

Does Digital Economy Activities Matter for Economic Growth in Developing Country?*

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Abstract

ICT has become an important driver for economic growth in developed countries. In these countries, ICT capital investment has significantly contributed to increasing productivity. However, ICT is not the only factor in boosting productivity. It takes a skilled workforce by the ICT capacity used. Some literature concludes that the impact of using ICT does not always have a positive effect on productivity and economic growth, depending on ICT utilization in these countries. This condition occurs in developing countries. Several sources mentioned that even with the limited use of ICT in developing countries, some debating issues about the influence pattern of ICT usage in developing countries, is it the same or different from the pattern of influence in developed countries? This study investigates the influence of ICT with a proxy for digital economy activities on economic growth in developing countries. Not all developing countries have digital economy activities. For this reason, there are only 25 sample developing countries with data years 2005-2019. Based on the test results, digital economy activities in developing countries have a significant positive effect on economic growth. Although overall it has a positive effect, it is very small when compared to the effect of education investment.

Keywords: ICT, online transactions, productivity, skilled labour.