



Enhancing the economic development through digitalization in India

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Abstract

Digital India is one of the big steps initiated by Government in addressing the various issues like black money, counterfeit currency, corruption, terrorism etc. Many changes took place in the launch of digital wallets like - Paytm, Mobikwik, Free Charge etc. and government launched many UPI (united payment interface) solutions and BHIM app for easy access to digital payments. The digital initiatives carried out for rural segments, the need for improving the trends of digital payments model in rural India is very significance. Considering the benefits like transparency in transactions, it is very essential that the transformation towards digital payments, even in the rural economy is empowered. It is expected that the problems can be controlled and felt in modernization of payment system, reduction in the cost of banking service and also reduction in curb banking related corruption.

Keywords: digital India, digital payment methods, cashless economy

1. Introduction

The Digital India programme is a flagship programme of the Government of India with a vision to transform India into a digitally empowered society and knowledge economy. "Faceless, Paperless, Cashless" is one of the blatant role of Digital India. Cashless is a word which literally means having no cash but in today's world, it refers to using digital form of payments instead of cash for payment of various expenses or transactions done by the individual. Digital India was launched by the Prime Minister of India Narendra Modi on 2 July 2015 with an objective of connecting rural areas with high-speed Internet networks and improving digital literacy. The visualisation of Digital India programme is inclusive growth in areas of electronic services, products, manufacturing and job opportunities etc. and it is centred on three key areas – Digital Infrastructure as a Utility to Every Citizen, Governance & Services on Demand and Digital Empowerment of Citizens. India has joined other countries in the digital payment revolution a lot faster than the past where we often lagged behind in adopting technology. In the retail sector we have very high volumes of money transactions. Other than cash, one of the growing payment methods adopted by merchants in the sector is payment cards. However, the whole isometrics of moving from cash-driven economy to cashless economy has somehow been assorted with demonetization that was aimed to extract liquidity from the system to unearth black money.

2. Objectives

- To explore the psychological attitude of digitalization in India.
- To enhance the benefits of going digitalization.
- To encounter the problems faced by digitalization in Indian economy.

3. Digitalization in India

Throughout last few years many new cashless payment methods have established. Some of them include Banking cards, USSD (Unstructured Supplementary Service Data), AEPS (Aadhaar Enabled Payment Systems), UPI (Unified Payments Interface), Mobile wallets, PoS (Point-of-Sale), Internet banking, Mobile banking, 24*7 availability.

3.1 Banking Cards

A bank card is typically a plastic card issued by a bank to its clients that performs one or more of a number of services that relate to giving the client access to funds, either from the client's own bank account, or through a credit account. It can also be a smart card.

- **Debit Card:** Any expenditure made is immediately debited to user's account. User can use this card to withdraw cash up to the limit available in his/her bank account.
- **Credit card:** Unlike debit cards, in case of credit cards, a customer can also withdraw beyond the amount of money present in his bank account. But there is a limit for each credit card up to which extra money can be withdrawn.
- **Pre-paid Card:** These are pre-loaded from a customer's bank account. Can be used for limited amount of transaction. These can be recharged like mobile recharge. Safe to use.

3.2 USSD

The innovative payment service *99# works on Unstructured Supplementary Service Data (USSD) channel. This service allows mobile banking transactions using basic feature mobile phone, there is no need to have mobile internet data facility for using USSD based mobile banking. It is envisioned to provide financial deepening and inclusion of under banked society in the mainstream banking services.

3.3 AEPS

Aadhaar Enabled Payment Service is a bank directed model which allows online interoperable financial transaction at PoS (Point of Sale / Micro ATM) through the Business Correspondent (BC)/Bank Mitra of any bank using the Aadhaar authentication. It can be get it by providing KYC (Know Your Customer) information to open a bank account and Aadhaar number should be linked with bank account.

3.4 UPI

Unified Payments Interface (UPI) is a system that powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing & merchant payments into one hood. It also caters to the "Peer to Peer" collect request which can be scheduled and paid as per requirement and convenience. Each Bank provides its own UPI App for Android, Windows and iOS mobile platforms.

3.5 Mobile Wallets

A way to carry cash in digital format and can link your credit card or debit card information in mobile device to mobile wallet application or you can transfer money online to mobile wallet. Instead of using your physical plastic card to make purchases, you can pay with your smartphone, tablet, or smart watch. An individual's account is required to be linked to the digital wallet to load money in it. Most banks have their e-wallets and some private companies. e.g. Paytm, Freecharge, Mobikwik, Oxigen, Airtel Money, Jio Money, SBI Buddy, Citrus Pay, Vodafone M-Pesa, Axis Bank Lime, ICICI Pockets, SpeedPay etc.,

3.6 PoS

A point of sale (PoS) is the place where sales are made. On a macro level, a PoS may be a mall, a market or a city. On a micro level, retailers consider a PoS to be the area where a customer completes a transaction, such as a checkout counter. It is also known as a point of purchase. The necessary conditions for service initiation are handheld device with card and / or biometric reader and merchant bank account.

3.7 Internet banking

Internet banking, also known as online banking, e-banking or virtual banking, is an electronic payment system that enables customers of a bank or other financial institution to conduct a range of financial transactions through the financial institution's website. The different types of online financial transactions are NEFT (National Electronic Funds Transfer), RTGS (Real Time Gross Settlement), ECS (Electronic Clearing Services) and IMPS (Immediate Payment Service).

3.8 Mobile banking

Mobile banking is a service provided by a bank or other financial institution that allows its customers to conduct different types of financial transactions remotely using a mobile device such as a mobile phone or tablet. It uses software, usually called an app, provided by the banks or financial institution for the purpose. Each Bank provides its own mobile banking Apps for Android, Windows and iOS mobile platforms.

3.9 24*7 Availability

Devices such as Automated Teller Machine that is used by a million Business Correspondents (BC) to deliver basic banking services. Customers would just have to get their identity authenticated and withdraw or put money into their bank accounts. This money will come from the cash drawer of the BC. The basic transaction types, to be supported by micro ATM, are Deposit, Withdrawal, Fund transfer and Balance enquiry.

4. Benefits

The various benefits of cashless economy are described as follows,

1. **Convenience:** People will not be required to carry cash with them so no theft on snatching and on-the-way robbery will be more. It will become safe and security for the people and we can do any transactions easily with security protected.
2. **Reduced corruption and Black money:** A shift away from cash will make it more difficult for tax evaders to hide their income as payments will be made online. Though this movement of demonetization was started to rejection of the black money holders so with all transactions going cashless will make a check on black money as well.
3. **Tackling Counterfeit Currency:** Approximately 1 in 7 notes in circulation is supposed to be fake which has a huge negative impact on economy, by going cashless this can be avoided. So that, either other country people or terrorist cannot enter into the country with duplicate currencies.
4. **Discounts and Rewards:** Another great reason of opting digital payments are the discount offers. There are so many great deals released regularly for online payers and can save considerably when shop online, buy train or flight tickets and more. Discount of 0.75% on digital payment at central government petroleum PSU. No service tax on digital transaction up to Rs. 2000/- per transaction.
5. **Increasing in purchase power:** Increase in use of cards will definitely reduce the amount of cash that people will carry so that they can increase their buying behaviour at any point of time to make a purchase without the emotion of not having cash at the specific position.
6. **Tracking system:** It is easier to track the black money and illegal transactions because if cash is used directly for doing transactions than it is not easy to track the transactions as the money does not come into the banking system however in case of digital transactions it is easy to track the transaction as all records are there with the banks which result in more transparent transactions which in turn leads to fall in corruption in the economy of the country.
7. **Go Green:** Green economy is based on sustainable business practices as opposed to those which function based on non-renewable resources and inefficient methods. It seeks to promote financial, business and other economic transactions without depending on or damaging the environment. The idea of this economy is to promise environmental protection, while being profitable. Aside

from using energy responsibly, it has a focus on global warming, use of resources, deforestation and reforestation, and overall prevention of environmental pollution and damage.

5. Problems

For implementing cashless economy effectively following problems need to be overcome:

1. **Technological error:** Improper availability of Internet connection and financial literacy. Unless people start opening either bank accounts or postal savings account, cashless economy is not possible. While making online transactions a good internet connection is required to make it done
2. **Missing of gadgets:** People will save their personal information like passwords, PIN, card number, CVV number in smartphones and laptop. In case of losing this, they will get into trouble situation.
3. **Hacking of server:** Within a second, hackers can take control of the whole economy. Cyber threats and hacking may increase to a large extent. These people may get benefit from the unawareness of common man.
4. **Replacement of workforce by machine:** Electronic banking has reduced the number of employees needed to handle most transactions in the bank thereby decoding the increase in the rate of unemployment in the economy.
5. **Exchange of information:** The information stored should also be used by other government offices. For example police, surveillance and other security issues can be easily resolved with digital India but its coordination is a massive task. It is not only a technological question but also deals with the question of privacy and security.
6. **Transaction charge and Service charge:** Digital mode of payments like the credit and debit card, wallet payments, internet banking involves some transactions fee which is not the case with cash transactions and hence any individual thinking of doing online transactions will take into account these transaction costs and will not favour online medium of transactions. Hence the presence of transaction cost is a hindrance to cashless economy finding acceptance among the people of the country.

6. Conclusion

Post-demonetisation, the people have finally started believing in the power of the plastic money in the form of credit card, debit card, and other channels of electronic payment. Online banking has gained prominence due to unavailability of enough cash in the market. Moreover, E-commerce modes of making payments have also become popular, as most of the people have now started making payments of even Rs. 100/- through the digital modes. All these developments are considered to be good for the healthy growth of the economy. But eventually, the move has turned out to be a push towards cashless India that is bound to pave the way for a cashless economy, marked by greater transparency, ease and convenience in monetary transactions. Digital transactions are traceable, therefore easily taxable, leaving no room for the circulation of black money. The whole country is undergoing the process of modernisation in money transactions, with e-payment services gaining unprecedented momentum. A large

number of businesses, even street vendors, are now accepting electronic payments, prompting the people to learn to transact the cashless way at a faster pace than ever before. Today, there is a sea change in the mind set of people with regard to digital means of monetary dealings which are safe, easy, convenient and transparent. There is no place for black money or counterfeit currency in cashless India which helps them to empower named as Digital India.

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