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Digital Economy in India : Current Situation

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Abstract: *Cash may no longer be king. Cashless economy is an economy system in which there is little or very low cash flow in a society and goods and services are bought and paid through electronic media. It includes e-banking (Mobile banking) debit and credits card swipe or point of sale machines and digital wallets. Digital transaction or cashless transactions brings in better transparency, Scalability and accountability. This paper focus on concept of cashless economy, pros and cons and know the modes of cashless transactions. The digital India is a leading programme of the government of India with a vision to convert India into a digitally authorized Society and knowledge economy. " Faceless, Paperless, Cashless" is one of the declared rule of digital India. Cashless economies, as the name suggests are those that run frequently on plastic or digital money.*

Key Words: *cashless economy, e-banking, digital money, Demonetization.*

1. INTRODUCTION:

India is an enthusiastic effort to move towards a cashless transaction economy by minimizing the use of corporal cash. Digitalization is a process which help the economy towards a cashless Society. The trend towards use of non-cash transaction an settlement began in daily life during the 1990's , when electronic banking became popular. By the 2010's digital payment method where widespread in many countries with examples including intermediaries such as Paypal, digital wallet systems operated by companies like apple, contract less and NFC payments by electronic card or smart phone and electronic bills and banking, all in wide spread use

Table -1 Top Cashless Countries

Countries	**%**	**Countries**	**%**
Singapore	61	Australia	35
Netherland	60	Germany	33
France	59	South Korea	29
Sweden	59	Spain	16
Canada	57	Brazil	15
Belgium	56	Japan	14
UK	52	China	10
USA	45	India	02

Source : http://m.businesstoday.in (2017)

"WE WANT TO HAVE ONE MISSION AND TARGET: TAKE THE NATION FORWARD DIGITALLY AND ECONOMICALLY"

- SHRI NARENDRA MODI

Prime minister, Mr. Narendra Modi Launched the programme **"Digital India"** with a version to transform India into a digitally empowered nation and creating a cashless, paperless economy. As per the current status of India, only 7% or 8% of all the payments are taking place electronically. Narendra Modi's government Scrapped currency notes of INR 500 and INR 1000 Demonetizaton, Which is seen as an unprecedented measure, through a giant leap towards curbing corruption and forged currency. Even the RBI has also revealed a document **"Payments and settlement schemes in India: Vision 2018"** Setting out a plan to inspire electronic payments and to permit India to move to a cashless society or economy in the medium and long term. Digitalization is a process may help the economy towards a cashless society.

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CASHLESS ECONOMY ?

A Cashless Economy is an economy in which all types of transaction are carried out through digital means.

2. Statement of the Problem:

As continuation of demonetization process, the cashless transaction activities are implemented and has impacted significant changes in country. In India most they are heavily dependent only on the cash economy, now everyone have to switch from cash to cashless transactions. Even government has restricted for cash transaction and pushed the people to adopt and implement cashless transaction.

3. Objectives of the Paper:-

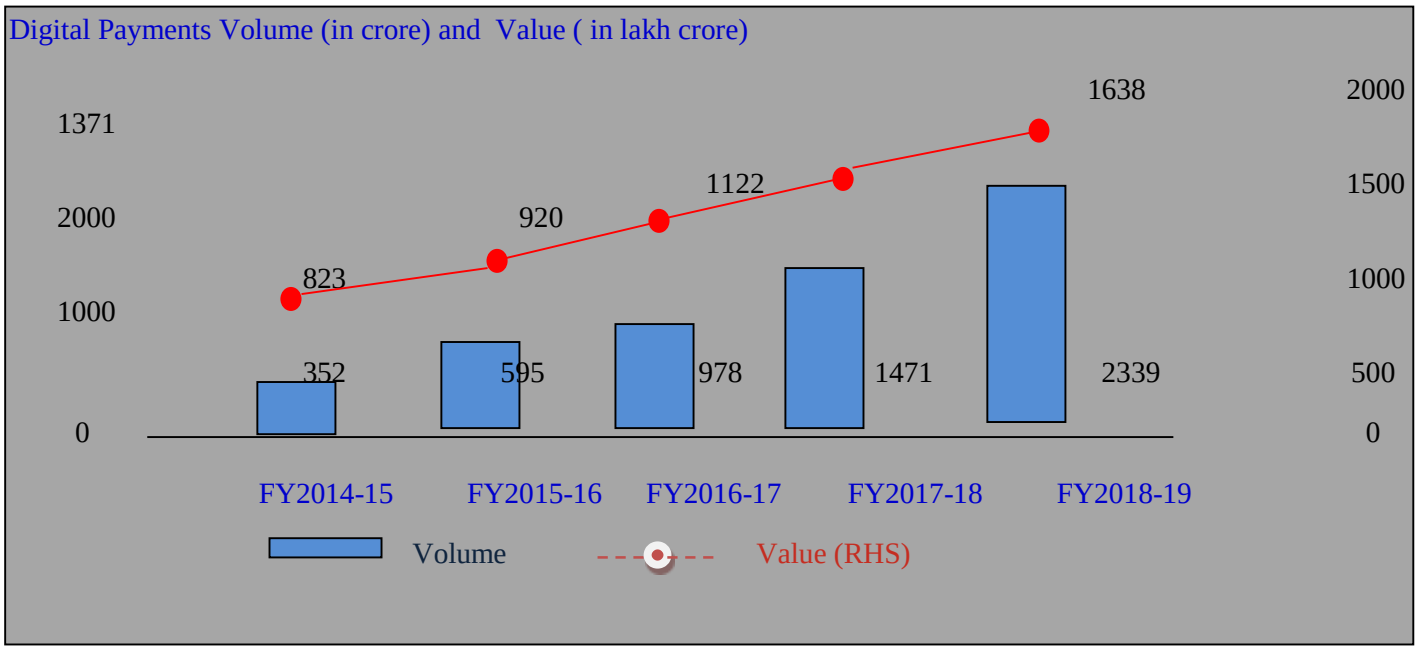
- To study the concept of cashless economy
- To know the benefit and challenges of cashless economy
- To know the modes of cashless transactions

4. Research methodology:

The study is based on secondary sources of data. Different books, journals, local news- papers and relevant websites have been consulted in order to make the study an effective one.

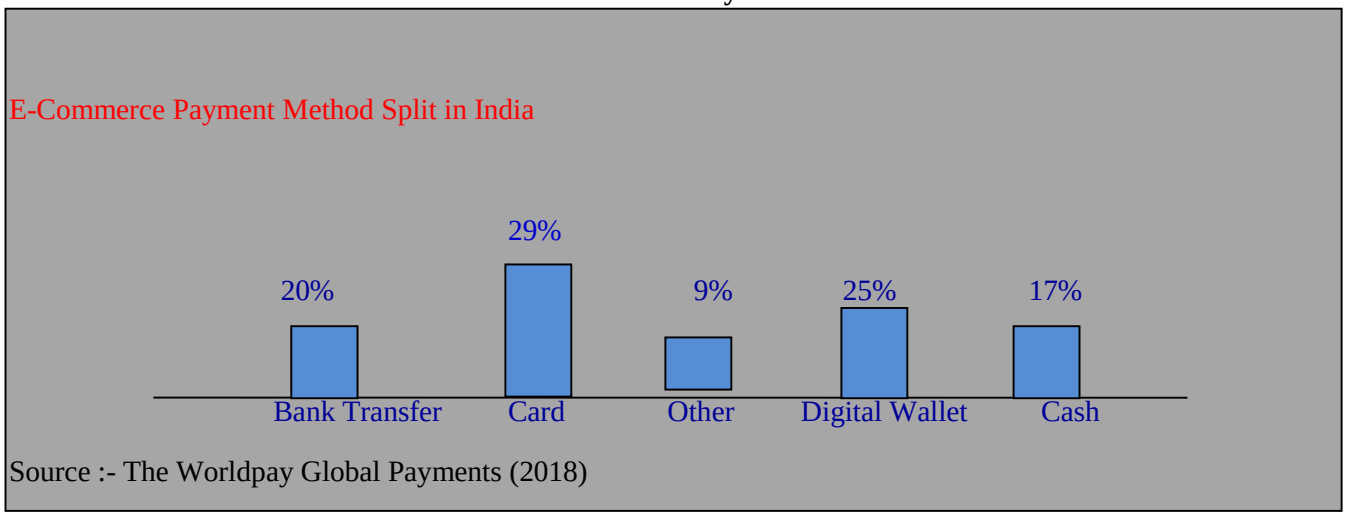
5. Cashless Indian Economy current Scenario

Chart-1: Digital Payment Trend in India



Source:- RBI

Chart-2: E-Commerce Payment Method in India



Source :- The Worldpay Global Payments (2018)

6. Modes of cashless transactions:

1. Credit Card and Debit Card
2. Cheque
3. Demand Draft
4. Online Transfer- NEFT or RTGS
5. Mobile Wallets
6. E-Wallets
7. UPI Apps
8. Unstructured Supplementry Service data
9. Aadhaar Enabled payment system
10. Gift card

Table -2 : Total Digital Payments (2020)

System	Value (Rs.Crore)	
	Apr	May
Credit Transfer – RTGS	64,43,653	70,41,869
Credit Transfer – Retail i) NEFT ii) UPI	 13,06,406 1,51,141	 14,81,750 2,18,391
BHIM Aadhar pay	217	159
Wallets	8,693	11,080
CTS (NPCI Managed)	1,63,487	2,60,012
Total Payments	84,10,535	94,64,151
Total Digital Payments	82,46,850	92,03,924

Source: RBI Data

7. Benefits of cashless Economy :

7.1 Transparency in transaction – Needles to say, electronic dealings or plastics money always leaves a digital impermeable valuable for both the tax payer, consumer and the tax collector. It will curb generation of black money.

7.2 Financial inclusion - The will to have a cashless economy will promote financial attachment of the people. It will require the government to connect all the households with a bank and plastic economy .

7.3 Higher revenue - Unoriginal advantage of transparent transactions is collections of tax will increase.

7.4 Lower transaction costs – Digital business is born in turns of handling cost and waiting time. If fulfilled appropriately it will increase the fasting and production rates and there by cultivating the economy.

7.5 Taxation - With lesser availability of hard cash at homes and more in banks, there is lesser scope of hiding income and evading taxation and when there are more tax payers are ultimately lends to a lesser rate of taxation for the whole country.

7.6 Less availability for illegal activities – When people are encourage to go cashless, there is lesser cash available with the people and there won't be a means to invest in other activities to use the ideal cash. Channels like HAVALA [illegal remittance] will ultimately suffer the brunt of a cashless economy.

7.7 Hygiene – Soiled tobacco stained notes full of germs are an average in India. There are many such happenings in our lives where we significantly or innocently notes. NO Risk.

8. Challenges of cashless Economy:

8.1 Digital Literacy – More than half of the nation still does not know how to use a Computer. People in rural areas still don't know about smart phones. Besides there is lack of internet facilities and without it a country cannot become cashless.

8.2 Few Banks in villages – The capital city New Delhi alone has about 20 HDFC bank branches. There are several villages and Tehsils that don't even have one. Banks in villages should be helpful in teaching the residents the process, usage and benefits of plastic cards.

8.3 Low Literacy Rate – Low literacy hinders the accessibility of banking services. Citizens should not only know how to read and write but also possess basic ICT literacy to fully enjoy the benefits of e-payments.

8.4 Transactions are mainly in cash – Nearly 95% of transactions takes place in cash. Large size of informal [unorganized] sector entities and worker prefer cash based transactions.

8.5 Not enough smart phone and credit or debit card – In India large number of people without a smart phones and other side 24 million Credit cards and over 660 million debit cards, now interesting bit about this number is that most of the people who have a multiple cards. This means the actual number of people who have the debit or credit card is less.

8.5.1. No law on data security
8.5.2. Sorry state of cyber security
8.5.3. Language barrier
8.5.4. Costly Swipe machines etc.

9. Conclusion:

A large informal group which is major constituent of India's population still runs on cash. Growth in government incentives has yet not proved fruitful and cash is still king in the market. To incline digital payments better internet connectivity and security against hackers should be provided to people along with this, uneducated and people living in remote areas should be trained to use digital means. The transparency in the economy will increase through the e-commerce transactions and the digital payment gateways which will increase the GDP of the economy.

Current COVID-19 pandemic also effect digital payment transactions. This time increase digital payment. Last government all step of cashless is truly going to create ripples of big success and it will help to attain vision of prime minister Modi's vision of Digital India.

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