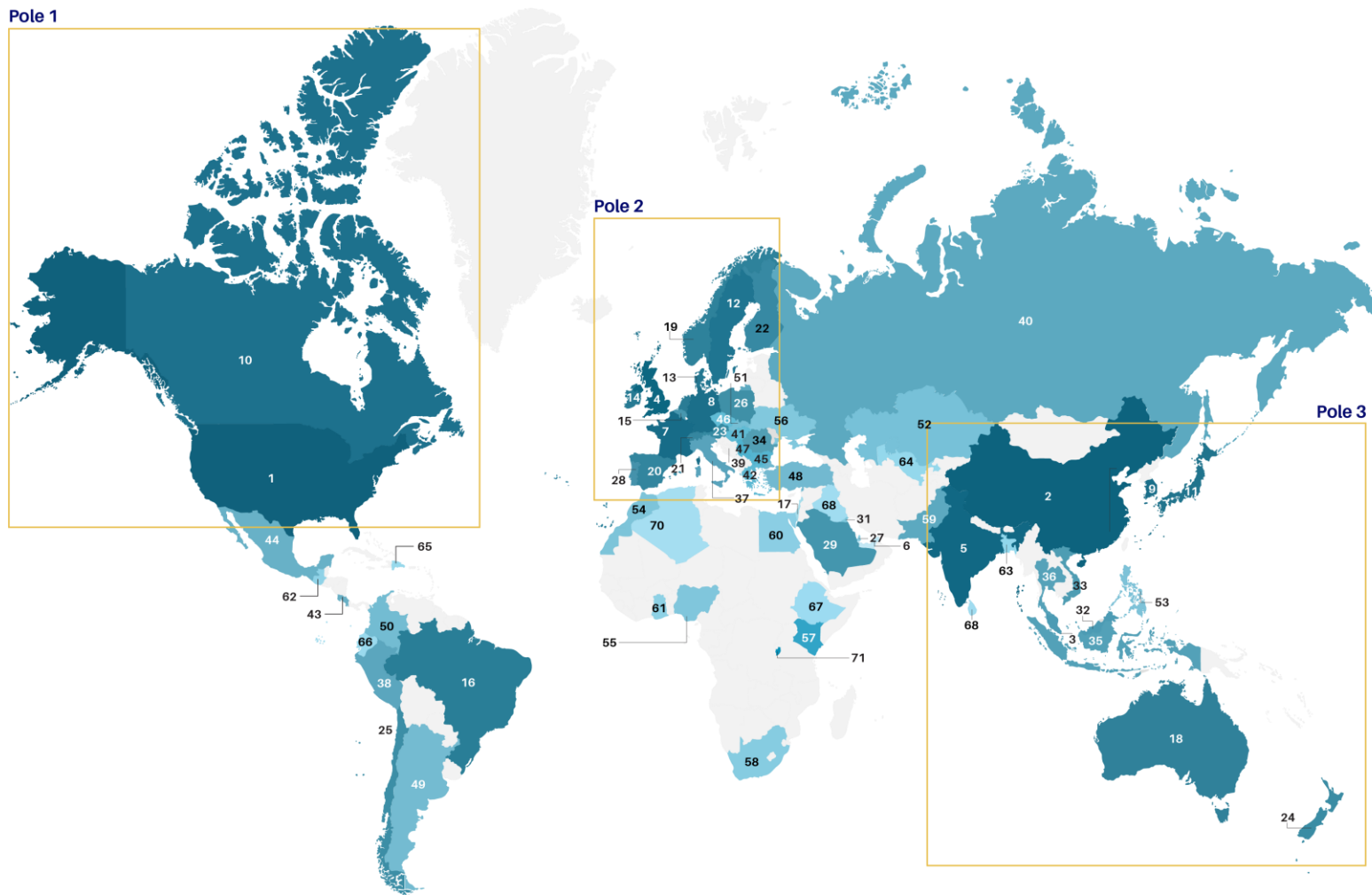
- Integrates AI indicators into CHIPS (Connect–Harness–Innovate–Protect–Sustain)
- 5 pillars: Connect, Harness, Innovate, Protect and Sustain
- 16 sub-pillars and 58 indicators (15 AI-related)
- Modular approach: Can benchmark at pillar, theme and overall levels
- Focus on both scale (economy-wide) and intensity (per user)
- Emphasis on outcome indicators rather than just inputs
- Country coverage expanded from 32 to 71 (96% of global GDP, 86% of internet users)



Five Key Findings Shaping India's Digital Future

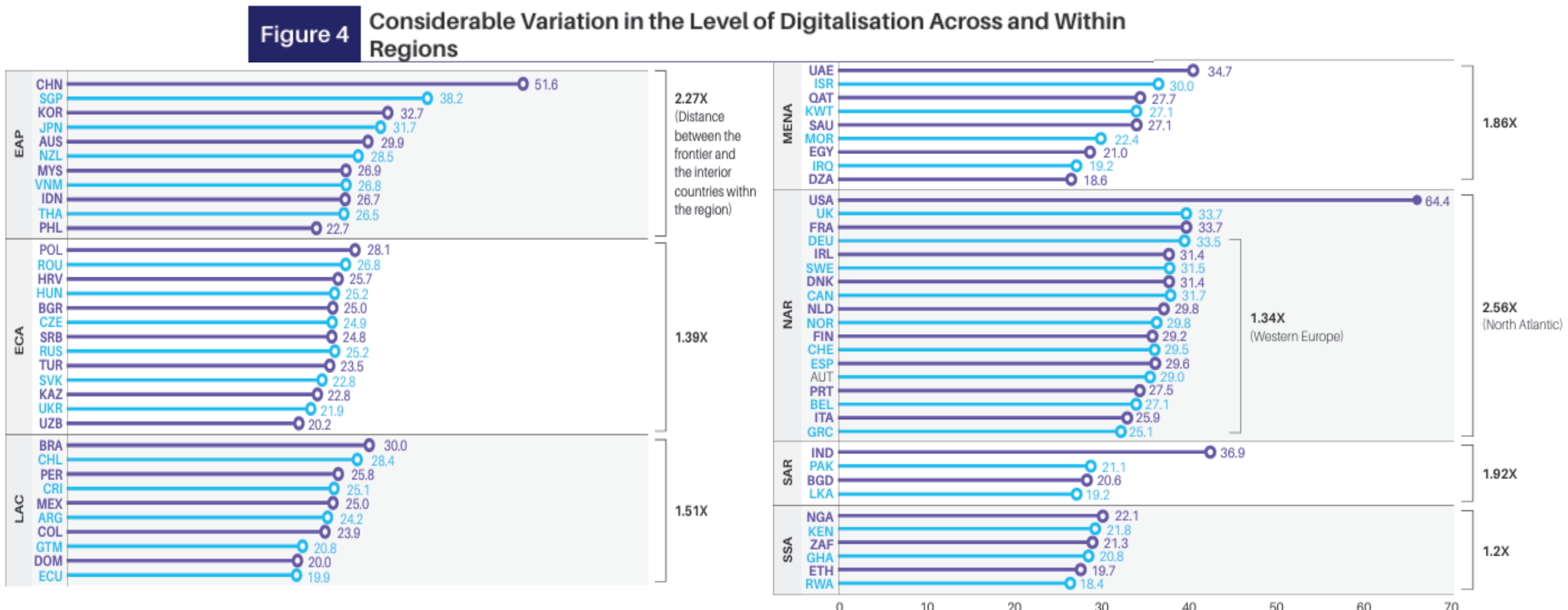
#1. Global Digital Leadership is shifting from North-Atlantic to Indo-Pacific

Map 1 Global Digital Map 2026—An Increasingly Tripolar World



- Digital leadership no longer confined to North America and Western Europe
- Top 5: US, China, Singapore, UK, India
- Three poles: North Atlantic, Indo-Pacific, Continental Europe
- Indo-Pacific hosts 3 of the top 5 digital economies

#2. Digital Tools Cross Borders. Digital Ecosystems Do Not.

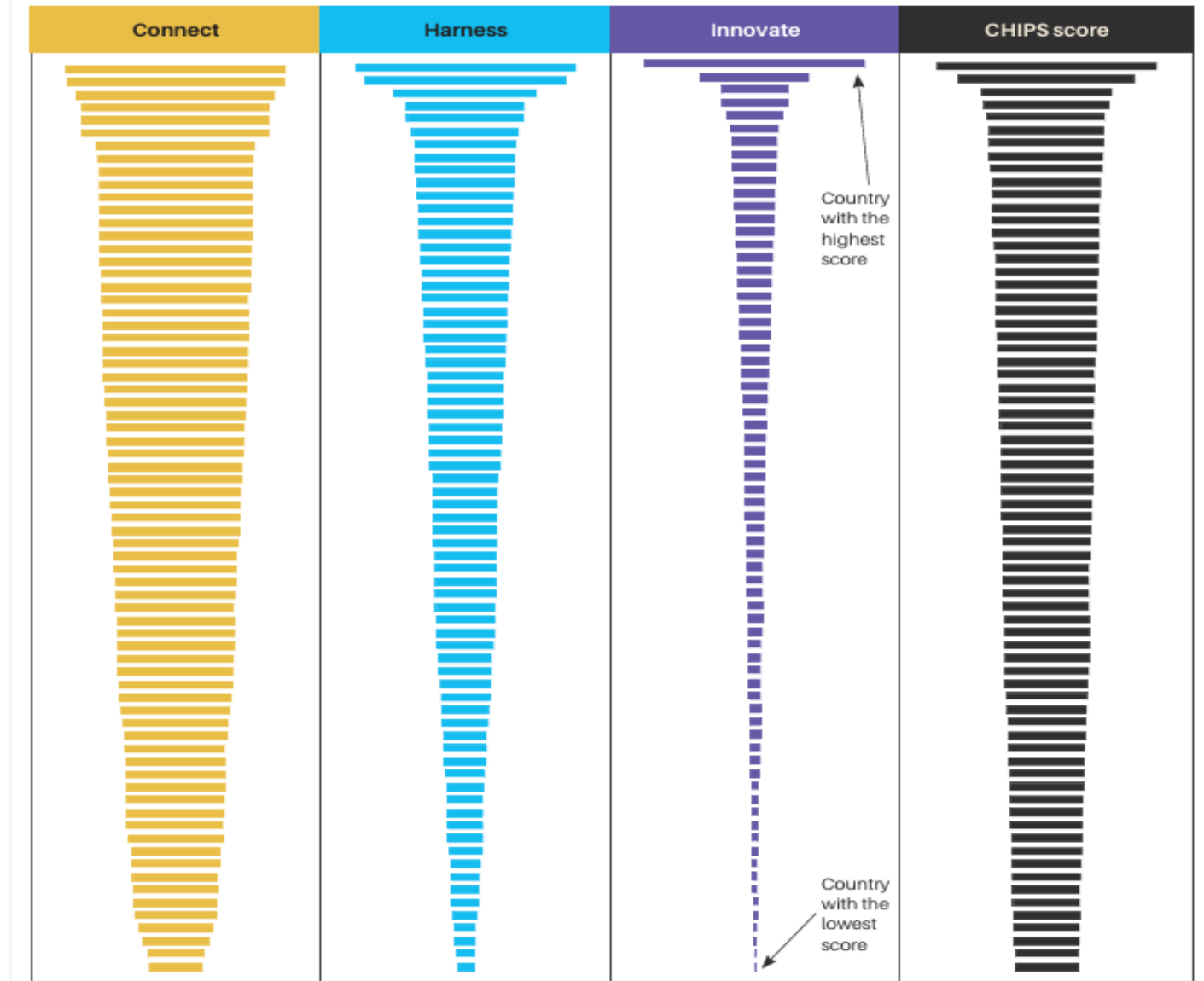


- Large disparity in digitalisation between neighbouring countries (US vs. Mexico, France vs. Italy, Singapore vs. Laos, India vs. Sri Lanka etc.)
- Digital leaders do not automatically pull neighbouring countries forward
- Domestic policies, institutions, and private sector dynamism matter more than geography

#3. The Deeper the Digitalisation, the Wider the Divide

- Connect: most inclusive—basic connectivity is now widespread
- Harness: moderate dispersion—countries differ in how productively they use digital tech
- Innovate: least inclusive—advanced innovation and R&D concentrated in few economies
- Highlights importance of “analogue” foundations for harnessing and innovation

Figure 6 Uneven Distribution of Digital Capabilities Across Countries

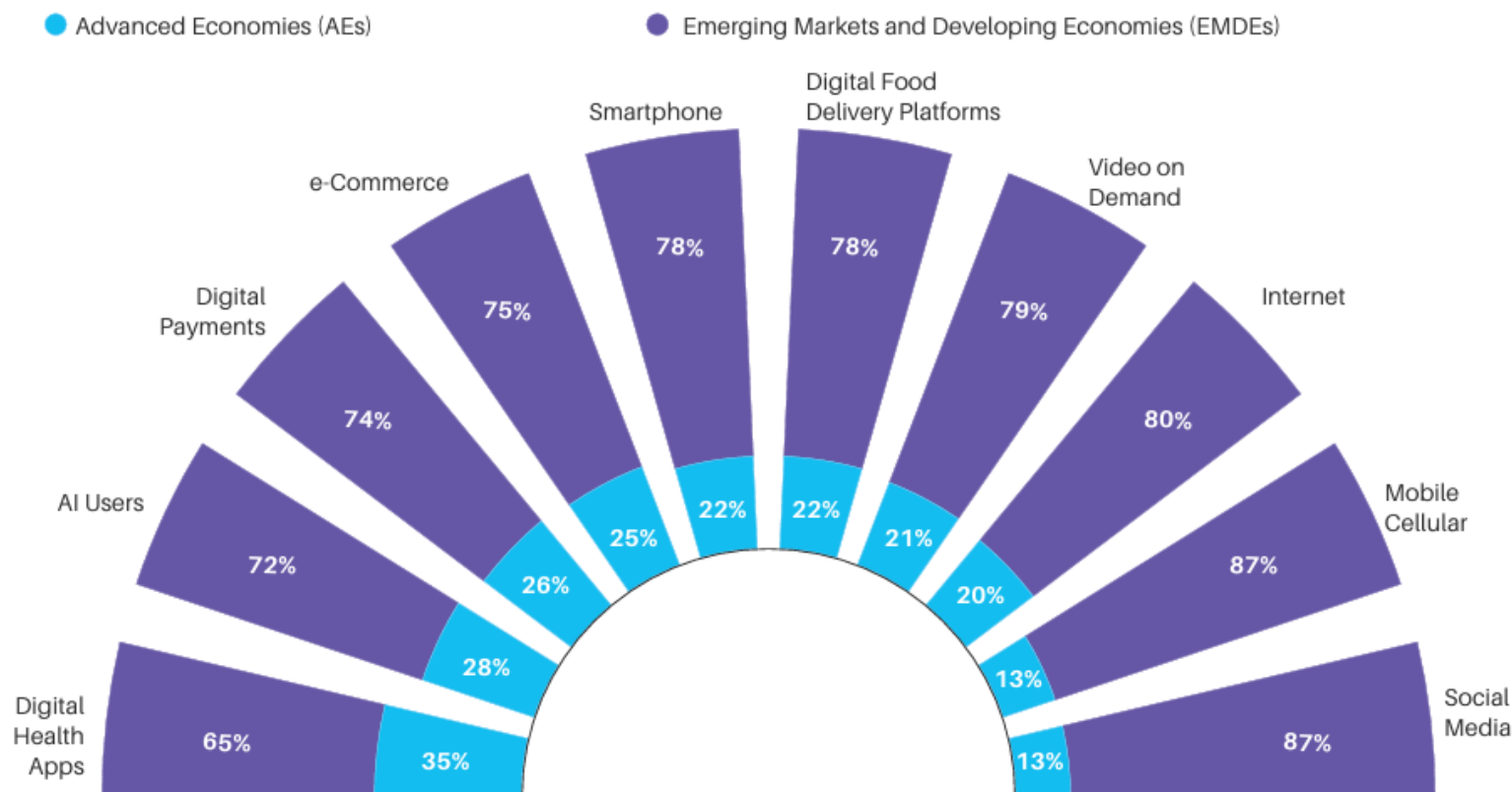


#4. The Growing Divide Between Digital Users and Digital Producers

- Digital technologies (e.g., internet, smartphone, e-commerce and AI) have diffused faster than income
- Access is inclusive; value capture is not
- Frontier production (advanced chips, cloud, LLMs, platforms) in a few countries and firms
- Explanations: Missing analogue foundation; theory of weakest link

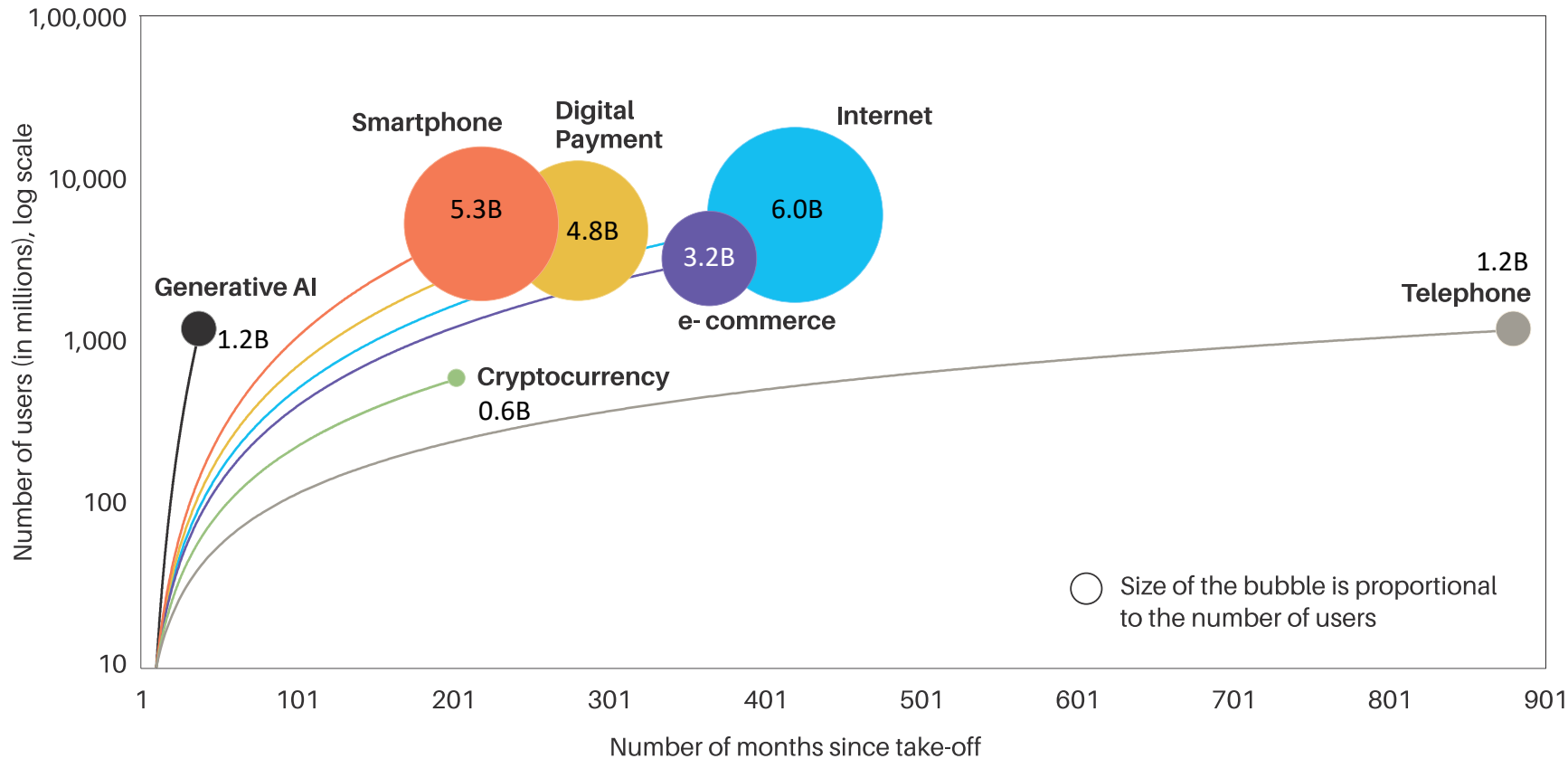
Figure 15 Most Digital Technology Users Live Outside Advanced Economies

(User share across various technologies)



Will GenAI Transform the Economies as Rapidly as it is Diffusing?

Figure 9 GenAI is the Fastest-Diffusing Technology in History

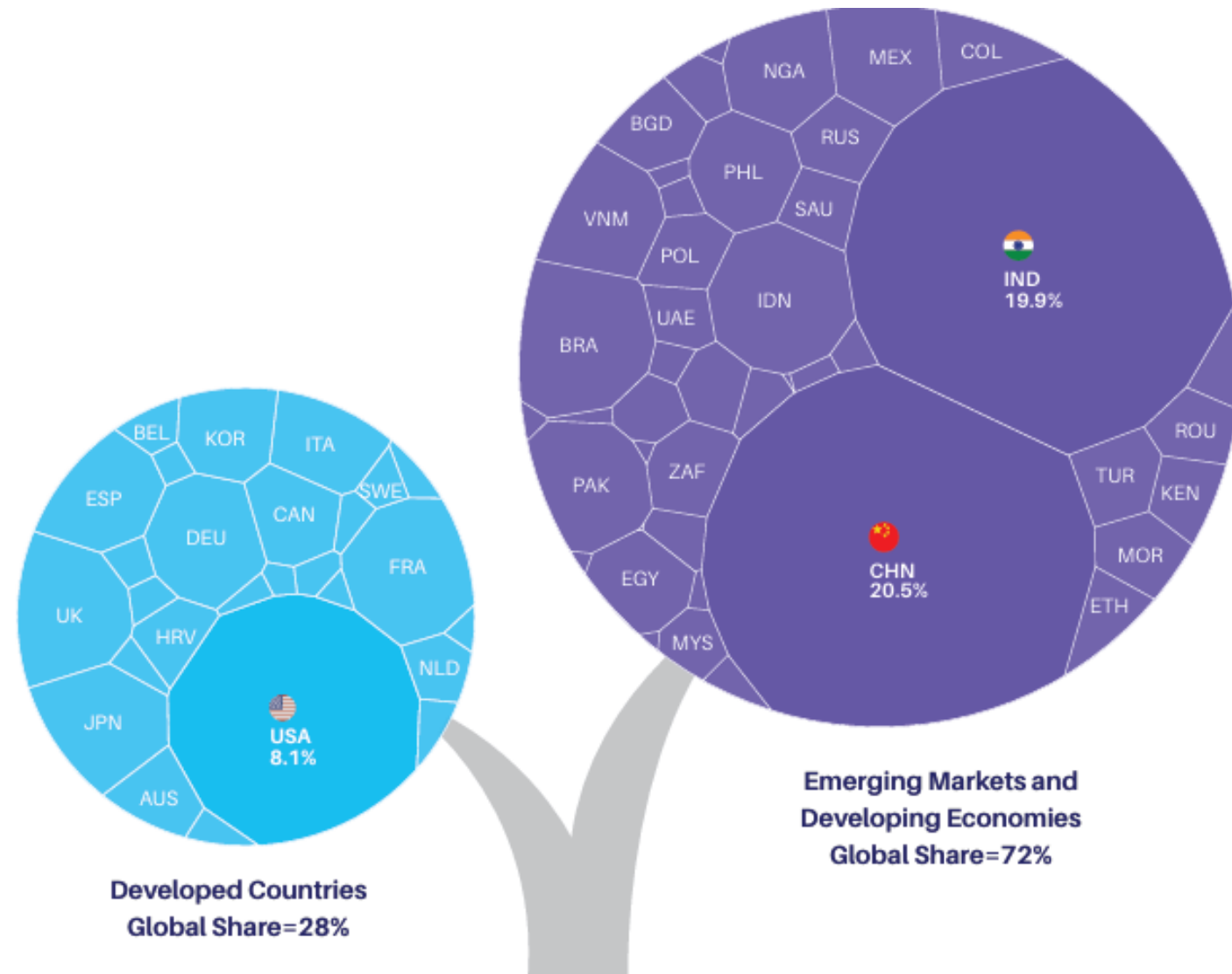


- Reached around a billion users in ~3 years
- Much faster adoption than internet, smartphones, e-commerce, or digital payments
- Marks a new phase: rise of the “intelligent digital economy”
- Makes tracking AI capabilities and usage critical

#5 Developing Countries Account for Nearly 3/4th of Global AI Users

- EMDEs account for 72% of global AI users
- China and India together account for nearly two-fifths of global AI users
- Contrast with early internet era, when advanced economies dominated uptake
- Creates opportunity for EMDEs to shape AI applications and use cases

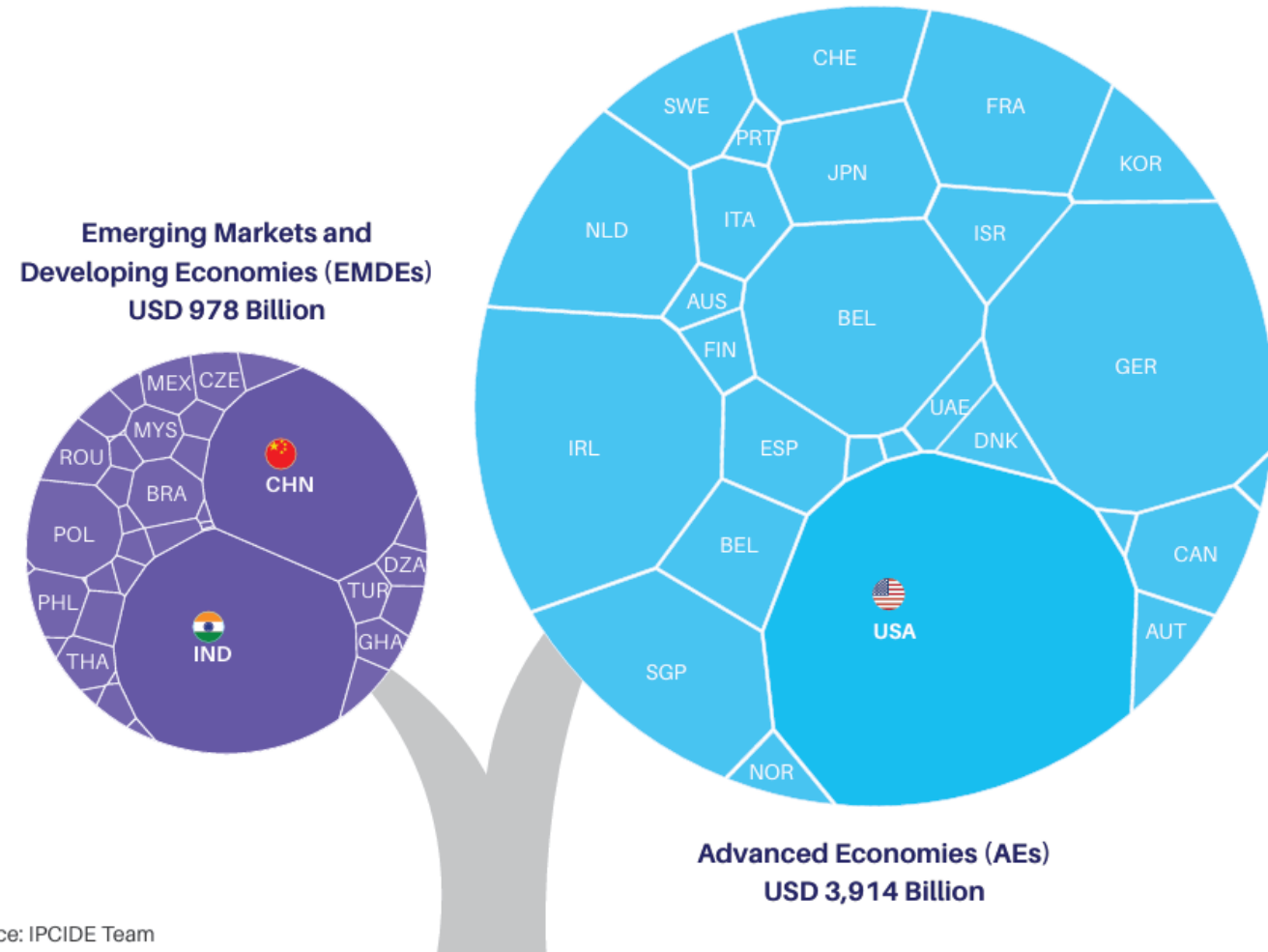
Figure 10 Developing Countries Account for Nearly Three-Fourths of Global AI Users



➔ But India remains an outlier among developing countries in the digital economy

- India was once a net importer of digital products and services; today, it is the world's fourth-largest exporter.
- India has the world's largest AI-skilled population and the second-largest pool of AI talent.
- India's 120 million AI users today could become the million AI innovators of tomorrow.

Figure 16 EMDES Account for Less than One-fifth of Digitally Delivered Exports



Key Takeaways

- ❑ Digital innovation is increasingly coming from the Global South, but conventional global indices often fail to capture it.
- ❑ The CHIPS framework offers a broader and more policy-relevant way to measure digitalisation.
- ❑ Global digital leadership is becoming more multipolar and shifting towards the Indo-Pacific.
- ❑ Digital transformation depends primarily on domestic capabilities rather than regional spillovers.
- ❑ Digital technologies have spread much faster than digital dividends.
- ❑ The current gloom surrounding India's digital economy is likely to lift as AI adoption becomes more widespread globally.

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Thank You!