The Digital Economy of India: Challenges and Prospects

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Abstract

India has started transitioning to a digital economy, where credit/debit cards, digital wallets, e-payments, and digital transactions are becoming more common. The idea has gotten a boost from the ambition of a digital India. Virtual shopping, e-cash, e-commerce, exchanging electronic monies, and other terms have become part of India's new lexicon. Digital technology which is being widely used by individuals, companies, organisations, communities and government every day to make decisions, make products and provide services faster and more efficiently. The digital economy applies both to digital goods and services access and to the use of new technology to help companies. Digital economy is a concept often used to describe this operation but it is difficult to define. The GDP estimates do not take into account the digital economy's economic benefits, such as time saved, increased option and lower product costs. Technology would revolutionize industries, transforming nearly every aspect of society and economy. The digital economy is the latest innovation tool which some analysts consider as the third industrial revolution. Digital transformation, also known as opening opportunities for new development in the market. Social activities supported by the correspondence and IT. Activities such as browsing, buying and selling, and access to the Internet and wired instructional or entertainment apps. The digital economy is not independent of government, by any way. This affects both markets and business types and reflects the reality that their economic structures are shifting as businesses are data driven, company lines become blurred, and the nature of competitiveness shifts. Rise to a new India, and achieve a better development climate. This paper discusses the viability of our society's digital economy means of business transactions, and the resulting difficulties and issues. Although the digital economy has been shown to provide for open, efficient, and quick transactions, there are numerous
practical issues with its widespread use and implementation, including security threats, which provide a significant obstacle. The paper points out the benefits as well as the various challenges the digital revolution have been brought in the real sense and how to deal with these digital challenges

**Keyword:** Cyber Security, Cashless, Digital Economy, ICT Skills, Technology

### I. INTRODUCTION

Current global changes are transforming markets and cultures today, and will continue to do so in the future. Digitalization of economies and economies has a number of goals, including advancing technology, increasing efficiencies, and improving services across the country. In turn, a productive transition to a digital economy is a much-needed development and creates opportunities for more equitable and sustainable growth whilst improving overall health. The digital economy can also expand infrastructure and help address policy issues in a variety of areas, including health, education, agriculture, government, finance, transportation, and climate. Not only is it continuing to evolve in systems and hierarchical structures, but it is also changing how people communicate with each other and with community. Apart from the above there is also seen to be significantly increase in the capacity of people to bring about changes in the economic structure and business models.

Technology has shifted the modus operandi of any business toward electronic payments. Before the cashless period, just 5 per cent of transfers happened electronically in India. The number of notes in circulating was noted to be very much higher than other larger economies of the world. According to a study conducted by the Boston Consulting Group (BCG) and Google India, over 75 percent of transactions in India were conducted in cash in 2016, compared to 20-25 percent in industrialized countries such as the United States and Japan. According to a Mastercard poll, electronic purchases account for 80% of market transactions in the United States, whereas cash purchases account for only 3% in Sweden. Prepaid SMS transfers, M-PESA, Pay Pal, Google wallet, Paypal, Flatter, and other innovative payment alternatives have emerged as a result of technological advancements. RBI in its turn has brought out numerous rules supporting automated transaction settlement. Most relevant of these are the introduction of a digital payment regulatory framework. The document ‘Payments and Settlement Processes in India: Vision 2018” issued by RBI attempts to put in place a strategy in promoting cashless transactions. As the notion of electronic payments is still to gear up, the impact of the same is yet to be proved.

**Far reaching changes introduced by the digital economy**

- Traditional desktop and laptop computer usage is decreasing.
- The importance of mobile equipment and services is growing.
- Wireless data service, wifi, smart phones, tablets being increasingly used.
- Distributed computing and "cloud" services
- Instruments, communications equipment, and electro-medical equipment.
Digital Economy and the associated ICT skill-sets

Rising use of digital technologies at work is rising demand for new skills in three axes. Next, workers across an increasing number of jobs need to learn basic ICT expertise to be able to use such technology in their daily work (e.g., view online information or use software). Secondly, the design and development of ICT products and services — software, web pages, e-commerce, cloud, and big data — necessitates ICT specialist skills in app development and network management. Third, the usage of ICTs is changing the way people work and raising need for complementary ICT skills, such as the capacity to handle complicated data, engage with peers and clients, solve problems, plan ahead, and make quick adjustments. Last but not least, excellent basic skills are required for the development of competent general, distinctive, and complementary ICT skills. Competencies are a key factor impacting a country's business development and its participation in international markets. In order to help any country not only maintain but also improve their comparative advantages in the competitive world, there is a need to ensure close integration between the needs of the industry and the relevant trade and industrial policies of the county with respect to the potential skill related policies.

Future Prospects and Benefits of Digital Economy

The ease with which financial transactions may be completed is the most compelling reason for digitalization. There’s no need to carry cash, credit cards, or wait for ATM cash withdrawals. It would be especially useful in emergency situations, such as in clinics. Because most black money is invested in real estate, a cashless economy will reduce tax evasion opportunities, reduce black money output, and drop real-estate values. As a result, becoming cashless would save money on printing costs. In 2015, the RBI spent Rs.27 billion on currency publications. If robbed, there is also a smaller risk because remote blockage of a credit card or cell wallet is straightforward, but recovering stolen cash is quite difficult. Biometric IDs (fingerprints, eye scans, etc.) will be used in the future, making it incredibly difficult to clone plastic money, making it a secure alternative. The JAM system (Jan dhan yojna, Aadhar cards, and mobile banking) will serve as the cornerstone for the implementation of cashless economics. JAM format is used for a large number of government purchases. The volume and value of prepaid payment solutions offered by banks and approved non-bank organizations has also increased significantly. The NPCI-promoted Asdhar-enabled payment system, as well as a Unified Payment Interface (UPI), are projected to expand cashless transactions significantly. The number of RTGS and NEFT transactions had nearly tripled by 2013, demonstrating that people all around the country were adopting technology. To accelerate the acceptance of digital payments, SBI will build 10,000 Point of Sale (PoS) terminals across India. A Point of Sale Terminal is a sales site that includes the technology and software necessary to handle smart cards, generate receipts, and keep track of an electronic cash register. The government has offered a variety of incentives to encourage cashless transactions, including a 15% service tax rebate on digital transactions up to $2,000 and a 0.75 percent discount on digital transactions. The vast majority of mobile wallet applications
Digital Economy related Risks

Aside from the advantages, the digital economy frequently offers risks such as unlawful access, exploitation of business and personal information, lack of privacy, and misuse of footprints. As the digital economy develops, there are still a number of unanswered problems about this new economic paradigm. Some have speculated that cash would become extinct. Others have pondered if a new, universally acknowledged currency may emerge, although economists think that neither option is possible in the near future. Economists regularly observe that the digital economy is not merely a theoretical construct, but it also has a tangible impact on cultures. Many people are discovering that digitalization and robotics are replacing labor and changing the types of jobs that are available. They also noted that many countries, particularly in poorer countries, have limited access to the technology that enables the digital economy. Digital technologies are transforming both business practices and cultures, and they will be at the heart of future economies fueled by innovation. But the question is whether technology revolutions, like the industrial revolution, may be extremely disruptive to markets and civilizations. Despite the rapid advancement of innovations, institutions and knowledge are progressively growing, and the gap between swiftly evolving institutions and fast emerging expertise is narrowing.

Challenges of Digital Economy

It is an irrefutable reality that nothing compares to the adaptability of cash and coins. Cash, like oxygen and water, is a basic requirement in all aspects of existence. India has a tightly controlled money market, with cash exchange accounting for roughly 13% of GDP. In comparison, 95% of purchases are made in dollars. There is a sizable unorganized market that favors cash payments. Despite the abundance of ATM cards, roughly 92% of them are used for cash withdrawals. ATM cards are used for a small percentage of digital payments. POS, point of sale terminals and cheap sales practices are in short supply. In rural places, there is often a lack of power and limited Internet access. Another issue preventing the adoption of a cashless economy is illiteracy. Digital payments come with a slew of problems that are far more significant than simply keeping the currency. Recently, the personal information of lakhs of debit card holders was stolen, showing banking institutions' incapacity to protect electronic cash. According to Gemalto, a digital security provider, more than 1 billion documents were hacked in 2014. In contemporary environment, there is also a "Risk of Identity Theft" and a very weak recovery process; for example, if your Aadhar ID is stolen, there is no immediate mechanism to recover it. When people lose money online, they have few options. Going cashless can have an impact on people's 'propensity to save,' as studies have shown that plastic money drives people to overspend. Card payments are not processed in the same way that cash payments are. On the other hand, getting people to part with some of their money is difficult. The government has encouraged people to save, but a cashless economy would exacerbate the 'act of defiance.' Another, and maybe the most serious, issue is the low-income segment, which includes daily wage laborers, hawkers and peddlers, as well as BPL households, who may have JDY accounts but have zero balances. We live in a world where cash is king and digital transactions are a faraway fantasy.
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Way Forward

- Digital revolution must include the integration of populations and areas that were not historically part of ICT.
- Sectors must be opened up to new emerging business models by raising the restrictiveness of regulations.
- There must be room for new digital competition, experimentation and entrepreneurship for countries to reap the digital dividend.
- Removing red tape that burdens digital entrepreneurs with unnecessary costs.
- Technological innovation is a boon for India, the only thing that matters is how much it can change the economy.
- The government must formulate new electronics policies, software product policies and a data security and data protection framework.
- The priority should be on developing accessible, developable and digitally available technology.
- The concept of creating unique, groundbreaking start-up zones needs to be explored.
- Ensure a simpler tax compliance regime to further enhance India's Global business-friendly ranking.
- The need for internet and mobile device support for less-educated and low-income groups.

II. CONCLUSION

The digital economy could be a major catalyst for transition, and could grow significantly. India's position and presence in the global economy, and becomes a digital innovation powerhouse. Electronic cash is a system that enables people to buy goods or services without the exchanging of anything physical. Greater use of digital payments will save a great deal for the Indian economy, as it will help to reduce cash costs. It would result in transparency, curb corruption and make it convenient. Money is the sovereign, though, sustaining the vast unregulated, unorganized economy; the livelihoods of the bulk of the poor population are also money-in. Despite the advantages, a cashless society will inevitably have unparalleled access to information and control over people through governments and business firms. A cashless society's main disadvantage is privacy issues, and account hacking. Poverty prevailing and backwardness; a large, unorganized sector can not so easily switch to a cashless economy. The path to a cashless economy is not as easy as it seems, there are many bottlenecks in adoption, and the risks of going cashless would be apparent in a few years.
III. REFERENCES

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