

## RISE OF DIGITAL ECONOMY IN INDIA KILLING CASH ECONOMY

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### ABSTRACT

Computerized Economy alludes to an economy that depends on advanced innovations. Advanced India program is one of the establishment projects of Indian Government, it was sent off by the Public authority of India on July first, 2015. Today Advanced innovations is assuming huge part in our country, to set out more work open doors among the young people in provincial and metropolitan regions. It basically covers all business, monetary, social and so on. Activities that are made possible by the web and other technologies for digital communication. The Internet Economy and Web Economy are other names for the digital economy. Computerized systems administration and correspondence foundations give a worldwide stage over which individuals and association devise and utilize new business methodologies, the primary point of the computerized India is to instruct each individual and increment mindfulness about computerized process. As the final stage of the economy's devolution, the digital economy emerged as the model global economy. India's digital economy is expanding rapidly. Computerized Economy alludes to an economy that depends on advanced innovations. The carry out of e-Taxpayer supported organizations in India is as of now daintily well, however arrangements of computerized consideration ought to assume a high level part in this turn of events, Digitalization will prompt expense reserve funds, expanded yield, better business, improved efficiency and proficiency, and so forth. In the agrarian area and in Modern area, digitalization will help in advancement of the multitude of cycles, be it, buying, selling, stock control, exchange relations, work, item development and improvement, and so on. Robotization of Administration Area will help in development of the area by expanding the straightforwardness in admittance to and delivering of the administrations.

**Keywords:** Cashless, economy, transactions, impact, UPI.

### 1. INTRODUCTION

The Save Bank of India's base camp, opened in 1981, is a tall structure clad in white overshadowing Mumbai's Post region, a couple of blocks from the waterfront. The RBI is also an example of how a central bank and private businesses can work together, serving as a foundation for the nation's rapidly expanding digital payment network.

India's advanced installment volume has move at a typical yearly pace of around 50% throughout recent years. That itself is one of the world's quickest development rates, however its extension has been much more fast — around 160% every year — in India's exceptional, continuous, portable empowered framework, the Bound together Installments Connection point (UPI). Exchanges dramatically increased, to 5.86 billion, in June from a year sooner as the quantity of taking part banks hopped 44%, to 330. During the same time, prices nearly doubled. In addition, the RBI introduced a UPI for feature phones in March, which are older phones with buttons instead of touchscreens and have the potential to connect 400 million rural residents.

In 2016, just prior to the expiration of RBI Governor Raghuram Rajan's term, the UPI system was implemented. The shock of the demonetization drive followed close to the furthest limit of that very year, when high-division banknotes were removed from course.

UPI was a reaction to the country's interwoven of rules and desk work for installments. The objective was to make moves simpler and more secure by permitting different financial balances on a similar versatile stage for individual and business utilize the same. It quickly matured. The UPI organization's beginning follows back much further, to 2006, when the RBI and Indian Banks' Affiliation mutually framed the Public Installments Enterprise of India (NPCI).

**Going cashless-** Development for individual computerized installment clients is set to significantly increase in five years to 750 million, as per NPCI CEO Dilip Asbe; 100 million merchant customers could be added. He stated that the central bank supports a diverse ecosystem of payment systems, including RuPay, a debit and credit card issuer with a significant market share, the National Financial Switch cash machine network, and a payment system that utilizes the national identity program to bring banking to underserved areas. "RBI was resolved that a country our size needs various installment frameworks so residents can look over numerous installment choices," he said. "A system like UPI, which democratizes the payment system while keeping costs as low as possible, cannot be implemented in any country unless the central bank and government there are eager to do so. UPI is almost free today for customers in India, and the public authority is giving motivations to advancement of UPI vendor installments.

With a prospering credit only economy, the former ways are progressively failed to remember by the country's a huge number of youngsters. They have helped grow the positions of clients of Paytm, one of the world's biggest versatile cash administrations suppliers, to in excess of 400 million.

With the memory of money dependence as of now quickly blurring starting from the start of the cell phone time, the pandemic promoted speed up the hug of contactless computerized exchanges, particularly for modest quantities, as individuals attempted to safeguard themselves from the infection.

## 2. UNIQUE DIGITAL INFRASTRUCTURE

This progress piggybacked on another interesting homegrown development, the India Stack, a computerized character and installment framework based on an open application programming connection point, or Programming interface. By making services easier to access for customers and incorporating the national identity program Aadhaar, which has 1.3 billion users, it has been a force for greater financial inclusion.

In the meantime, policymakers are making yet another significant bet on the future of digital money, which will have even more profound effects on the economy. The RBI is looking into creating a central bank digital currency (CBDC) with the goals of achieving financial stability and effective currency and payment operations as part of monetary policy.

A cashless economy is one in which all transactions must use electronic channels like direct debit, credit cards, debit cards, electronic clearing, and payment systems like Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), and Real-Time Gross Settlement (RTGS) in India. A cashless economy does not have a cash supply.

### Highlights of Cashless Economy in India

Post Demonetization, the Centre is making a big push for online and card-based transactions in the country to achieve its target of becoming a largely cashless economy.

The rapid growth of e-payment startups in the country.

Launch of Unified Payments Interface (UPI) to facilitate cashless transactions.

The Covid-19 pandemic fueled a massive shift towards digital transactions in India aligning with the prime minister's vision of a Digital India. In fact, according to the National Payments Corporation of India (NPCI) data, payments on UPI in June 2020 hit an all-time high of 1.34 billion in terms of volume with transactions worth nearly Rs 2.62 lakh crore.

### Types of Cashless Modes and Payments

There are different credit only installment modes and these are referenced underneath:

**Pocket money:** It is essentially a virtual wallet accessible on your cell phone. To make payments either online or offline, you can store cash in your mobile device. Different specialist co-ops offer these wallets through versatile applications, which is to be downloaded on the telephone. You can move the cash into these wallets web based utilizing credit/check card or Net banking. This implies that each time you cover a bill or make a buy online by means of the wallet, you will not need to outfit your card subtleties. You can utilize these to cover bills and make online buys.

**Plastic cash:** It incorporates credit, charge and pre-loaded cards. The last option can be given by banks or non-banks and it tends to be physical or virtual. These can be purchased and reloaded online through Net banking, and they can also be given as gift cards or used to make online or point-of-sale (PoS) purchases. Cards are utilized for three basic roles - for pulling out cash from ATMs, making on the web installments and swiping for buys or installments at PoS terminals at trader outlets like shops, eateries, fuel siphons and so on.

### Net banking:

It includes no wallet and is basically a strategy for online exchange of assets starting with one financial balance then onto the next ledger, Visa, or an outsider. You can do it through a PC or cell phone. Sign in to your ledger on the web and move cash through public electronic assets move (NEFT), constant gross repayment (RTGS) or prompt installment administration (Pixies), all of which come at an ostensible exchange cost.

India's cashless economy is being promoted through a variety of platforms and applications that make it simple to transfer money and pay people:

Bharat Interface for Money (BHIM)

Bharat QR

Unified Payment Interface (UPI)

Prepaid Payment Instrument

The RBI classifies every mode of cashless fund transfer using cards or mobile phones as 'prepaid payment instrument'. They can be issued as smart cards, magnetic stripe cards, Net accounts, Net wallets, mobile accounts, mobile wallets or paper vouchers. They are classified into four types:

**Open Wallets:** These allow you to buy goods and services, withdraw cash at ATMs or banks and transfer funds. These services can only be jointly launched in association with a bank. Apart from the usual merchant payments, it also allows you to send money to any mobile number linked with a bank account. M-Pesa by Vodafone is an example.

**Semi-Open Wallets:** You cannot withdraw cash or get it back from these wallets. In this case, a customer has to spend what he loads. For example, Airtel Money/Ola Money is a semi-open wallet, which allows you to transact with merchants having a contract with Airtel/Ola.

**Closed Wallets:** This is quite popular with e-commerce companies; wherein a certain amount of money is locked with the merchant in case of a cancellation or return of the product or gift cards. Flipkart and Book My Show wallets are an example.

**Semi-Closed Wallets:** These wallets do not permit cash withdrawals or redemption, but it allows you to buy goods and services from listed vendors and perform financial services at listed locations. Paytm is an example.

### 3. ADVANTAGES OF A CASHLESS ECONOMY IN INDIA

The main advantage of a cashless society in India is that a record of all economic transactions through electronic means makes it almost impossible to sustain black economies or underground markets that often prove damaging to national economies. This reduces the chances of black money entering the system. It is also much riskier to conduct criminal transactions. An economy that is largely cash-based facilitates a rampant underground market which abets criminal activities such as drug trafficking, human trafficking, terrorism, extortion etc. Cashless transactions make it difficult to launder money for such nefarious activities.

#### **Circulation of Fake Currency notes can be curbed.**

**Increase Tax base:** It is difficult to avoid the proper payment of due taxes in a cashless society, such violations are likely to be greatly reduced. The increased tax base would result in greater revenue for the state and greater amount available to fund the welfare programmes.

Digital transactions bring in better transparency, scalability and accountability.

Digital transactions are convenient and improve market efficiency. It will eliminate the risks associated with carrying and transporting huge amounts of cash. The cashless economy will reduce the production of paper currency and coins. This will save a lot of production cost in turn. A lot of data transfer happens due to the cashless transaction. This data will help the government plan for future expenses such as housing, energy management, etc from the pattern of the data transmission.

#### **Challenges**

**Acceptance infrastructure and digital inclusion:** Lack of adequate infrastructure is a major hurdle in setting up a cashless economy. Inefficient banking systems, poor digital infrastructure, poor internet connectivity, lack of robust digital payment interface and poor penetration of PoS terminals are some of the issues that need to be overcome. Increasing smartphone penetration, boosting internet connectivity and building a secure, seamless payments infrastructure is a prerequisite to transition into a cashless economy.

**Financial Inclusion** – For a cashless economy to take off the primary precondition that should exist is that there should be universal financial inclusion. Every individual must have access to banking facilities and should hold a bank account with debit/credit card and online banking facilities. Read more about [Financial Inclusion](#) in the linked article.

**Digital and Financial Literacy** – Ensuring financial and digital inclusion alone are not sufficient to transition to a cashless economy. The citizens should also be made aware of the financial and digital instruments available and how to transact using them.

**Cyber Security** – Digital infrastructure is highly vulnerable to cyber-attacks, cyber frauds, phishing and identity theft. Off late cyber-attacks have become more sophisticated and organised and poses a clear and present danger. Hence establishing secure and resilient payment interfaces is a prerequisite for going cashless. This includes enhanced defences against attacks, data protection, addressing privacy concerns, robust surveillance to pre-empt attacks and institutionalised cybersecurity architecture.

**Changing habits and attitude** – Indian economy functions primarily on cash due to lack of penetration of e-payment modes, digital illiteracy of e-payment and cashless transaction methods and thirdly habit of handling cash as a convenience. In this scenario, the ideal thing to do is to make people adopt e-payments in an incremental fashion and spread awareness to initiate behavioural change in habits and attitude.

**Urban-Rural Divide** – While urban centres mostly enjoy high-speed internet connectivity, semi-urban and rural areas are deprived of a stable net connection. Therefore, even though India has more than 200 million smartphones, it is still some time away for rural India to seamlessly transact through mobile phones. Even with regard to the presence of ATM's, PoS terminals and bank branches there exists a significant urban-rural divide and bridging this gap is a must to enable a cashless economy.

The digital economy is the worldwide network of economic activities, commercial transactions and professional interactions that are enabled by information and communications technologies (ICT). It can be succinctly summed up as the economy based on digital technologies. The best example of this is the rise of digital platforms such as Amazon, Uber. These companies connect market participants together in a virtual world. They reveal optimal prices and generate trust between strangers in new ways. Digitalization has been one of the most important trends in India over the past few years. It has emerged as the second-fastest digital adopter among seventeen major digital economies. This rapid growth helps propel India to the forefront of digital and technological innovation, particularly leveraging the energies of the country's young population. Since the launch of the "Digital India" program in 2015 to date, there have been many significant improvements in digital infrastructure, in the digital delivery of public services and financial assistance to citizens, and in enhancing digital consciousness and literacy.

India can create over \$1 trillion of economic value from the digital economy in 2025, with half the opportunity originating in new digital ecosystems that can spring up in diverse sectors, says a report from Ministry of Electronics and Information Technology, in partnership with McKinsey. "The trillion dollar economy report is the symbol of opportunity that India offers," said Ravi Shankar Prasad, Minister of Information Technology. "Digital India is also an opportunity for people in digital space to do business in India. The size and scale that India offers is a big business opportunity for global companies," he added. According to the report, the potential for five-fold increase in economic value from India's digital transformation by 2025 would create a rapidly growing market for a host of digital services, platforms, applications, content, and solutions. This represents an attractive opportunity for global and local businesses, start-ups, and platform-based innovators who will be investing in emerging technologies (for example, artificial intelligence, block chain, drones, and robotics) customized to India's needs. Digital economy refers to an economy that is based on digital technologies, although we increasingly perceive this as conducting business through market based on the internet and World Wide Web. Digital networking and communication infrastructures provide a global platform over which people and organization.

**Contribution to GDP** Currently, India's digital economy generates about \$200 billion of economic value annually 8 per cent of India's GVA in 2017–18 largely from existing digital ecosystem comprising information technology and business process management (IT-BPM), digital communication services (including telecom), e-commerce, domestic electronics manufacturing, digital payments, and direct subsidy transfers, the report said.

"By 2025, India could create a digital economy of \$800 billion to \$1 trillion (value equivalent to 18-23 per cent of the country's nominal GDP). The existing digital ecosystem could contribute up to \$500 billion of economic value, but the potential economic value for India could be as much as double that amount almost \$1 trillion if digital technologies are used to unlock productivity, savings, and efficiency across more diverse sectors such as agriculture, education, energy, financial services, government services, healthcare, logistics, manufacturing, trade, and transportation," the report said.

### **Impact Of Digitalization On Indian Economy:**

Digitalization has played a vital role in flourishing the Indian economy.

The biggest example is the job opportunities created in the country for youth. In addition to the above, "make in India" drive has given an immense push to youngsters to start new start-ups and think of creative ideas to contribute to digitalization of India. The government on its end is pushing and encouraging the Indian public to go cashless and reduce reliance on cash transactions. The purpose is to make us adopt digital payments. Digital transactions make us follow a legal path which is helpful to flourish the economy.

Use of plastic money gives freedom as well as security to citizens of the country because it works on technical grounds. Digital payments will be helpful to the global world. Since cash is the primary mode of transactions in money laundering and terrorism funding, a digital society would discourage such laundering and terrorism. Statistics related to an impact of digitization on the Indian economy in terms of employment, contribution to GDP in comparisons with other countries: The automation of the economic sectors will lead to better performance and growth of the sectors, which in turn impact the growth rate of the economy. Digitalization will lead to cost savings, increased output, better employment, enhanced productivity & literacy, etc.

#### 4. CONCLUSION

When the transactions in an economy are not heavily based on the money notes, coins or any other physical form of money but are aided by the use of credit cards, debit cards and prepaid payment instruments, such an economy is called cashless economy.

The cashless Economy in India has been amplified with the Indian Government's initiative of Digital India. This is a flagship programme with a vision to transform India into a digitally empowered society and knowledge economy.

The difficulty in going digital is exemplified by the data on debit card usage — over 85% (in volume) and 94% (in value) of all debit card usage is at ATMs for the purpose of withdrawing cash. The principal purpose for cards in an Indian context is thus a means to withdraw cash. The exponential growth in debit cards (over 600 million) is a direct consequence of the financial inclusion drive that led to the opening of over 170 million bank accounts. Though the move put plastic money into the hands of millions, effectively it has only shifted cash withdrawals from banks to ATMs, which was not quite the intent.

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