

State of India's Digital Economy in 2026: A Review



State of India's Digital Economy, 2026. By Deepak Mishra, Aarti Reddy, Shailly Gupta, and Agrima Khanduri. IPCIDE, Indian Council for Research on International Economic Relations (ICRIER), New Delhi, India. ISBN: 9788199889330.

CHAPTER-WISE REVIEW

The "State of India's Digital Economy (SIDE) 2026" report, published by the ICRIER-Prosus Centre for Internet and Digital Economy (IPCIDE) and authored by Deepak Mishra, Aarti Reddy, Shailly Gupta, and Agrima Khanduri, is a highly comprehensive benchmarking study. Expanded in its 5th edition to cover 71 countries representing 96% of global GDP, 86% of global internet users, and 83% of the global population, the report offers a rigorous assessment of the global digital landscape with a

particular focus on India's position within it (p. 13). The Report is divided into six chapters, namely, The Global Digital Map: Who Leads and Who Lags in 2026; The Rise of the Intelligent Digital Economy; Digitalisation's Hidden Costs: Global Imbalance, Digital Crime, and E-Waste; India in the G20: An Emerging Digital Power with Significant Room to Grow; India and BRICS: Competing with Emerging Giants, and India and the EU: A Partnership of Complementary Strengths.

Chapter 1 frames the global digital landscape as an increasingly tripolar order. Historically concentrated in the North Atlantic, digital leadership has shifted to the Indo-Pacific, with China, Singapore, and India now joining the US and UK in the global top five digitalised nations. The chapter's major strength is its critical dismantling of first-generation indices (like those of the ITU, UN, and IMF). The authors argue that indices like the IMF's AI Preparedness Index (AIPI)- which ranked India 71st - suffer from



DOI: 10.5530/jcitation.20260302

Copyright Information :

Copyright Author (s) 2026 Distributed under
Creative Commons CC-BY 4.0

Publishing Partner : Manuscript Technomedia, [www.mstechnomedia.com]

"mission creep" and neglect scale effects. By measuring digital outcomes purely in per capita terms, traditional benchmarks penalise large developing nations and fail to capture the network effects of massive user bases. Through the CHIPS-Combined index, India ranks 5th globally (scoring 36.9), demonstrating a well-rounded digital profile despite low per capita income. However, the chapter honestly acknowledges that part of India's rise from 8th in 2025 is due to methodological changes, such as the exclusion of indicators like the gender digital divide where India historically underperforms.

Chapter 2 focuses on the unprecedented speed of Generative AI, noting it crossed the billion-user threshold in just three years. It exposes a key shift: developing countries account for 72% of global AI users, with China and India representing nearly two-fifths of global adoption. The report positions India 4th in the standalone AI Index, outperforming Germany, France, Japan, and Canada. However, the authors offer a crucial, intellectually honest warning: AI indicators currently capture inputs and intermediate capabilities (skills, publications, startups) rather than economy-wide productivity or growth outcomes. The chapter rightly highlights India's unique advantage: a talent-led, application-driven AI ecosystem. India holds the second-largest concentration of AI talent globally but faces a massive capital gap, attracting only 7% of global private AI investment (USD 1,160 million compared to the US's USD 109,080 million). The recommendation to focus on low-cost sovereign AI and small language models rather than replicating capital-heavy Western strategies is highly realistic.

Chapter 3 is the most critically vital chapter, exposing the "unqualified good" narrative of technology advocates. It maps three systemic failures: (1) Global Trade Imbalance: EMDEs host the vast majority of digital consumers, but advanced economies capture over four-fifths of digitally delivered services trade. India is the sole exception, exporting USD 328 billion in services. The authors boldly critique India's outdated trade stance of opposing the WTO customs moratorium on electronic transmissions, arguing it is misaligned with India's reality as a leading exporter. (2) Digital Crime: The authors demonstrate that cybersecurity risks grow with scale. While the US dominates ransomware victims (3,282 cases in 2025), India's cyber risks are climbing rapidly. The report notes that India's cyber spending (USD 3.06 billion) remains dangerously modest relative to its massive user base. (3) Environmental E-Waste: E-waste rises sharply with income. Although India's per capita e-waste is low (2.9 kg per person compared to Norway's 26.8 kg), its massive population makes its aggregate volume highly problematic, necessitating immediate circular economy regulations.

Chapter 4 places India in a comparative perspective with G20 peers. India stands out as a massive contributor to the G20's scale, holding 31% of the G20 population and 22% of core connectivity users (p. 59). The chapter highlights a striking structural

division: India punches far above its weight in software-led and decentralised domains, commanding 11% of G20 digital services exports and 18% of DeFi revenues (p. 60). Conversely, it lags severely in capital-intensive frontier technologies, accounting for only 1% of AI private investment, 2% of robotics, and 1% of drone revenues within the G20. This clear evidence-based analysis exposes India's hardware and advanced industrial scaling bottlenecks.

Chapter 5 focuses on intra-bloc dynamics and regional cooperation. While China and India dominate scale, the UAE and Saudi Arabia lead the bloc in intensity. The most forward-looking policy proposal here is challenging the global SWIFT payment system. Because BRICS contributes 56% of global digital payment transactions, the authors suggest integrating national instant payment systems (like India's UPI and Brazil's Pix) into a unified, decentralized BRICS Pay. Additionally, the chapter outlines valuable South-South cooperation, such as Ethiopia leveraging Indian skilling frameworks to launch its national payment system in 2026.

The final chapter conceptualises a "third path" for the global digital economy, contrasting China's state-led model and the US's Big Tech-dominated model. It presents a perfect complementarity of scale and intensity: India brings population-level DPI experience, an active startup ecosystem (651,000 startups compared to the EU's 1204,550), and massive talent (p. 75). The EU brings high-value technology (commanding 30% of global robotics revenues and 38% of digital exports), structural depth, and standard-setting regulatory power. However, the authors critically note that the India-EU Trade and Technology Council has yielded only modest results due to persistent frictions over data governance and cross-border data flows.

Key Frameworks Utilised

The SIDE 2026 report is built upon two core analytical frameworks designed to overcome the limitations of first-generation global digital indices. (1) The CHIPS Framework (Connect, Harness, Innovate, Protect, Sustain): This is the foundational framework of the report, updated in 2026 to incorporate artificial intelligence across its dimensions. It comprises 5 Pillars (denoted here P1-P5), 16 sub-pillars, and 58 indicators. Connect (P1): Measures basic digital infrastructure, including affordability, download speeds, and access. Crucially, it now includes an AI sub-pillar tracking AI users, compute capacity, and AI infrastructure. Harness (P2): Evaluates the productive use of digital tools, including apps and platforms, data intensity, fintech adoption, and the real economy. It integrates an AI sub-pillar measuring open-data readiness, open-source model availability, relative AI skills, and talent. Innovate (P3): Tracks advanced capabilities, such as startup density, funding, valuations, and emerging technology adoption (e.g., IoT, AR/VR, DeFi, robotics, and drones). Its AI sub-pillar tracks private investment, newly funded AI firms, and

commercial/academic research. Protect (P4): Assesses cyber preparedness and risks, such as cybersecurity revenue, secure servers, ransomware incidents, and email leaks. The AI sub-pillar tracks safety scores, conference submissions on responsible AI, and public trust. Sustain (P5): A consolidated pillar measuring e-waste generation, digital energy startups, green investments, and renewable energy integration. The framework is calculated across three distinct dimensions: (i) CHIPS-Scale: Captures the absolute size of a country's digital footprint (strongly correlated with population); (ii) CHIPS-Intensity: Measures the depth and quality of digitalisation per user or per capita (strongly correlated with income); and (iii) CHIPS-Combined: The equally weighted average of Scale and Intensity, used to determine true "digital leadership". (2) Standalone AI Index: By isolating the 15

AI-specific indicators distributed across the Connect, Harness, Innovate, and Protect pillars, the authors construct a standalone index to measure a country's readiness and performance in the AI era. This index focuses primarily on outputs and capabilities rather than general connectivity.

CONCLUSION

The SIDE 2026 report succeeds brilliantly in presenting a balanced, dual-aspect view of digitalisation. By rejecting purely intensity-based indices, it establishes a fairer standard for Emerging Markets and Developing Economies (EMDEs) while remaining critically grounded regarding India's capital bottlenecks, cyber vulnerabilities, and lagging industrial hardware innovation.

Reviewed by:

Dr. Anup Kumar Das

Centre for Studies in Science Policy

School of Social Sciences

Jawaharlal Nehru University

New Delhi, INDIA.

Email: anup_csp@jnu.ac.in

Cite this article: Das AK. State of India's Digital Economy in 2026: A Review. *Journal of Data Science, Informetrics, and Citation Studies*. 2026;5(2):234-6.