

THE DIGITAL ECONOMY IN INDIA: CURRENT OBSTACLES AND FUTURE OPPORTUNITIES

Dr Tarun Jain,

Head of the Department, Department of Management Studies, Vaish College of Engineering,
Rohtak

Abstract: India is actively pursuing a cashless society by cutting back on the use of currency. One major benefit of establishing a digital economy is reducing or eliminating underground currency. The most direct path to a digital economy is digitizing financial dealings. Promoting electronic money instruments, building financial infrastructure, and establishing digital transaction habits among individuals is necessary to bring about such a digital economy. The Payment and Settlement Vision document for 2018 from the Reserve Bank of India lays out goals and regulations for the digital economy. "Digital India" is huge for rural India. Agriculture, health care, and financial openness will enhance most people's lives. Policymakers want an inclusive and sustainable growth model for the country, and the planning stage sets the goals. Digital media can bridge the rural-urban gap in basic utilities by boosting agriculture. It can boost rural productivity and household incomes. Rural possibilities and facilities may foster a sense of security to avoid migration to cities. India needs 20% agriculture to become a \$5-trillion economy by 2024. We need another green revolution to rebalance our agriculture policy. The Central government, State government, Gram Panchayat, NGOs, and local population must work together to implement the initiatives. These bodies must act as change agents to promote sustainable and inclusive national development.

Keywords: Reserve Bank of India, digitalization, rural, schemes, government, challenges

Introduction:

The government places a high priority on the overall growth and diversification of the economy in all of its component parts. In this section, we will walk you through the many policies and programs the government has established in this area. How has Make in India helped the manufacturing industry? What is Start Up India all about? What are the various inflation control measures taken by the government and what has been the impact of those measures? How have we achieved the current GDP growth rate [1-4]? What reforms are driving the growth of foreign direct investment? What reforms are helping to include more people in the financial system? The use of cash is still prevalent in India; less than 5% of transactions occur electronically. Despite this, the finance minister discussed the concept of making India a digital society in his budget address in 2016, intending to reduce the flow of black money [7]. Even more recently, the Reserve Bank of India (RBI) published a document titled "Payments and Settlement Systems in India: Vision 2018," in which it outlined a plan to promote electronic payments and to make it possible for India to transition toward a digital society or economy in the medium and long term [5]. The objective of this study is to review current obstacles and future opportunities, analyse them for probable economical model.

Literature Review:

In their essay "Retail transaction: Future bright for plastic money," Annamalai, S., and Muthu R. Iiakkuvan (2008) predicted the rise of debit and credit cards in the retail transactions. In conclusion, they discussed plastic money's promising future and expansive potential [10], as well as the causes that contributed to its rapid ascent to prominence.

Alvares and Clifford discuss the issue of counterfeit cash in India in their 2009 report. Many counterfeit bills reportedly pass through customs unnoticed, and it is widely believed that the country's fight against them is getting harder, not easier. Furthermore, it is claimed that the limited printing capabilities of counterfeiters in the past made it simpler to spot fakes.

In their essay "Digital Payment System in India- A Roadmap," Ashish Das and Rakhi Agarwal (2010) lay out the country's plans for implementing electronic payment methods. Using cash as a means of payment is costly for the government. The current cash-based system must give way to a digital (electronic) one. In addition to facilitating cost savings in currency management, tracking transactions, preventing tax avoidance and fraud, and expanding access to financial services, this will also assist bring the underground economy into the light.

According to the article "Plastic Money: Roadmap Towards a Cash Less Society" by Bansi Patel and Urvi Amin. the economy should adapt in kind to the shifting tides of technology. The transaction landscape has also shifted significantly as a result of economic shifts. The use of plastic money has become commonplace in modern commerce. And with that, life becomes easier and progress is facilitated. In this study, we'll look specifically at how the introduction of plastic money into the banking system in India has affected the country's

economy. Plastic currency also enables the control of money laundering and the efficient use of the financial system, both of which are useful for the administration of taxes [11].

In their 2008 work "Consumer's behaviour in selecting credit cards," Nayak, Tapan Kumar, and Manish Agarwal studied the elements that influence consumers' choices of credit cards. They highlight service offerings, discounts, interest benefits, cash benefits, convenience of payments, payment fees, card advantages, and time advantages as the most important considerations.

According to research by R. Shenbagavalli, A. R. Shanmugapriya, and Y. Lokeshwara Chowdary titled "Risk Analysis of Credit Card Holders," the time has come for consumers to be informed about the dangers of using plastic money. The researchers' work helped them pinpoint the causes of potential harm, the extent of that danger, and the safeguards that can be taken to prevent it. Based on the results of the survey, it is apparent that customer knowledge is rather low, and issuers of credit cards are currently formulating a strategy to raise consumer awareness [3].

For the benefit of the industry as a whole, Reddy, Ramakrishna (2006) wrote an article titled "Card products in India" in which he offered commentary on why the card products industry was not growing to its full potential and how it could be stimulated to do so.

In his paper "Debit cards replacing creditcards in India," Saha, Tapash Ranjan (2006) compared the benefits of using credit cards and debit cards, as well as the volume of transactions each type of card processed from 1995 to 2005.

In his paper "An examination of the defaults in credit card payments," Srinivas, N. (2006) attempted to examine the socioeconomic profile of credit card defaulters in order to determine the variables that led to so many people falling behind on their payments and to propose solutions to the problem. Analysis of the reasons revealed that financial difficulties were the most common cause, followed by a strict payment schedule and the loss of a job or business. The primary recommendation is that the relevant financial institutions rethink the payment plan for people who have fallen behind on their credit card payments.

In her research titled "The Impact of Credit Cards on HDFC Bank Customers in Shimoga - An Evaluative Study," V. Vimala examined the function of credit card services and its effect on the growth of credit card services. Banking product and service development are the primary focuses of the banking industry. Researchers hope this work will help improve the quality of banking product developments in India [7].

Digitization Rural vs Urban:

When all financial transactions take place electronically, we say that we live in a digital economy [6]. Physical cash is rarely used. There is an excess of cash transactions in India. In 2014, the country has one of the highest cash-to-GDP ratios in the world at 12.42%, ahead of even China (9.47%) and Brazil (4.0%). Only about 5% of all transactions are completed digitally. There are also far more bills in circulation than in other major economies. In 2012–13, 76.47 billion Indian currency notes were in circulation, while 34.5 billion American currency notes were in circulation. Some research has shown that even at malls, where customers are more likely to use credit cards, cash is still the preferred method of payment.

Consumers in metropolitan areas drove much of the significant expansion of the digital economy. But with government encouragement, even people in rural India are joining the digital economy. According to the TRAI report, as of March 2020, more than 38 percent of India's total internet subscribers live in rural areas. Despite the increasing number of internet users in rural areas, a large digital gap persists between urban and rural India. The latest TRAI report found that while 99% of Indians live in urban areas, only 33% of Indians in rural areas have access to the internet. This chasm is caused by two key issues: inadequate facilities and inadequate education. India's "Digital India" initiative is meant to close this void. The program's primary focus is on enhancing the country's and Rural India's digital infrastructure. [5,6]

Digitalization is altering the dynamics of many different sectors and the very nature of civilization itself. A rise from 32% in March 2017 indicates that the digital transformation, or maybe the "digital revolution," is having a significant impact. Roughly 46% of India's GDP comes from rural areas. Even though urbanisation is on the rise in India, rural areas are still expected to make up a sizable percentage of the country's total population (66% as of 2011 estimates). as much as this new shift is currently occurring in our society ([3,4]). Opportunity and difficulty exist side by side in the realms of big data, collaborative technologies, and new (needed) capabilities for all individuals, governments, businesses, and communities. Before There are important distinctions between rural and urban areas when thinking about intelligent infrastructure. First and foremost, the population density in rural areas is lower than in urban centers. Many of the difficulties in rural areas are caused by the low population density, making them distinct from those in densely populated cities. They typically lack the diversity of options

and the range of services that a metropolis can provide, particularly in regard to public transportation and healthcare. [7,8]

Benefits of Digital India:

Since the economy relies so heavily on banking and other monetary institutions, it is more harder to evade paying taxes in this way.

There will be less opportunity for the creation of illicit funds. [8]

Lower property values will result from efforts to crack down on "black money," as this form of currency is heavily invested in real estate, driving up prices.

It allows for the establishment of digital locker systems, which both lessens the need for paper records and facilitates e-sharing via officially sanctioned repositories, so cutting down on unnecessary paperwork. [7,8]

It guarantees the government's online objectives are met.

It allows people to submit paperwork and certifications digitally from anywhere, saving time and effort.

Using the e-Sign architecture, citizens can digitally sign their documents online.

The e-Hospital system would streamline vital aspects of medical treatment such patient registration, scheduling appointments with doctors, paying bills, receiving diagnoses, checking vitals, and more.

By facilitating the submission of applications, verification of eligibility, sanction, and finally disbursement, the National Scholarship Portal can offer its beneficiaries the benefits promised by the programme.

It's a massive hub for distributing public and private services to people all around the country.

About 250,000 gramme panchayats across the country will be linked together by the Bharat Net programme (a super-fast digital highway).

The outsourcing policy is also planned to contribute to the digital India programme.

Implications:

The government of India's Digital India programme has initiated a number of initiatives designed to strengthen the country's rural business community. One of these plans is the use of Common Service Centers to encourage business growth in rural areas (CSCs). The Micro Units Development and Refinance Agency (MUDRA) Yojana provides loans to rural businesses so that they can open CSCs. Service delivery points for government, financial, social, and private services like as online passport, land record, digital locker, and Aadhaar card applications are made possible by CSCs, which are enabled by information and communications technology at the village level. Micro-entrepreneurs who lack the initial capital to launch their businesses can do so under the MUDRA Yojana. As part of the Digital India Programme, Internet Kiosks are also being deployed to encourage rural business growth. One or more computers, a tablet, an Internet connection, and a web cam make up an Internet Kiosk, which can be installed in rural areas to serve as a central point of connectivity for delivering services such as distance learning, online tutoring, agricultural and medical data, job listings, and market data. [6,7]

Having local business owners manage these cyber-kiosks is a great way to foster entrepreneurship in underserved areas. When women in a country are given more say in its affairs, that country flourishes. The groundwork for rural Indian women's empowerment has been laid through the Digital India Programme. To help rural women gain independence, the Indian government has implemented the following initiatives as part of its Digital India programme: Health care in rural areas is a priority, and ArogyaSakhi encourages women to find their own identities so that they may better serve their communities. It's a mobile app that empowers female entrepreneurs in rural areas to bring primary care and preventative services to residents' homes. Village women's health information is collected by female health workers carrying tablets and portable medical equipment such as glucometers and blood pressure monitoring machines. Doctors in different locations can share patient data and treat patients remotely.

Challenges:

There is a substantial amount of cash floating around in the Indian economy, making currency a dominant factor. Roughly 13% of India's GDP is held in circulation cash.

All deals are conducted primarily using hard currency: Almost all monetary exchanges are made using hard currency. The vast majority of businesses and employees in the informal/unorganized sector are more comfortable with dealing in cash. They lack the necessary proficiency in digital and financial technologies.

Third, the vast majority of the 21 crore Rupaya cards in circulation are used for making cash withdrawals, rather than making payments in connection with any sort of online purchase. However, withdrawals account for over 92% of all ATM card usage. Infrequent use of digital transactions via ATM cards [5]. A high number of cardholders in urban and semi-urban areas but a low number in rural areas indicates low penetration.

Poor POS transaction culture and a lack of available POS terminals are problems. As of the end of July 2016, various banks have deployed 1.44 million POS terminals in different locations, as reported by RBI. However, the vast majority of them still live in urban or largely urban regions.

However, the number of people with access to mobile internet is still low in rural India, which is a problem because many businesses and governments now prefer to settle transactions digitally. However, in rural parts of India, access to the internet is limited. It is also difficult to promote the widespread usage of plastic money due to the lower literacy rates in the country's economically disadvantaged and rural areas.

Six, there are entrenched interests that a shift to a digital economy would hurt.

Seven, small businesses are the norm in India's retail sector. They are unable to finance the development of electronic payment systems.

Consumers' perceptions can also be an obstacle. Even people who use credit cards don't see the value in digital purchases. Meanwhile, 82% of credit card holders believe that cash is the fastest payment method. Most people agree that having cash on hand gives you more bargaining power.

Many people who only use cash or credit cards worry that they will be overcharged if they use a card. Furthermore, people who don't regularly use credit cards are often unaware of what they're missing out on.

In India, private companies who issue digital wallets are having a hard time using them on bank websites. This may be due to barriers at the payment gateways or limitations on the use of bank accounts to replenish digital wallets. The banks' rent-seeking behaviour necessitates a firm stance from regulators. Few more are shown below.

1. There has never been a programme of this magnitude planned.
2. Each every pillar and programme faces its own unique obstacles
3. Human Resource Issues
4. The NIC is not equipped for a portion of this work and is therefore obsolete; it requires a makeover and reorganisation.
5. The Department of the Interior and Transport (DeitY) requires programme managers and at least four additional officials at high levels
6. The Ministries Have a Requirement for a Chief Information Officer and/or Chief Technology Officer (CIO/CTO)
7. Could start with the 10 most important Ministries' CIOs
8. May be anyone, whether they are currently employed by the government or not
9. To be modelled after AS & FAs, with dual reporting requirements
10. Financial Resource Issues
11. The majority of the structure is based on current programmes: More laser-like focus; some reorganisation is required.
12. Other possibilities include enhancing existing procedures or making more efficient use of available resources.
13. It's possible that a few new programmes, notably in the field of electronics manufacture and skill development, are going to be required.
14. Problems with Coordination
15. The programme extends to a wide variety of additional departments
16. Call for dedication and hard work

Prospects:

The JAM [6] system (Jan dhan, Aadhar, and mobile phones) can help spread the culture of digital transactions. The JAM infrastructure expansion aims to ensure that every citizen, no matter where they live, has access to the network. Nearly 90 crore mobile phones, 124 million Aadhar cards, and nearly 24 million JDY accounts. In a similar vein, India is home to 33 million internet users. Since this is the case, digital commerce may be advanced with the help of the JAM infrastructure. The majority of direct bank transfers (DBTs) made by the government are conducted in JAM method. Knowing this, people will be more prepared to engage in digital transactions. Prepaid payment instruments (PPIs) issued by banks and permitted non-bank companies have seen considerable growth in both number and value of transactions. Large volumes of business have been transacted through the NPCI-supported Aadhar-enabled Payment System, IMPS, etc. It is anticipated that the newly introduced UPI (Unified Payment Interface) [2] will greatly increase the convenience and speed of online financial dealings. The total number of credit and debit cards has climbed to 25.4 million and 691.1 million, respectively. There is a possibility that the demonetization push would propel more individuals into the digital realm, both to educate themselves and settle their financial affairs. Between 2013 and 2016, the amount of RTGS and NEFT transactions increased by about a factor of three, indicating growing usage of the system across all user demographics. There will be less need for cash transactions as more individuals begin using digital payment systems like RuPay debit cards and Aadhar. The rise of e-commerce and mobile payment apps like Apple Pay and Google Wallet mean that less and less people will be carrying around physical currency. The Reserve Bank of India (RBI) has taken multiple steps to advance cashless transactions. Among the most crucial is the introduction of a regulatory framework for prepaid instruments (PPIs). Promoting electronic and mobile banking services has a similar effect on reducing the need for cash.

Initial measures taken by the RBI and the government to deter cash using:

Financial institution licencing for electronic payments The federal government is also actively supporting the use of mobile payment systems. Instantaneously transfer and receive money, pay bills, top off cell phones, buy cinema tickets, send and receive gifts (physical and digital), and more with a mobile wallet. The Reserve Bank of India (RBI) recently published guidelines that allow consumers to enhance their limit to Rs 1,00,000 upon providing relevant Know Your Customer (KYC) information. Liberalizing foreign direct investment guidelines for the e-commerce industry. The government's introduction of UPI will also facilitate quicker and easier electronic transactions. Fees for using plastic and making electronic purchases have also been eliminated.

Research Methodology:

In the context of this research, an examination of secondary facts is often carried out with the goal of achieving an in-depth comprehension of the "Digital India" project and the "Digital Economy." The gathering of statistics, statistics, and other pertinent facts at numerous levels is included in the secondary data analysis. The primary basis for the majority of the paper is the statistics that were retrieved from the internet via journals, research papers, and expert analyses on relevant subject matter. The basic statistical analysis is taken in consideration.

Data Analysis and results:

The effects of digitalization on India's labour market and GDP as compared to those of other countries:

Countries	GVA (%)	Employment (%)
India	53.2	28.6
China	49.7	42.4
Mexico	60.4	61.2
Brazil	72	68.9
UK	79.9	80
US	79.3	80

Table 1: Countries with employment rate [12]

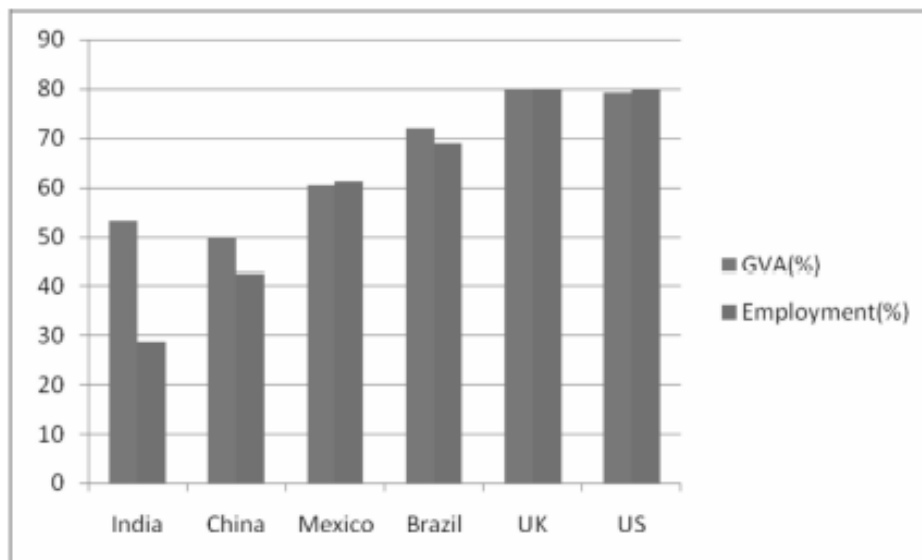


Figure 1: Comparison chart with GVA and employment rate

Primary and secondary sources were used to compile the data. The implementation of a random selection procedure ensures the validity and reliability of the findings. One hundred people were used as research participants. The main method of data gathering has been a self-created questionnaire, while secondary sources have included scholarly publications, periodicals, the internet, and other related materials. The table below shows the demographics of the responders. According to the responders' age distribution, 40% of the

respondents are women, with the youngest age group being 25-28 years old and the oldest being 32-plus. The table also shows that the average level of corporate social marketing is 42.1800, the average level of consumer attitude is 41.4500, and the standard deviations of both are 4.27674 and 4.11790, respectively.

	Frequency	Percentage
Gender		
Male	47	47
Female	53	53
Age		
25-28	40	40
29-32	25	25
33-36	20	20
37-40	15	15
Education Level		
Graduate	53	53
Post Graduate	34	34
Ph.D	13	13
Occupation		
Student	19	19
Businessman	27	27
Housewife	9	9
Employed	36	36
Unemployed	9	9

	Frequency	Percentage
Income		
0	37	37
Above 0-7,99,999	27	27
8,00,000-12,50,000	23	23
Above 12,50,000	13	13
	Mean	Std. Deviation
Corporate social marketing	42.18	4.27674
Consumer attitude	41.45	4.1179

Table 2: Results of data analysis

Conclusions:

A digital one is replacing the cash-based Indian economy. More and more people are making the transition to digital methods of receiving and making payment, signalling the beginning of the era of widespread digital economic benefits. There is no room for the circulation of illicit money in the digital economy because all transactions can be tracked and easily taxed. The entire country is undergoing a period of modernization in monetary transactions, with e-payment systems acquiring extraordinary traction. Electronic payment processing is becoming increasingly commonplace as more and more retailers—and even street vendors—open themselves

up to this method of payment. As the market becomes more globalised and the banking sector expands, more people are switching from cash to digital systems for making purchases.

The switch to digital is safer than cash transactions, but it also saves time and eliminates the hassle of carrying and maintaining physical currency. It's also useful for keeping track of every single transaction. There are challenges to implementing the concept of a digital economy in a country as huge as India, where so many people are mired in misery and poverty.

In recent years, there has been a dramatic shift in how people think about and use digital payment systems because of their many advantages in terms of security, speed, simplicity, and openness. In today's digital India, illegal funds and fake currency have no place. India will have a robust digital infrastructure after implementing the Digital India Project. Soon, all hospitals, schools, and government agencies will be able to deliver digital services around the clock. The nation's economy will receive a boost from the increased number of job opportunities available to young people. International tech companies are eager to join this effort. Wi-Fi hotspots, new employment opportunities, ubiquitous phone service, high-speed internet access, digital inclusion, e-services, e-governance, digitally-motivated citizens, the National Scholarships Portal, the Digital Locker System, e-education, and e-health are just some of the results of Digital India's efforts to position India as a global leader in the application of information and communications technology.

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