Development tendencies of the Internet economy in Georgia

Giguashvili Giuli¹, Bebnadze Khatuna²

¹ Doctor of Economics, Professor; Gori State University; Republic of Georgia
² Doctor of Economics, Associate Professor; Gori State University; Republic of Georgia

Abstract.
Modern information technologies have united and connected the whole world, helped people get to know each other, develop business ties, realize scientific potential, and resolve political relations between nations. Through it, it became possible to circulate financial capital, production, labor resources, as well as information worldwide in the shortest period of time. It is information technologies, first of all, the Internet, as a global network and the unity of interconnected computers, which became the basis of the development of globalization that changed the life of the people of the world, relations, and, therefore, business. Georgia is actively involved in the economic globalization process in which the Internet plays a significant role. The paper analyzes the stages of development of the Internet economy in Georgia. Through it, opportunities to improve the socio-economic situation of the country.

Keywords:
internet economy
internet market
electronic commerce
globalization of economy
**Introduction.** The Internet is a great way to connect with the whole world. Almost everyone uses it as a way to connect with other people, share information and files, have fun, and socialize. Also, mostly for small and medium business marketing and advertising, online shopping. People also use Internet loans, mobile banking, and payment methods, use the internet for online conferences, online lectures, and school lessons. Today, the banking sector is unthinkable without internet banking, trade without e-commerce, and tourism without online booking. The Internet not only covers economic and social spheres, it also touches all fields.

The development of the Internet market and inclusion in global information systems is of social and political importance for the country because people are brought closer together on the Internet faster than in real life. On it, a target audience is formed, which can be managed. It allows entrepreneurs to connect with customers anywhere in the world and thus create an open market that becomes a source of high income.

**Aim of research.** The research aims to through Internet economy development identify and justify the possibilities of improving the country's socio-economic situation.

**Methodology.** Based on scientific and statistical data, the paper analyzes the process of Internet economy formation in Georgia. Evaluates the possibilities of improving the country's socio-economic situation as a result of Internet market development.

**Literature review.** The development of the Internet market contributes to the process of globalization. Globalization of the world economy implies the integration of trade and financial flows. The population's economic well-being depends on how well their country can expand its economy in Europe or the world and effectively renew its export market. Globalization, as a phenomenon of the last decade, is an objective process that determines qualitative changes in the world space and leads to the growth of the interconnectedness and uniqueness of individual peoples and civilizations.

The Internet economy is a new, renewed form of market economy and, unlike the traditional economy, has new and different characteristics. Nevertheless, it maintains the elements of a market economy and operates on the same
principle. As for exchange, the main part of the digital economy in this regard is electronic commerce, which replaces traditional markets. If buyers and sellers have access to a digital marketplace, it becomes easier for them to find each other - by sellers making offers to potential buyers and buyers to sellers. Transaction costs in electronic markets are lower than in traditional ones. Consequently, the reduction of transaction costs contributes to the increase in the number of transactions and, therefore, to economic development. The Internet economy is the economy of a civilized society based on modern information technologies. It is often called a "virtual economy", which accurately expresses its extremely global-intellectual nature [1].

Adoption of digital technologies improves both production and delivery of goods and services. That is important not only in the case of private goods but also in the production and delivery of public goods. The role of digital technologies in the delivery of public services by governments is increasing. Just as infrastructure plays a critical role in traditional production and markets or government delivery of public services, digital infrastructure is equally critical in the digital economy. That means access to the Internet at a suitable speed.

As of January 2024, there were 5.35 billion internet users worldwide, which amounted to 66.2 percent of the global population. Of this total, 5.04 billion, or 62.3 percent of the world's population, were social media users. Connecting billions of people worldwide, the Internet is a core pillar of the modern information society. Northern Europe ranked first among worldwide regions by the share of the population using it in 2023. In Norway, Saudi Arabia, and the United Arab Emirates, 99 percent of the population used it as of April 2023. North Korea was at the opposite end of the spectrum, with virtually no internet usage penetration among the general population, ranking last worldwide. Asia was home to the largest number of online users worldwide - over 2.93 billion at the latest count. Europe ranked second, with around 750 million internet users. China, India, and the United States rank ahead of other countries worldwide by the number of internet users [2].

According to the 2022 survey of the National Statistics
Service, 88.4% of households in Georgia are provided with the Internet, which is higher in the case of the city, 92.8%. In rural settlements, this indicator reaches 82.4%. As of 2022, the share of households equipped with a computer is 60.3%, which in the city reaches 70.7%. However, it is more common to use other types of digital signal-receiving devices. As of 2022, 93.4% of the population uses a mobile phone. As for the rate of use of smartphones, it is 80.2%. Thus, in 2022, digital infrastructure (Internet and reception devices) was available for a large part of the population, which was a necessary prerequisite for their inclusion in the digital economy. In particular, the availability of buyers in electronic commerce was high, but for sellers, the utilization of such markets was relatively low [3].

According to the "Survey on Information and Communication Technologies Usage in Households" results of 2023, 89.0 percent of Georgian households have internet access, which is 0.6 percentage points higher compared to the previous year. The share of households with internet access increased by 0.3 percentage points for urban and 1.0 percentage points for rural areas and amounted to 93.1 and 83.4 percent, respectively. The value of this indicator by region is highest in Adjara A.R. and Tbilisi, 96.2 and 94.2 percent, respectively [4].

![Chart № 1](https://example.com/chart1)

**Chart № 1**

The share of households with internet access, 2023 (%)

*Source: www.geostat.ge*
According to the survey results, the main reasons for using the Internet are participating in social networks (95.6%), telephoning over the Internet/video calls over the Internet (94.3%), seeking health-related information (50.5%), reading online news/newspapers/magazines (49.1%), internet banking (47.1%), finding information about goods and services (45.2%), sending/receiving e-mails (41.6%), downloading software or applications (other than games software) (16.1%) and looking for a job or sending/submitting a job application (13.3%).

30.0 percent of the population that used the Internet within the last 12 months have purchased or ordered goods or services. This figure varies by type of settlement: in urban areas – 35.1 percent, and in rural areas – 20.7 percent. The values by gender are 32.8 percent for women and 26.7 percent for men. The values differ among age groups: 40.9 percent in “15-29,” 30.9 percent in “30-59,” and 13.0 percent in “60 years and older” [4].

According to the data of 2023, it is true that most enterprises have access to a significant part of the digital infrastructure in Georgia – the Internet, but the use of the latter in the digital economy, in particular, in electronic
commerce, is less common. Most of them choose traditional markets for selling goods and services. According to the 2023 survey, 84.4% of enterprises have access to the Internet, but 31.5% use social networks and 14.3% have a website. Only 17.8% of the websites of such enterprises offer online ordering or booking, and 31.9% have a description of goods and services or price information available.

The rate of companies using digital infrastructure to plan production resources or manage customer information is very low. For example, only 3.7% of Internet-enabled companies use software for data collection and analysis for marketing purposes. However, the use of software in production resource planning is relatively high, 10.4% [3].

The participation rate of enterprises in e-commerce is low. Local companies rarely use digital infrastructure to exchange goods and services. Restrictions on access to traditional markets due to the COVID-19 pandemic prompted local companies to switch to e-commerce, a key part of the digital economy, but the high growth rate could not be sustained in the post-pandemic period.

At the beginning of 2024, there were 2.93 million Internet users in Georgia, and Internet penetration was 78.7 percent. In addition, at the beginning of this year, a total of 6.10 million cellular mobile connections were active in Georgia, which is equal to 164.0 percent of the total population. During the mentioned period, 792.2 thousand people did not use the Internet in Georgia – 21.3% of the population remained offline. In Georgia, the average mobile Internet speed via cellular networks was 33.52 Mbps, and the average speed of fixed Internet was 26.44 Mbps, which is 0.15 Mbps (~0.4%) less than the previous year [5].

As of March 2024 of the Speedtest Global Index, Georgia ranks 131st in the world in terms of fixed Internet speed [6].

Significant statistics presented by DataReportal regarding social media platforms: in January 2024, there were 2.85 million social media users in Georgia, which is equal to 76.6% of the total population. In the same period, Instagram had 1.65 million users in Georgia. Instagram limits the use of its platform to people under the age of 13, so in Georgia, in 2024, 54.4% of the "eligible" audience uses Instagram.
It is also worth noting that the reach of Instagram advertising in Georgia at the beginning of 2024 was 56.3% of the local internet user base. Figures published in ByteDance's advertising resources indicate that at the beginning of 2024, TikTok had 2.52 million users aged 18 and over in Georgia, equivalent to 86.2% of the Internet user base. According to the data published in LinkedIn's advertising resources, at the beginning of 2024, LinkedIn had 650.0 thousand "members" in Georgia, which is 17.5% of the total population. According to GSMA Intelligence, at the beginning of 2024, there were 6.1 million cellular mobile connections in Georgia, which was equivalent to 164.0% of the total population. The number of mobile connections in Georgia increased by 125 thousand (+2.1%) from the beginning of 2023 to the beginning of 2024 [5].

Discussion/Results. The purpose of entrepreneurial activity is to make a profit, for which it is necessary to create a certain value for society and realize it. Earned profit not only determines the expediency of business but also forms the motives of new socio-economic relations. Information is becoming a vital element of the modern, new economy, and the share of this component in the costs of
manufactured products is continuously increasing. In this way, the company user is actively involved in the products (services) production process. In this way, the user is presented as a functionally useful element in the production system and becomes the recipient of a certain share of commercial efficiency.

The Internet economy development is characterized by the following tendencies:
- Individual approach to qualified buyers;
- The origin of global communication, when it is not the place of production, brand awareness, etc., but the quality of service, etc. that is significant;
- Existence of illustrated information mediation;
- Reducing the price of goods by saving costs on transaction costs, marketing and advertising, and communications;
- Changes in the structure of existing enterprises and companies;
- Automation of business processes [7].

Currently, the Internet economy includes those areas of the economy, the effectiveness of which depends on the quality of the use of information technologies in production processes: virtual enterprises, electronic commerce, Internet banking, distance learning, etc. The study of the world experience and tendencies in the development of the Internet economy gives us the basis for making certain conclusions:
- The Internet economy is of great importance for the development of any country because the prosperity of the country depends on it;
- The development of modern technologies has significantly contributed to the development of tourism;
- Information technologies and the Internet space have become independent and less controlled, which presents us with new problems, but their study and the implementation of adequate measures by the state will allow us to avoid their negative impact;
- The development of the Internet economy was followed by the creation of digital currency, which will present new challenges to modern economic relations.

There is still a lot to be done in the direction of information and communication technologies (ICT).
development in Georgia. In particular, the main strategic goal should be the creation of a developed electronic communication space based on modern technologies within the country and its integration into the global information environment; the creation of new fields based on information and communication technologies: e-commerce, telemedicine, distance learning, intelligent systems and others [8].

Conclusion. Thus, the Internet economy has become a leading means of globalization. The Internet economy stimulates economic growth in highly developed countries while enabling less developed countries to achieve greater economic growth and participate in the global economy. Georgia is also a part of the global world, and current tendencies in the world should be taken into account. However, along with international experience, it is significant to take into account the country's national characteristics and current reality.

References: