

Indian Market and Digital Currency – A Commercial Perspective

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Abstract:

The growing popularity of digital currencies or crypto currencies such as Ethereum and Bit coin in the last decade has forced most central banks around the world to seriously consider establishing a digital currency controlled by them, promoting the goal of a cashless society. It is also becoming important towards addressing the shortcomings of digital currency in the economy. With the rapid growth of digital transactions under the digital economy in the country, leading to ease of transactions and a corruption-free system, digital payments in the country could grow by more than 20 percent annually, according to a 2023 study report by industry body PwC. Digital transactions are expected to grow by 18.5 percent in China and 8.6 percent in the United States during this period. Digital transactions in India were around 64.8 billion at the end of 2019, which is expected to more than double to 135.2 billion by 2023. In such a situation, India will overtake China and the US in terms of increasing digital transactions. The present research paper reflects on the impact of this digital currency transaction in the Indian economy.

Key words: Indian economy, money transfer, digital currency, economic development

Purpose:

- Explaining the concept of digital currency
- To study the need for digital currency
- To study the benefits of digital currency
- To study the impact of digital currency transactions on the Indian economy

Introduction:

The mainstay of economic reforms in the current era is technology driven development. Keeping this in mind, the government has recently come up with innovative policies in several areas such as space, blue economy, green hydrogen, clean energy, drones and geospatial data. Addressing the meeting of the BRICS Business Forum, Prime Minister Modi said that the world is witnessing an unprecedented digital transformation taking place in India. India's digital economy and infrastructure sector has the potential to reach \$2.5 trillion. 70,000 startups have come up in the country, more than 100 of them have become unicorns and the number is constantly growing. Given this progress, there could be a \$1.5 trillion investment opportunity under the national infrastructure pipeline. Thus, the Indian digital economy can touch the one trillion marks by 2025. Information technology is affecting not only the economy but also social and cultural activities. Under the digital economy, campaigns like Digital Payments, Make in India, Startup India, and Skill India are transforming the lives of millions of Indians. India is predicted to become the largest mobile market in the world by 2025 due to the increasing number of mobile users. With the development of digital culture, e-commerce and other areas of business have boomed. A growing middle class, a young, tech-savvy population and the rise of online personal services have expanded the possibilities. This will encourage

global companies to invest, while also creating opportunities for a young population with digital skills. By this they will be able to position the country as well as global demand in their favor.

Difference between digitization of currency and digital currency:

Before understanding the importance of digital rupee, we must understand the difference between digitization of currency and digital currency. Digitization of existing real currency started with the advent of electronic payments and interbank payment systems. This allows commercial banks to promote the flow of credit more efficiently and freely, thereby increasing the money supply in the economy without affecting the country's base currency. In contrast, a digital currency supported by block chain technology affects the country's basic currency, so that the country's central bank does not have to rely on the current banking system for currency creation and supply, but can it create and distribute digital currency directly.

Digital Currency:

It is a payment method that exists only in electronic form and is not tangible. It can be transferred between organizations or users with the help of technology such as computers, smart phones and the Internet. Although they resemble physical currencies, digital currency allows for borderless transfer of ownership as well as instant transactions. Digital currency is also known as digital money and cyber cash. Whereas physical currencies, such as bank notes and coins, are tangible, meaning they have definite physical characteristics and functions.

The need for a government-controlled digital currency:

➤ **Prevention of illegal activities:**

The anarchic design of existing crypto currencies (Ethereum and Bit coin, etc.) has led to the need for a sovereign digital currency, in which the rights to create and maintain the digital currency rest with the users or consumers. Due to the ease of cross-border payments and lack of government oversight, such digital currency can often be easily used for piracy, terrorist funding, money laundering, etc. A central bank can prevent such incidents by controlling the digital currency.

➤ **Volatility:**

Since a crypto currency or digital currency is not backed by any asset or currency and its value is determined solely by supply and demand, the value of other crypto currencies such as Bit coin has significant volatility. A digital currency issued by a central bank will be backed by an asset or traditional currency, making its value less volatile than other digital currencies like Ethereum and Bit coin.

➤ **Strategically important:**

According to a survey conducted by the Bank for International Settlements (BIS), around 80 percent of participating central banks admitted to considering some form of 'central bank digital currency' (CBDC). In addition, China is working to revolutionize the currency and payment system by launching its digital renminbi (China's currency). In such a scenario, the introduction of digital currency for India is not only important towards transforming the financial system, but also from a strategic point of view.

➤ **Global Competition:**

China is trying to establish a new and advanced global financial system by promoting its digital currency, while the US is also trying in the same direction. For example, earlier, American social media giant Face book announced the launch of a crypto currency called Libra, which was presented as America's digital currency to compete with China's digital currency.

Negative Aspects of Digitalization:

The other side of the digitalization of the economy is not so simple. Opponents of the digital economy believe that it has served to widen the already existing gap between rich-poor, upper class-lower class, urban-rural privileged and underprivileged, urban-rural. The digital economy will only help the affluent class to thrive and will set up a challenge for street vendors and small shopkeepers. With 90 percent of market trade being done through paper currency and 90 percent of the country's economy being unorganized, the sudden digitization of the economy is bound to have an uneven impact. In a country where 1% of the population owns 58% of the wealth, digitization of the economy will have a more negative impact on people's lives and the economy. Digitization of the economy weakens the logic of ending corruption and black money as most of the black economy is abroad in the form of undeclared income, gold, undeclared assets etc., which will continue to register its presence in this new version. Lack of economy, adequate environment, conditions, mentality and structure also hampers the achievement of the goal of digitization of the economy, which will ultimately prove to be heterogeneous in nature. Bad condition of banking system, culture of people to store money in cash form, view of banking system in Islam as usury etc. are the limitations which have hampered the nature of digital economy in India. The various incidents that occur under the digital economy such as phishing, skimming, identity theft, card loss etc. have further shown its negative nature. Recent funding of extremists through bit coins shows that the digital economy can be very dangerous in its negative form.

Digital Rupee for Digital India:

Reliance Jio has added 200 million new internet customers to its network this year. In such a situation, India is sure to become the second largest digital nation in the world. But, India has no strategic plan to face the challenge of new digital currency. On the one hand, transactions through BHIM UPI crossed the one billion mark last month and the government's initiative has been a resounding success. But, from a technology point of view, BHIM UPI is only a method of money transaction. Through which money circulates between banks leveraging the existing network of IMPS. Today India needs to add a new dimension to the banking system. So banks bring some innovation in their old way of working. This will start a new economic revolution. One of the benefits of this will be that new age technology companies will become partners in providing financial services and every citizen of the country will benefit from these facilities. Just as China is promoting its digital currency, India needs digital money today. RBI has encouraged innovation in financial services. For this reason, new payment gateways, digital wallets, payment banks came into the market. And finally the government introduced BHIM UPI in the market. This allowed crores of people to join the mainstream of the economy. The entry of new players into the financial services sector led to the emergence of new companies and encouraged other companies to engage in digital transactions. If the government launches the digital rupee, the gradual reform of financial services will enter a new phase. Along with this, integrated banking will also be born with the help of interface. This new financial revolution with the help of digital money has immense potential to take mobile phone financial technology to new heights before the launch of iPhone.

Importance of Digital Currency in Economy:

Undoubtedly the digital economy is the economy of the future. In such a situation, it is necessary to overcome the current hurdles in the way of digital economy and make it equitable and progressive in order to keep pace with the demands and needs of the future global economy. The central government has taken many concrete steps in this regard to create a digital payment system. The government has facilitated electronic transfers between two bank accounts through its own payment app 'Bharat Interface for Money

(BHIM)' and has also announced a 'referral bonus' for users. Apart from this, a commercial version of Aadhaar card payment system has also been introduced. Apart from this, the government is thinking of making digital payments mandatory in petrol pumps, hospitals, universities. 3 lakhs in cash has already been banned. Along with this, the budget also proposes to create a Payments Regulatory Board under the Reserve Bank of India, which will oversee and regulate the payment and settlement system. Provision has also been made in the current budget to provide broadband connectivity to 150000 Gram Panchayats through the BharatNet and Digigaon initiatives by the end of 2022-23.

- ❖ The most beneficial thing that online payment offers is time saving. Apart from saving time, online payment also saves our effort and we can do more work in less time. Today's smart phones have made this task even easier. Thanks to smart phones, any payment or bill is paid faster in less time. Through smart phones, one can make any purchase at home with any card, be it credit card or debit card or cash on delivery.
- ❖ By paying online, you get discounts on online shopping or manual shopping, as well as post purchase benefits. Customers get cash back benefits after making card payments in online payments. Apart from this facility of installment payment of purchased items through online payment is also available.
- ❖ Cost reduction has also become necessary for online payment merchants. Nowadays every businessman promotes his business online. Motivates customers to shop online. For this he gives them attractive gifts or huge discounts. But this is only possible if there is an online payment system on its site. This not only increases the credibility of his company or shop, but also reduces costs.
- ❖ Online payment has also reduced the risk of theft or loss of money. Now you don't need to carry your wallet or money if you want to pay someone. Online payment can be done at home using internet.
- ❖ If all the transactions are accounted for it will be easier for you to control the expenses. It will also help you with income tax returns as online payment will keep all your expenses in front of you and accounted for. One of the benefits of this will be that you will learn to budget and help control expenses.

Conclusion:

However, the development of digital infrastructure requires parallel initiatives on both action planning and investment. Estonia's emphasis on the development of high-tech infrastructure to boost digital competitiveness has made it Europe's digital leader. India needs to work on policies that are in the interest of the economy as a whole. There are some challenges in the way of digitization, for example, uneven internet usage, gender disparity in mobile ownership, network and cyber security issues. There is also a need to include communities and sectors that are lagging far behind in the race of information and technology development in the digital revolution. Digital competitiveness, innovation and entrepreneurship to maximize digital profits need to be primarily focused on three key areas. Affordable, developmental and inclusive digital technology will benefit various sectors of the economy. Such changes will increase both India's role and influence in the global economy. Also, our nation will emerge as the biggest powerhouse of digital innovation.

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