

# The Impact of E-Commerce on the Digital Economy

**Aeku Thirupathi**

Associate Professor, Department of Public Administration  
Vivekananda Degree College Vidhyanagar, Hyderabad, Telangana

DOI:10.37648/ijps.v21i03.015

<sup>1</sup>Received: 30/11/2025; Accepted: 31/12/2025; Published: 07/01/2026

---

## Abstract

Commerce has entered a stage of global digital accessibility due to the development of the Internet and modern communication technologies. Business activities have increasingly moved to online platforms, allowing companies to operate across national borders and provide services continuously without time limitations. As a result, online business platforms now play a central role in the functioning of both small businesses and large enterprises. The rapid growth and widespread use of information technology enabled access to digital resources required for commercial operations. The integration of information technology with business processes has become a key driver of the digital economy. This integration has changed traditional business models by improving operational efficiency, reducing transaction costs, and increasing market reach.

This article defines the core concepts of e-commerce and the digital economy and presents a brief overview of their development in the modern economic system. It examines the main components of electronic commerce that contribute to the growth of the digital economy, including online transactions, digital payment systems, and electronic supply chains.

## 1. Introduction

The digital economy, in simple terms, refers to economic activities that are based on the Internet. It is also known as the web economy, internet economy, or online economy. It involves earning revenue through online business activities and creating economic value through electronic networks. Although the digital economy has a structure similar to the traditional global economy, the processes, tools, and business strategies used in it are significantly different. The digital economy includes all participants and activities involved in digital value creation, such as online production, distribution, and consumption of goods and services. It is directly influenced by sectors like multimedia services, e-commerce, online advertising, mobile application providers, game developers, and social media platforms. Unlike many traditional economic sectors that face financial instability, the digital economy continues to grow rapidly, with annual growth rates estimated at around 10–15 percent.

The digital economy is also closely connected to the green economy, as it supports efficient resource use and reduces environmental impact through digital solutions. Current discussions on global economic and social development mainly focus on two key areas: the growing potential of information and communication technology (ICT) and the challenge of achieving environmental sustainability.

E-commerce, in simple words, refers to business activities conducted online. It involves buying and selling goods and services over the Internet using electronic networks. E-commerce also includes online marketing strategies, such as

---

<sup>1</sup>How to cite the article: Thirupathi, A. (2026); The Impact Of E-Commerce On The Digital Economy; *International Journal of Professional Studies*; Vol 21, Special Issue 3, 87-91; DOI: <http://doi.org/10.37648/ijps.v21i03.015>

social media promotion and digital platforms, which help businesses reach customers and operate efficiently in the digital environment. The term electronic commerce highlights the use of digital technologies to perform commercial transactions and manage business operations online. E-commerce includes a wide range of online business activities such as telemarketing, digital advertising, online shopping, and the promotion of products and services through social media platforms. It represents a large and continuously expanding business environment on the Internet. With ongoing technological advancements, the scope and potential of e-commerce continue to grow.

Information technology has significantly influenced the future development of the financial sector and the methods used to conduct business across different countries. In developing economies such as Bangladesh, the growth of e-commerce faces challenges typical of emerging markets, including infrastructure limitations, regulatory issues, and digital literacy gaps. At the same time, the increasing use of smartphones and the Internet as a major distribution channel for business transactions is creating new opportunities for e-commerce expansion.

Furthermore, international trade is becoming increasingly dependent on e-commerce platforms, which offer faster and more efficient cross-border transactions. This growing reliance on electronic commerce highlights the importance of addressing key issues such as e-commerce security, data protection, and secure online payment systems to ensure trust and sustainability in global digital trade.

## 2. How E-commerce Affects the Digital Economy

E-commerce has a **direct and significant impact** on the digital economy. Both concepts are closely linked to the Internet and depend heavily on the growth of information technology (IT) and overall technological advancement. In fact, e-commerce can be considered the foundation of the digital economy. E-commerce refers to trade and business activities conducted online through electronic networks. These activities create economic value in the digital space, which collectively forms the digital economy. Therefore, the continuous growth of online business directly leads to the expansion of the digital economy. This relationship clearly shows that e-commerce and the digital economy grow together and influence each other.

Several factors affect both e-commerce and the digital economy, including digital media, online banking, digital payment systems, and the expansion of online networks. Key components of e-commerce—such as online advertising and marketing, electronic transactions, social media networking, digital business platforms, online customer services, telecommunications, and telemarketing—directly contribute to the growth of the digital economy. As these components develop and expand, the digital economy also grows at a faster rate.

Advancements in information and communication technology (ICT) have made e-commerce a standard business practice worldwide. Improvements in computer systems, mobile devices, and Internet connectivity increase the volume of online business transactions, which strengthens the digital economy. Compared to traditional economic sectors, the digital economy grows faster due to its reliance on technology and innovation. Although the loss of online customers could slow growth, this risk is relatively low because modern societies are becoming increasingly dependent on smartphones, computers, and social networking platforms. As technology continues to advance, e-commerce and the digital economy are expected to dominate future global trade, business, and marketing activities. International trade has already become largely dependent on digital platforms, and production and business operations worldwide are increasingly shaped by computer and information technologies. The digital economy includes all economic activities based on digital technologies, not only the Internet. Digital tools such as computer platforms, software applications, and online servers enable the digitalization of business processes. As a result, e-commerce has become essential for both buyers and sellers, further strengthening the digital economy.

## 3. Best Practices of E-commerce

Best practices in e-commerce play a crucial role in supporting the growth of the digital economy. These practices include social media networking, online advertising and marketing, secure online transactions, effective

telecommunications, well-designed websites, and efficient customer service systems. One of the most important e-commerce practices is social media networking, which helps businesses promote their products and services online. Platforms such as Facebook, Instagram, WhatsApp, and Snapchat enable businesses to reach large audiences, interact directly with customers, and build brand awareness at a low cost. Other best practices include using digital marketing tools, maintaining secure payment systems, providing reliable customer support, and ensuring smooth online communication. When applied effectively, these practices improve customer satisfaction, increase business efficiency, and contribute positively to the expansion of the digital economy.

Social media-based promotion has a strong impact on e-commerce because it allows businesses to reach billions of users worldwide. Online platforms make it possible to target specific groups of customers based on interests, age, location, and behaviour. This targeted approach helps businesses reach the most relevant audience for their products or services. Since social media promotion requires little or no financial investment while offering a very large reach, it produces high returns and strongly supports the growth of the digital economy.

#### 4. Online advertising and digital marketing

The important e-commerce strategies that involve promoting businesses through the Internet using websites and social media platforms. A well-known example of online advertising is **Google Ads**, which allows businesses to display advertisements to users across the world. Such advertising tools are highly effective in expanding market reach, increasing online sales, and strengthening e-commerce activities, which in turn contribute to the growth of the digital economy. Online transactions, which include digital payments and Internet banking, have played a critical role in the expansion of e-commerce. They have made online payments fast, secure, and convenient, encouraging more consumers to shop online. Online transaction systems have also supported international trade by enabling cross-border payments, removing geographical barriers, and making global business operations more efficient. As a result, e-commerce has expanded beyond local markets and significantly boosted the digital economy.

#### 5. Telecommunication technologies

Have also positively influenced the growth of both e-commerce and the digital economy. Improved communication systems have made it easier for businesses to connect with customers, suppliers, and global markets. Faster and more reliable communication has increased efficiency in online business operations and customer engagement. In addition, websites and online customer service systems have improved the overall experience of e-commerce. Advancements in information and communication technology (ICT) have made customer support faster and more accessible. Automated responses, chatbots, and virtual assistants help customers receive immediate assistance while saving time and operational costs for businesses. Online customer service centres have also created new employment opportunities worldwide, further contributing to the expansion of e-commerce and the digital economy. There are many additional strategies and practices through which e-commerce has a direct impact on digital banking. Both e-commerce and digital banking have become essential components of the modern economy and are expected to play an even more significant role in the future. These two areas are closely connected and develop together, as the growth of one strongly supports the expansion of the other.

The process of digitizing business, commerce, and the overall economy differs across countries, as each nation adopts digital technologies at its own pace based on economic conditions and technological capabilities. Even within a single economy, different sectors progress at different speeds depending on their level of technological development. However, consumer retailing has become one of the most digitally advanced sectors, mainly due to the widespread use of digital payment systems and online transactions. Increased Internet usage, improved online information sharing, better user experience, and continuous advancements in information and communication technology (ICT) have had positive effects on information technology (IT) infrastructure. These improvements support the growth of e-commerce by enabling faster, safer, and more reliable online business operations. As a result, stronger IT infrastructure and increased digital adoption continue to reinforce the expansion of both e-commerce and the digital economy.

Recent developments in information and communication technology (ICT) and information technology (IT) infrastructure have strongly influenced economic development within countries. Research findings indicate that the online purchasing behaviour of Internet users is changing as ICT infrastructure improves, making online shopping more accessible, reliable, and widely accepted.

## 6. Conclusion

In conclusion, the digital economy refers to the part of the economy that is based on Internet-enabled and digitally driven business activities. It is expanding rapidly due to continuous advancements in technology and information systems, and it is growing faster than many traditional economic sectors. The digital economy operates through digital value creation processes, where goods and services are produced, distributed, and consumed using digital technologies. E-commerce, on the other hand, refers to business activities conducted online through electronic networks. It connects businesses directly with billions of Internet users worldwide and includes online marketing, digital transactions, and electronic communication. The growth of e-commerce is closely linked to developments in computer technologies, ICT systems, and online banking services.

A key factor influencing both the digital economy and e-commerce is the widespread adoption of digital transactions, which attract more online consumers and make business operations faster and more efficient. As digital payment systems become more secure and convenient, they continue to strengthen consumer trust and participation in online markets. Both the digital economy and e-commerce represent modern economic paradigms with strong future potential. Continued progress in science and technology is expected to further accelerate the digitization of global business and economic systems. Since the digital economy is directly driven by e-commerce activities, improvements in online business strategies automatically contribute to digital economic growth.

Overall, the digital economy has emerged as one of the most dynamic and rapidly developing branches of the global economy. Because its key components are technology-based, they require relatively low operational costs while offering high scalability and profitability. The expansion of e-commerce methods and the advancement of online banking systems have established a strong foundation for the digital economy, ensuring its continued growth and global relevance in the future.

## References

Gajewska, T., Zimon, D., & Kaczor, G. (2020). The impact of the level of customer satisfaction on the quality of e-commerce services. *International Journal of Productivity and Performance Management*, 69(4), 666–684.

Huang, S.-L., & Chang, Y.-C. (2019). Cross-border e-commerce: Consumers' intention to shop on foreign websites. *Internet Research*, 29(6), 1256–1279.

Lamba, D., Yadav, D. K., & Barve, A. (2020). Prioritizing barriers in reverse logistics of e-commerce supply chain using fuzzy-analytic hierarchy process. *Electronic Commerce Research*, 20(2, SI), 381–403.

Lin, X., Featherman, M., Brooks, S. L., & Hajli, N. (2019). Exploring factors affecting online consumer trust in e-commerce. *Journal of Retailing and Consumer Services*, 53, 101–110.

Lin, X., Zhou, Y.-W., & Xie, W. (2020). Pricing and product-bundling strategies for e-commerce platforms with competition. *European Journal of Operational Research*, 283(3), 1026–1039.

Mentsiev, A. U., Anzorova, A. I., Abubakarov, M. V., Cheldieva, Z. K., & Sugarova, V. B. (2019). E-commerce in the Chechen Republic: Current state, problems and solutions. *Proceedings of the International Session on Factors of Regional Extensive Development (FRED 2019)*, 113, 261–266.

Mentsiev, A. U., Engel, M. V., Tsamaev, A. M., Abubakarov, M. V., & Yushaeva, R. S.-E. (2020). The concept of digitalization and its impact on the modern economy. *Proceedings of the International Scientific Conference Far East Con (ISCFEC 2020)*, 128, 2960–2965.

Mentsiev, A. U., Khaliev, M. S.-U., Guzueva, E. R., & Ashakhanova, M. Z. (2020). Digitalization as a new stage in the formation of economic relations. *Proceedings of the International Scientific Conference Far East Con (ISCFEC 2020)*, 128, 3096–3100.

Mou, J., Zhu, W., & Benyoucef, M. (2020). Impact of product description and involvement on purchase intention in cross-border e-commerce. *Industrial Management & Data Systems*, 120(3), 567–586.

Mueller, S. C. (2017). Measuring and mapping the emergence of the digital economy: A comparison of the market capitalization in selected countries. *Digital Policy, Regulation and Governance*, 19(5), 367–382.

Riera, C., & Iijima, J. (2019). The role of IT and organizational capabilities on digital business value. *Pacific Asia Journal of the Association for Information Systems*, 11(2), 67–95.

Riera, C., & Iijima, J. (2019). Digital economy and environmental sustainability: The role of ICT. *Sustainability*, 11(6), 1–15.

Sanchez-Torres, J. A. (2019). Moderating effect of the digital divide of e-commerce. *International Journal of Social Economics*, 46(12), 1387–1400.

Techopedia. (2023). *Digital economy*. In *Techopedia online dictionary*.