# PROSPECTS FOR DEVELOPMENT OF THE DIGITAL ECONOMY IN THE SERVICE SECTOR IN CONDITIONS OF ECONOMIC GROWTH

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The information economy is an economy aimed at minimizing the use of matter and energy in the production, distribution and consumption of goods and services through the efficient use of information resources. This definition specifies and complements the more general definition of the economy as an economic system that ensures the satisfaction of the needs of people and society by creating the necessary goods of life in conditions of limited resources [1].

Digitalization of the economy is an activity related to digital technologies that contributes to every organization, since it is this process that contributes to the promotion of an enterprise in the services market, so it is very important to pay special attention to this. The service sector, like other areas where complex economic processes take place, is closely related to digitalization. Digitalization of the service sector is an indicator of the degree of development of the socio-economic complex of an organization and reflects the totality of existing “weaknesses”, as well as problems. [2]. The rapid development of digital technologies over the past ten years has radically changed the nature of productive forces and market relations in the world, offering completely different forms and paths of development based on a combination of digital capabilities and resources. To date, a number of digital and information technologies have been created that provide for the transition to a new stage in the development of productive forces (Industry 4.0, a new level of automation of all processes, etc.) [3].

Thus, one of the main global trends in the development of the modern economy is the phenomenal expansion of the service sector, which is significantly ahead of industry and agriculture in terms of contribution to GDP, leads in the number of new jobs and the employment rate, and affects the development indicators of the world economy. The development of the service sector is typical for all countries, but in each of them it occurs differently, which depends on internal prerequisites and the existing level of economic development of the state.

The achieved level of development of digital technologies had the most significant impact on the transformation of the service sector, led to unlimited business scaling and an exponential decrease in the value of creating demand and prices for services for consumers (transport, education, healthcare, tourism, etc.), as well as in the sphere of interaction between market participants, government services and security services. Over the past decades, material production has been actively growing, the consumption of goods has been stimulated, which has led to an excess of supply over demand and, as a result, significant inefficiency of

the world economy: the psychological obsolescence of objects today occurs to a large extent earlier than the physical one [4].

Digitalization carries great economic potential that can be realized in the coming years. A number of technologies will become the main source of overall economic growth. As MGI research shows [5], by 2030, global GDP will increase by $13 trillion due to digital technologies, which open up great opportunities for business; income from their use is reinvested in the economy.

The way firms use digital technologies clearly demonstrates the possible benefits of digitalization. Industries with a high level of digitalization show the greatest productivity growth. Among the industries with a high level of digitalization, one can highlight the service sector, which includes direct communication with consumers and ensures faster capital turnover. In developed countries, sectors with a high level of digitalization include media and financial services organizations, while sectors with a low degree of digitalization include pharmaceuticals and large manufacturing industries.

However, despite advances in new technologies, at the macroeconomic level, labor productivity growth in developed countries was insignificant, declining by an average of 0.5% between 2010 and 2014 (for more details, see [6, 7]). Studies conducted by foreign scientists indicate that the effect of digitalization is likely to appear only when companies begin to massively introduce digital technologies into work processes. On average, the process of full diffusion of new digital technologies throughout the world can continue until 2045 [8–9].

As practice shows, in various countries many companies are beginning to introduce digital technologies into production, but an analysis of various practices of their application suggests that this process remains complex and slow.

**Table 1**

**Level of digital technology use by industry in the US, EU countries and China**

| Industry | Organizations using digital technologies, % | Factors that support industry development in the context of digitalization | | |
|---|---|---|---|---|
| | | cash flow | automation and supply chain | digital workforce |
| **Pharmaceuticals** | 13,4 | + | + | + |
| **Business Services** | 17,0 | | + | + |
| **Healthcare** | 24,3 | + | | |
| **mass media** | 25,0 | | | + |
| **Consumer goods** | 28,5 | + | | |
| **Financial services** | 29,7 | + | + | |
| **Telecommunications services** | 31,0 | | + | + |
| **Retail** | 46,0 | + | | |
| **Tourist services** | 51,0 | | + | |
| **Average level by industry** | **25,0** | | | |

***Source:*** *McKinsey data.*

The experience of companies in introducing digital technologies into production in the USA, EU and China shows that in these countries the level of digitalization is still not high. On average, the level of digitalization is only about 25% of the total potential of the sector (Table 1).

The results of a survey of companies on the degree of use of digital technologies in production indicate that organizations in the service sector (tourism, financial services) and trade have the highest level of digitalization, and the pharmaceutical industry has the lowest level. The remaining industries have an average level of digitalization – 25%. In addition, the survey made it possible to identify factors hindering the development of the industry in the context of digitalization, namely: a low percentage of sales made using digital technologies, a low percentage of automated operations, a low percentage of the use of digital technologies when interacting in supply chains [10].

Global experience suggests that in the most digitally developed sectors of the economy, the "winner takes all" principle works. Today, the top 10% of companies with the highest digital revenues account for up to 80% of the revenue generated in their sector, ranging from 60% in professional services to over 90% in media and telecommunications (McKinsey data). Digitalization processes have received impetus for development in recent years. In the European Union, private companies have achieved significant success, the labor market is gradually changing, the state is implementing large infrastructure projects, and the Internet, mobile and broadband communications are being widely introduced (Table 2).

**Table 2**

**Comparative characteristics of the level of development of digital services in EU countries in 2021, %.**

| Indicator | EU Country |
|---|---|
| Share of population shopping online | 75 |
| Share of organizations using CRM systems | 38 |
| Share of e-commerce in total retail trade | 14,8 |
| Share of the population receiving government services online | 56 |
| Share of organizations with a website | 75 |
| Mobile Internet penetration level | 68 |
| Internet penetration level | 88 |

***Source:*** *[12]*

A similar situation is observed in terms of the share of people who use the Internet every day: Russia (66%), Japan (81%), South Korea (81%) and the UK (69%), but overall it is at the level of developed countries. countries (Table 3).

The achieved level of development of digital technologies has had the most significant impact on the transformation of the service sector, leading to unlimited business scaling and an exponential decrease in the value of creating demand and prices for services for consumers. An analysis of the dynamics and factors of development of electronic services in the European Union showed that various market participants have a need to study the boundaries, level of penetration and volumes of the digital economy, therefore relevant studies are carried out by

independent rating and consulting agencies, individual service organizations, scientific and educational institutions, national industry regulators and the media.

**Table 3**

**Average number of Internet-connected devices and share of people using the Internet daily in selected countries**

| Country | Average number of devices connected to the Internet, units. | | | Share of people using Internet access daily, % | | |
|---|---|---|---|---|---|---|
| | 2019 | 2020 | 2021 | 2019 | 2020 | 2021 |
| **Great Britain** | 3,0 | 3,1 | 3,3 | 63 | 70 | **69** |
| **USA** | 2,9 | 3,1 | 3,2 | 66 | 63 | **64** |
| **Russia** | 2,1 | 2,4 | 2,8 | 51 | 66 | **66** |
| **Germany** | 2,2 | 2,4 | 2,6 | 59 | 62 | **64** |
| **South Korea** | 2,8 | 2,3 | 2,5 | 71 | 73 | **81** |
| **France** | 2,3 | 2,2 | 2,5 | 60 | 60 | **66** |
| **Japan** | 1,8 | 2,3 | 2,4 | 74 | 81 | **81** |
| **China** | **1,4** | **1,9** | **1,9** | **44** | **60** | **61** |

***Source:*** *[12]*

However, the data obtained are not only not consolidated, but are often incomparable due to methodological differences, discrepancies in approaches to determining the population sample being surveyed, and the lack of uniform terminology. Sometimes the objectives of the study and the choice of indicators or areas of assessment remain unclear.

Thus, the task of developing a methodological approach to identifying electronic services as an object of civil circulation, as well as their classification, comes to the fore. This will make it possible to determine the actual indicators of the Internet economy, its share in the national economy, to develop scientific and practical recommendations for the integration of the material and virtual business environment, the formation of new types of strategies and approaches to the study of markets.

Informatization has a great impact on economic development. The relationship between informatization and the economy is carried out through business communications (business communications), which unite individual local structures with each other. In addition, this is the interaction of subjects of the information system in the process of solving innovative problems. The information sector of the economy is being transformed into a new technological structure. At the same time, continuous technological progress characteristic of the digital economy confronts individuals with the need to develop their creative potential throughout their lives. In this regard, they talk about the transition of civilization to a new stage of development, called the "information society."

At the same time, in the modern information society, the sense of reality and sustainability is lost, since there is a desire for innovation. This feeling is generated by the constant changes that characterize the leitmotif of the modern era. These changes in society are not external, but of an essential nature, which is manifested in the fact that it changes both the dynamics of social processes and

the nature of social and economic reality. Informatization of modern society determines the essence, character, dynamics and prospects for the development of social processes as a whole. The information society sets the special nature of social connections – communication that unfolds through telecommunication technologies [13].

Information and telecommunication technologies have not only generated a variety of social effects, but also led to the emergence of a new trend of social thought, known as the theory of the information society. To date, the basic terms of the information society and its main characteristics have been formulated.

In such a society, the dominant role belongs to professionals, and special theoretical knowledge acquires a fundamentally new meaning. The dominant elements of social development are knowledge and technology, which determine the basis of socio-economic life. In a post-industrial society, the information sector of the economy predominates, which includes all specialists involved in the production, processing and dissemination of information, as well as those who create and maintain the functioning of the information infrastructure. Information and knowledge, rather than capital and labor, become the main variables shaping post-industrial society. Information controls the behavior of producers and consumers. [14]

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