

## DIGITAL ECONOMY AND ITS COMPETITIVE STRATEGIES

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*Abstract-After 68 years of Independence, the country started paying attention on the word : DIGITAL. The journey involved of different phases & different levels with all associated costs and benefits in terms of monetary and non-monetary: a) From planned economy to digital economy*

*b) From cash based economy to cashless economy*

*c) From money to plastic money*

*d) From plastic money to digital money*

*The country's and public's attention was drawn towards words like digital economy, digital transactions and cashless transactions due to the demonetization by present central government and announced by Prime Minister of India on 08.11.2016. The sudden and super hard decision sent shock waves throughout the country and generated much interest in neighborhoods also. The central budget for 2017-18 is also aimed at making India as Digital and given big push by a slew of measures encouraging people to move to digital transactions. The ultimate objective of Digital India and Digital Economy should be all round development and reduction in imbalances and disparities between the haves and have nots i.e. rich and poor and cities and villages*

*Keywords: Digital India, Digital economy, Digital payments: Infrastructure, Establishment and Services, Mobile and internet banking, Mobile/digital wallets, Cashless Transactions.*

### **INTRODUCTION:**

Every economy and country wants and wishes for development. The moot question is how to articulate development with focus on reducing inequalities. This is challenging job. Hence 5 year plans were started and more than 6 decades passed with cash as backbone. During this period, many countries have moved from cash base to cashless or electronic or digital bases. Now time has come for India to move from cash base to digital base. After 68 years of Independence, the country started paying attention on the word: DIGITAL. The journey is involved of different phases & different levels with all associated costs and benefits in terms of monetary and non-monetary: a) From planned economy to digital economy

b) From cash based economy to cashless economy

c) From money to plastic money

d) From plastic money to electronic money

e) From electronic money to digital money **VISION:**

Vision of a digital economy: moving from less-cash society to finally cashless society gradually and in a phased manner with proper checks and balances and strong security systems in place and keeping in mind safety of money of end user / customer and country.

### **MEANING :**

Now a question comes to everybody's mind - what is digital economy ? It refers to an economy that is based on digital computing technologies. The digital economy is also sometimes called the Internet Economy, the New Economy, or Web

Economy. Increasingly, the "digital economy" is intertwined with the traditional economy making a clear delineation harder.

The term 'Digital Economy' was coined in Don Tapscott's 1995 book *The Digital Economy: Promise and Peril in the Age of Networked Intelligence*. The *Digital Economy* was among the first books to consider how the Internet would change the way we did business.

#### **COMPONENTS OF DIGITAL ECONOMY INDIA :**

They are as under:

- a) E-Governance at Central/State/District/Taluk/Panchayat/Village levels
- b) E-Commerce – online sale of goods and services by companies like Flipcart/Snapdeal etc
- c) E-Common Service Centres – for getting ration cards / birth and death certificates / Voter Id Card/Passport

#### **DEMATERIALIZATION AND DIGITIZATION:**

Dematerialization and digitization are like two sides of a coin. Both are required for progress of Indian economy. SEBI had already started dematerialization in capital market by way of demat accounts and RBI has taken many steps in digitization through IDRBT & NPCI.

#### **REFORMS IN BANKING SECTOR:**

Reforms have already taken place in 90s. However in the light of demonetization, the chinks in banks' armoury were exposed. Many ATMs have to be recalibrated to meet size specifications of new currency notes supplied by RBI. The following reforms may be required:

1. Better coordination and sharing of data and information via digital systems.
2. Periodical sharing of data and information with other sectoral regulators like SEBI/CBDT/IRDA/TRAI via digital means and modes.
3. Time bound upgradation IT infrastructure and systems and procedures.

#### **E-PAYMENTS:**

Digital payments are heart of digital economy. A less cash economy is supplemented by digital economy. The following Secondary Data gives an idea on how India has been traversing from cash based economy to digital economy

1	Bank Branches	1,30,000 Nos
2	Active Bank Accounts	60 lakhs
3	ATMs	2,22,000 Nos.
4	POS Devices	13 lakhs
5	Mobile Accounts	: 60 lakhs
6	Smart Phones	25 lakhs
7	Banks in UPI	29 Nos

8	Mobile transaction value	Rs. 7.7 lakh crores
9	Prepaid Service Providers	36 Nos
10	Small Payment Banks	2 Nos. started operations
11	Small Finance Banks	5 Nos. out of 10 Nos. started operations

The following are some good examples of Sectoral digital payments & developments :

Agriculture	e-NAM (National Agricultural Market) covering Agricultural Produce Marketing Committees (APMCs)
Banking	Online applications for account opening/loans/ payments/M-Passbook or E-Passbook
Corporate & Tax	Demat Accounts , online filing periodical returns with Tax Authorities / RoC / MCA and SEBI
Education	Online filling and submission of Applications for admissions and entrance examinations and payment of fees, verification annual results
Insurance	Online applications for taking policies/premium payments/policy renewals/claims
Transport	Online ticket booking/SMS service/E-procurement/E-Payment

**GOVERNMENT'S INITIATIVES:**

The budget for 2017-18 of central government proposes the following in order the push Digital India (as per Finance Minster's budget speech) :

- 1.Promotion of a digital economy is an integral part of Government's strategy to clean the system and weed out corruption and black money. It has transformative impact in terms of greater formalisation of economy and maintstreaming of

financial savings into the banking system. This, in turn, is expected to energise private investment in the country through lower cost of credit. India is now on the cusp of massive digital revolution.

2. A shift to digital payments has huge benefits for the common man. The earlier initiative of Government to promote financial inclusion and the JAM (Jan DhanYojana, Aadhar, Mudra) trinity were important precursors to current push for digital transactions.

3. Already there is evidence of increased digital transactions. The BHIM app has been launched. It will unleash the power of mobile phones for digital payments and financial inclusion. 125 lakh people have adopted the BHIM app so far. the Government will launch two new schemes to promote the usage of BHIM : these are Referral Bonus Scheme for individuals and a Cashback Scheme for merchants

4. Aadhar Pay, a merchant version of Aadhar Enabled Payment System, will be launched shortly. This will be specifically beneficial for those who do not have debit cards, mobile wallets and mobile phone. A Mission will be set up with a target of 2,500 crore digital transactions for 2017-18 through UPI, USSD, Aadhar Pay, IMPS and debit cards. Banks have targeted to introduce additional 10 lakh new PoS terminals by March, 2017. They will be encouraged to introduce 20 lakh Aadhar based PoS by September, 2017.

5. Increased digital transactions will enable small and micro enterprises to access formal credit. Government will encourage SIDBI to refinance credit institutions which provide unsecured loans, at reasonable interest rates, to borrowers based on their transaction history.

6. The digital payment infrastructure and grievance handling mechanisms shall be strengthened. The focus would be on rural and semi urban areas through Post Offices, Fair Price Shops and Banking Correspondents. Steps would be taken to promote and possibly mandate petrol pumps, fertilizer depots, municipalities, Block officer, road transport offices, universities, colleges, hospitals and other institutions to have facilities for digital payments including BHIM App. A proposal to mandate all Government receipts through digital means, beyond a prescribed limit, is under consideration.

7. Government will strengthen Financial Inclusion Fund to augment resources for taking these initiatives.

8. Government will consider and work with various stakeholders for early implementation of the interim recommendations of the Committee of Chief Ministers on digital transactions.

9. The Committee on Digital Payments constituted by Department of Economic Affairs has recommended structural reforms in the payment ecosystem including amendments to the Payment and Settlement Systems Act, 2007. Government will undertake a comprehensive review of this Act and bring about appropriate amendments. To begin with, it is proposed to create a Payments Regulatory Board in the Reserve Bank of India by replacing the existing Board for Regulation and Supervision of Payment Settlement Systems. Necessary amendments are proposed to this effect in the Finance Bill 2017.

10. To move faster on the path of digital transactions and cheque payments and to ensure that the payees of dishonoured cheques are able to realize the payments, Government is therefore considering the option of amending the Negotiable Instruments Act.

11. The commodities and securities derivative markets will be further integrated by integrating the participants, brokers and operational frameworks.

12. The process of registration of financial markets intermediaries like mutual funds, brokers, portfolio managers etc will be made fully online by SEBI

13. A common application form for registration, opening of bank and demat accounts and issue of PAN will be introduced for Foreign Portfolio Investors. SEBI, RBI and CBDT will jointly put in place the necessary systems and procedures. This will greatly enhance operational flexibility and ease of access to Indian capital markets.

15. Steps will be taken for linking of individual demat accounts with Aadhar.

**OPPORTUNITIES:**

1. Creation of a statutory Indian Digital Commission with clear mandate of designing and maintaining of Indian Integrated Digital Ecosystem with compatible sectoral architectures, interfaces and platforms in coming next 5 to 10 years.

2. Development of Integrated Digital Ecosystem covering all vital sectors of Indian economy like Agriculture, Education, Health, Industry, Banking, Insurance, Telecom and Transport with sectoral regulatory bodies as members and with support from legal and IT architectures.

3. The suggested structure for above said Indian Digital Commission is enclosed as Annexure 1

4. Advent of new technologies and new job opportunities

**CHALLENGES:**

- 1) Developing interoperability standards (IT related) across heterogeneous sectors
- 2) Creation of suitable IT and non-IT infrastructure and its maintenance with timely improvisations
- 3) Amount of expenditure (both recurring and non-recurring) creation of above said infrastructure
- 4) Obtaining, Training and Retaining of Human Resources
- 5) Selection of latest & innovative technologies
- 6) Data and Information Protection and Security from hackers/malware/virus
- 7) Data and Information Recovery in case of disasters of both manmade and natural
- 8) Nil or less financial burden in terms of service charges on end users

**CONCLUSION:**

The demonetization implemented by Government has not been without severe pains and problems to common man (end user). However, let us hope for better India in the era of digitization with maximum benefits to all Indian citizens in the coming years.

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