



Digitalization - A Step towards Cashless Economy

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ABSTRACT

The recent policy decision by the government of India to tackle the quicker economic progress is the promotion of money less economy or cash less economy or digital economy, which creates a platform to maintain accountability for every transaction which helps to control corruption. The Recent policy initiative by the government of India is termination of five hundred and thousand denominations from circulation in the country. This enables the transparency in the governance system by encouraging the non cash payments or digital payments. The fundamental base for cash less economy is the demonetization. Digital India is the flagship programme of the government to integrate all activities in a digital manner. The present paper intends to analyze the impact of digitalizing Indian economy and understand challenges and opportunities of digitalization. The methodology of the study includes reviewing the existing literature, reports published by the government of India. The present study is based on secondary data which available in the different books, articles, journals, research papers and internet source also.

Keywords: *Digitalization, Digital Economy, Digital Payments, Digital India, Digital population*

INTRODUCTION

The government of India has enforced a major change in the in the economy by terminating the five hundred and thousand denominations on November 8, 2016. The demonetization is one of the significant measures to tackle the quicker economic progress of our country. The demonetization has four different

aspects like combat with corruption, black money, counterfeiting currency and funding for terrorism activities in the economy. Now in the present era drastically changed information and communication technology leads to make a positive impact on the economy. Digital economy refers to an economy that is based on digital integrated technologies. The digital economy can also be called as Internet Economy or Web Economy. The Internet economy has impacted all the sectors in the economy of a country. The creation of digital infrastructure is to promote digital activities in the economy. The promotion of cashless economy enables to maintain transparency and accountability. The digitization has impacted on employment generation, improving the standard of living and it encourages the government to operate with greater transparency and accountability. The government has implemented a major change in the economic environment by demonetizing the high value currency notes – of five hundred and thousand denomination. The reason is to undermine or eliminate the “black economy” (Dr.Kavita Rao & et al 2016). The digitization impacts on reducing unemployment, improving quality of life, and boosting citizens, access to public services. Digitization allows governments to operate with greater transparency and efficiency, and it has a dramatic effect on economic growth, but not all at once (Saima Khan & et al 2015). The digital economy is the result of the transformational effects of new General-Purpose Technologies (GPT) in the fields of information and communication. It has impacted all the sectors of the economy and social activities, for instance: retail, transports, financial services, manufacturing, education, healthcare, media

and so on (European Commission 2014). Digital India provides the intensified impetus for further momentum and progress for this initiative and this would promote inclusive growth that covers electronic services, products, services, manufacturing and job opportunities (Aditya Sharma & et al 2015).

OBJECTIVES OF THE STUDY

- To analyze the impact of digitalization on Indian economy.
- To analyze the current status of the digital population in India.

ANALYSIS AND INTERPRETATION

METHODOLOGY OF THE STUDY

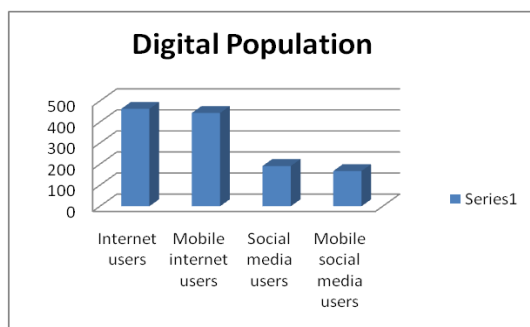
Methodology means the way of study which consists different sources means both primary and secondary sources. The present study includes only the secondary data collected through books, journals, articles, papers, reports and internet source also. The present study mainly focuses on the digital economy and its challenges and opportunities. This study intends to analyze the impact of digitalization on Indian economy.

Table – 1: Digital Population in India as of January 2017(in millions)

Retail e-commerce sales(in millions)		Preferred payment mode (%)			Digital buyers		Active Digital Population (in millions)	
year	sales	Methods	2015	2020	year	In millions	Type of users	No's
2016	16073	Cash	57	45	2014	54	Internet users	462.1
2017	20059	Debit card	15	17	2015	93.4	Mobile internet users	442.7
2018	25076	Credit card	11	13	2016	130.1	Social media users	191
2019	31123	Online bank	9	10	2017	180.1	Mobile social media users	167
2020	37979	M-wallet	8	15	2018	224.1	-	-
2021	45206	-	-	-	2019	273.6	-	-
2022	52301	-	-	-	2020	326.1	-	-

Source-www.statista.com/statistics/309866/india-digital-population

Graph 1.1 Digital Population

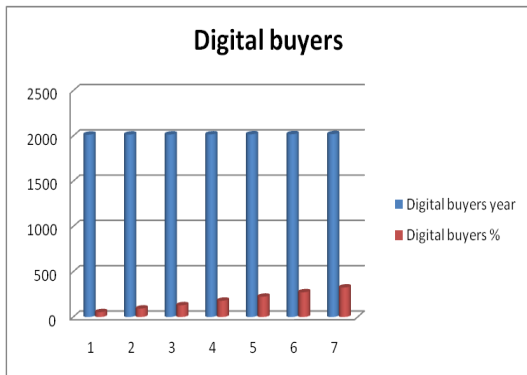


Digital population in India in 2017:

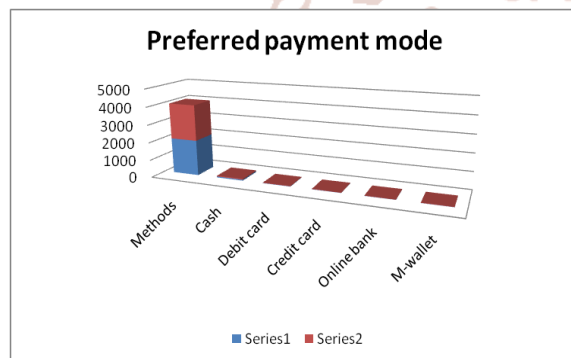
The digital population in India in 2017, the table states the different digital users like active internet users, active mobile internet users, active social media users, active mobile social media users. The active internet users are more compared to other user's i.e. 462.1 million. It is clear that the active internet users are more rather than another type of users.

Graph-1.2 Retail E-commerce sales**Retail E-commerce sales in India:**

The table one reveals that retail e-commerce sales in India from 2016 and 2017 are 16073 million and 20059 million respectively. The estimated sales in e-commerce sector from 2018 to 2022 will go on increasing in manner, in 2022 it is expected to increase 52301 millions.

Graph 3.1 Digital buyers in India**Digital buyers in India:**

The digital buyers in India from 2014 to 2017 are 54, 93.4, 130.1, and 180. respectively. The estimated digital buyers 2018, 2019 and 2020 are 224.1, 273.6 and 326.1 million respectively. It indicates that the longer term consumerism can largely rely on digital transactions.

Graph 4.1 Preferred payment mode**Preferred payment mode:**

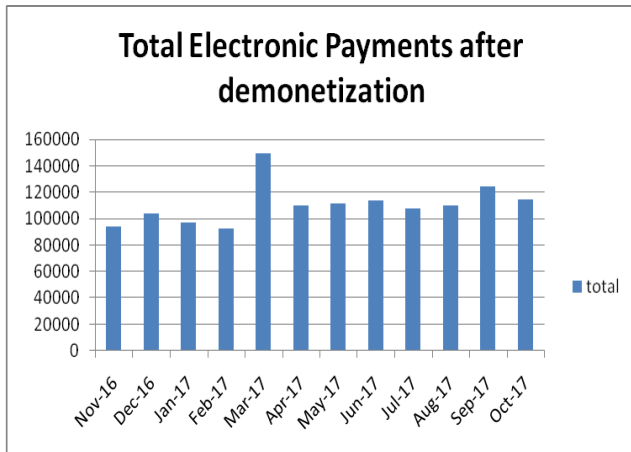
As per the statistics available in statist.com website the preferred payment mode in India while making the transactions in 2015 are cash 57 percent, debit card 15 percent, credit card 11 percent online banking 9 percent and mobile wallet 8 percent.

Table-2 Electronic payment transactions from November 2016 to October 2017

Periods	NEFT	RTGS	UPI	Debit & credit card	Mobile banking	others	total
Nov 16	8808	78479	1	352	1245	5119	94004
Dec 16	11538	84097	7	522	1366	6526	104055
Jan 17	11355	77486	17	481	1207	6466	97011
Feb 17	10878	74219	19	392	1080	6007	92595
March 17	16295	123376	24	416	1500	7979	149589
April 17	12156	88512	22	431	1444	7037	109602
May 17	12411	90171	28	451	1941	6109	111109
June 17	12694	92813	31	468	1585	6155	113745
July 17	12012	87149	34	439	1019	6725	107378
Aug 17	12500	89163	41	457	1033	6623	109818
Sept 17	14182	102348	31	478	850	6271	124706
Oct 17	13851	92056	70	530	1168	6340	114532

Source: Reserve Bank of India

Graph 2.1 Electronic Payments



Electronic Payment Transactions: The table 2 reveals that the electronic payment transactions in post demonetization period in with modes with different ways of payments like RTGS – Real time gross settlement NEFT – National electronic funds transfer, CTS – Cheque truncation system, IMPS – Immediate payment service, NACH – National Automated Clearing House, UPI - Unified Payments Interface, USSD - Unstructured Supplementary Service Data, POS – Point of sale, PPI – Prepaid Payment Instrument. The preferred modes of payment in India after demonetization from November 2016 to October 2017 October is constantly increased with slight fluctuations. In March 2017 the total electronic payments were 149589. The

table two states that the constant increasing trend in digital payments after declaring the demonetization. As per the RBI's preliminary assessment about pre and post demonetization, the growth of selecting an electronic mode of payment from oct-2016 to feb-2017 with a different category of payments the immediate payment service in Oct – 2016 volume is 116.7 but it increases up to 150.4. it indicates that during the period of demonetization the immediate payment services were increased.

CONCEPTUAL FRAMEWORK

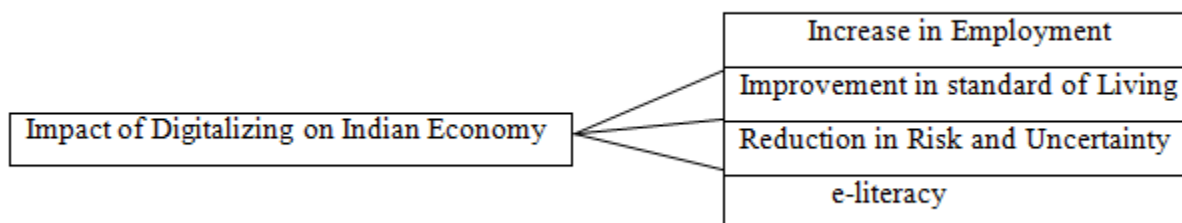
Digital India: The digital India programme is a flagship programme of the government of India with a vision to transform India into digitally empowered society and knowledge economy. The faceless, paperless, and cashless are the professed roles of digital India [7], in order to promote the digital payments or non cash transactions, various modes or methods of payments are available such methods like banking cards, USSD, Mobile Wallets, Banks Pre-paid Cards, Internet Banking, Mobile Banking etc.

Digitalization and Digital economy: Digital economy refers to an economic system of a country which is based on digital computing technologies. It can also be called as Internet Economy or Web

economy. The Technopedia defines the digital economy is a term for all of those economic processes, transactions, interactions, and activities that are based on digital technologies.

Impact of Digitalizing on Indian Economy:

Digital India is the dream project of Government of India to make Indian economy as a knowledge economy. The transformation takes place by replacing the conventional methods with new techniques. The Digitalization of Indian economy leads to increase employment opportunities, improvement in the standard of living, reduction in risk and uncertainty and also it helps to increase the literacy in using new technological operates.



Now in the present world, the digital economy acts as key force or determinant which will impact on creating digital markets, creating employment

opportunities etc. The adoption of technological advancement in different sectors like Education, Infrastructure, Financial Services, Healthcare,

Agriculture, and Energy is very essential to enjoy the cost effective goods and services by both consumers and producers. The economy related to the process of digitization is mainly realized through the ways that involve in creation, preservation, dissemination, and use of digital information. It saves much of the production costs and reasonable in comparison to the conventional form of distributing system of information. The cost that saves in the digitizing technology is another way round and it reduces the marginal cost of production of documents (Saima Khan & et al,2015).

FINDINGS

The present study reviews the existing literature relating digitalization of economy, By reviewing the literature it is clear that the integration of technology into our day to day life by digitizing everything will make ensure about greater transparency and accountability. The digitalization helps to increase the employment opportunities .improving the standard of living and especially it helps increase the e – literacy.

SUGGESTIONS

The present study investigates the impact of digitalization on Indian economy. The study suggests that the greater transparency, accountability and the security measures are the key determinants which are going to influence on the success of dream project of the government i.e. Digital India. So the government has the greater responsibility to make ensure about these key determinants in order encourage the successful promotion and implementation of digital India.

CONCLUSION

The present study intends to investigate the impact of digitization on Indian economy. The digital programme initiated by the government of India with a desire to promote the cash less, the faceless economy can also be called as internet economy or digital economy. The advancement of information and communication technology plays a significant role in the faster growth of the economy. The recent measure to withdraw the five hundred and thousand denomination i.e. demonetization is the fundamental motivation to approach the digital mode especially in the business field we can see the online marketing, online financial services, and online trading activities. So finally we have some merits and some limitation in digital transactions.

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