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REVIEW ARTICLE

EFFECT OF DIGITAL ECONOMY ON INDIA

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ABSTRACT

There is hot wave in India to adopt digital transaction for all economic activities in India 97% economic activity is in pure CASH The Government's step to cancel 86% of high value notes in 500 & 1000 on November 8 2016 has disturbed the rural economy where the banks have rare presence. Six lakh plus villages have yet to see the new notes. India witnessed in the last two months of 2016 rural economy in shambles. Government's intension to adopt digital was to withdraw high value notes and adopt cashless work.

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INTRODUCTION

All economic activity all over the world was in the past barter system to fulfill our basic needs in exchange of goods in kind. Food grains exchanged for animals. In due course metals were used to replace barter system and GOLD and SILVER were used to enter in the economy. Subsequently the paper currency took the lead and still it has a major role for all economic activity. India leads in the world with 78% in cash used in economy. Comparing others Russia with 69% in cash, Turkey with 60%, China 47%, Brazil 25%, Germany 24%, UK 25%, USA 24% France 22% and Australia has 9% cash in the economy. Rest is off course in E Payment by card. Most advanced countries are using debit cards and credit cards or net banking. Digital economy starts from payment for goods and services electronically by debit/credit cards or net banking or now e-wallets etc.

Objective of study

India is a country with 6.5 lakh villages with poor literacy and dire poverty to the extent of 45%. Electricity has not reached all villages as one- third of rural India has no regular power to transact the economic activity with digital means. 93% of rural India have no banks. In spite of one crore 34 lakh branches of all banks banking activity is still poor across India as 90% work is with cash currencies. Demonetisation hascompelled farmers to throw perishable vegetables on the streets or distribute free to customers as CASH CRUNCH . Sales were down by 50%. The pre-requisite to adopt digital India we need 24/7 electricity across all villages, internet connectivity to all PC users which is just 40% now with computers. English literacy to understand the digital work is lacking. The question is how fast you can turn to digital when 15.44 lakh crore 500/1000 notes were withdrawn and about 4 lakh crore were put in the circulation. Cash shortage caused 100 people lost life before banks waiting for money. The loose administration caused 300 crores new notes were discovered across Indian raids. More than fifty bank officials and IT officers were found to be criminal to cash capture. In this havoc how digital mantra can yield results. We have 661 million debit cards and 24 million credit cards and POS (point of sale) machines are not enough to serve customers. These figure does not justify to implement the so called DIGITAL INDIA which needs more sophisticated strategic planning at the highest level of policy making

Research methodology

Primary data

To ask questions to different persons effected by Digital age for economic survival

Secondary data

To collect information from newspapers, magazines, websites etc. and to find how digital transformation can help to improve

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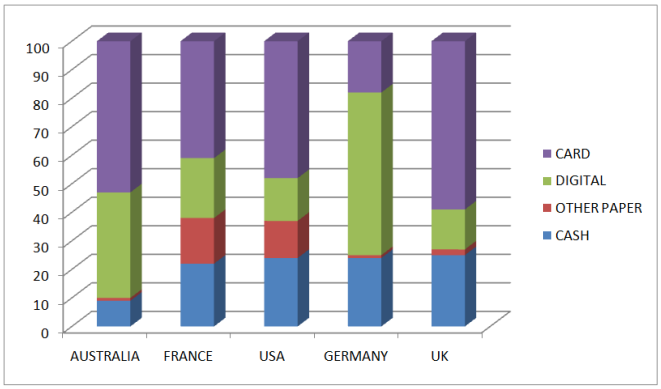
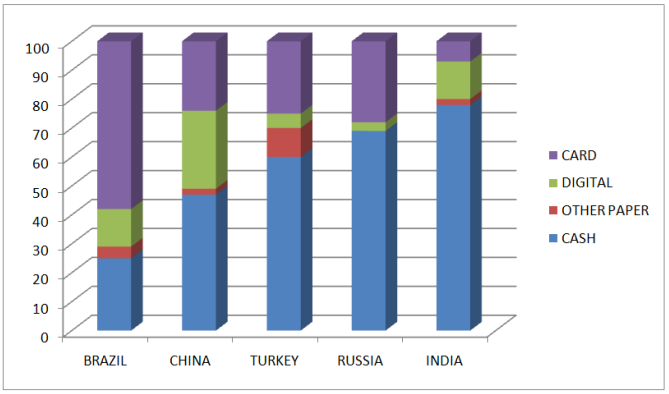
sales. What are constraints to adopt digital technology when people are uneducated.

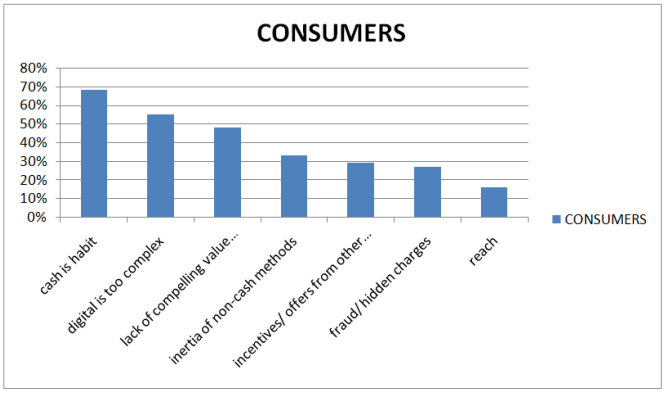
Developed market

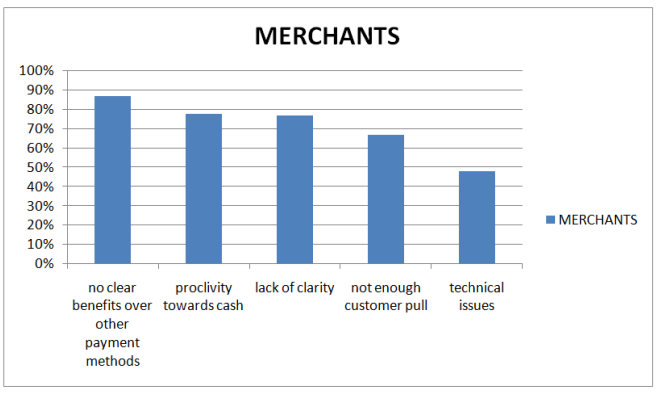


Emerging market



Barriers to going digital (what consumer and merchants say)





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Services sector contracts in November on cash crunch

New Delhi: Hit hard by demonetization, the services sector slipped into contraction in November -- worst slump in nearly three years -- as new orders dried up and customers cut spending due to cash shortages, putting pressure on RBI to keep rates low, a monthly survey showed today.

The Nikkei India Services Purchasing Managers' Index (PMI), which tracks services sector companies on a monthly basis, stood at 46.7 in November, down from 54.5 in October.

The Index slipped into contraction territory for the first time since June 2015 and pointed to the sharpest reduction in output for almost three years.

A reading above 50 means the sector is expanding, while a score below this mark signals contraction.

Due to cash crunch in the economy post demonetization, businesses declined in financial intermediation, hotels & restaurants and renting activities.

"The latest set of gloomy PMI figures for the Indian service sector shows that companies were heavily impacted by the ban on Rs 500 and 1,000 notes. The cash shortage resulted in fewer new business intakes, which in turn caused a fall in activity and ended a 16-month sequence of expansion," said Pollyanna De Lima, IHS Markit economist.

The Nikkei India Composite PMI Output Index also dropped to 49.1 in November from October's 45-month high of 55.4, pointing to a contraction in entire the private sector activity, including the manufacturing sector.

"The drop in services activity is not surprising since the share

of the unorganised sector in services (around 45% of total, as per 2004-05 data) is much higher than in manufacturing (around 23 per cent), suggesting larger dependence on cash transactions," said Nomura, Japanese financial services major, in a research note.

Lima said the disruption in business activity is expected to be "short-lived", with many panelists anticipating a pick-up in activity ahead. —PTI

Cash ban and Pokhran test

How India dealt with the unpleasant aftermath of the nuclear test is worth remembering

The Prime Minister made a surprise announcement on November 8. He said that the current Rs 500 and Rs 1,000 notes would cease to be legal tender immediately. This meant almost 85 per cent of the 17 trillion rupees of currency in circulation would become useless paper instantly. No wonder, this was called a surgical strike, meant to destroy stock of black money. Indeed given how stunned everyone was, since even cabinet and ministerial colleagues were not given prior information, it is more appropriate to call it the PM's Pokhran moment.

In 1998, when India announced to the world that it had conducted a peaceful nuclear test in Pokhran, the whole world was stunned. Even the US government, which monitors nuclear arsenal worldwide, was taken by surprise. It took several months to mount that test campaign, with all scientists and engineers involved sworn to secrecy. Having achieved the nuclear test with total secrecy was India's great success on the world stage. Similarly, the banning of high value notes, and subsequent issue of new notes in a couple of days, must have involved months of preparation in great secrecy. Large stock of new notes had to be kept ready, the printing presses had to be kept running, and quick distribution of the new cash all over the country had to be planned. All this with total secrecy over several months. Hence, it is like the Pokhran test.

What is the fallout? After Pokhran, India became a global pariah. Even though it never signed the Nuclear Non-Proliferation Treaty, it was treated as one who had violated an international treaty. Friendly nations imposed sanctions against India banning all crucial technology aid and exports. India's legitimate need for uranium to run existing nuclear power plants was denied. The country eating took a beating, causing dollar-borrowing costs to go up, and even foreign direct investment started declining. But, thanks to deft international diplomacy by the government led by PM Vajpayee, including whirlwind tour of world capitals by foreign minister Jaswant Singh, India was able to convince the world that its intentions were peaceful,

The cash ban is not quite a nuclear test, but it can make a lot of Indians unhappy. Even those who did not flaunt illegitimate cash or who are tax-evaders have been hit.

success of this diplomacy can be gauged by the fact that in less than two years, the US President visited India, and thereafter in the next six years, the US signed a historic nuclear agreement with India. From global pariah, to now a member of the select group of nuclear powers with free access to uranium and nuclear technology. This was an amazing feat.

The cash ban is not quite a nuclear test, but it can make a lot of Indians unhappy. Even those who did not hoard illegitimate cash or who are tax-evaders have been hit. Most people support the PM's initiative and will make some short-term sacrifices. In the first two days, there were many stories of hardship faced by small traders, housewives, auto drivers, toll naka payers. There were heart-wrenching stories of small-town folk who had brought bundles of cash, but were being denied entry for cancer treatment. Truckers threatened to go on strike. These are but a small sample of many disruptive effects of the cash ban. Hence, just like Pokhran, it is important to quickly build the goodwill among the honest and law-abiding citizens of India. The flawless execution of post ban replacement and restocking by the new notes is essential. And it must be done speedily. Wherever there are genuine difficulties, some concessions must be made (like already done to the toll payers). Finally, the government must clearly communicate on the roadmap from here on. If high denomination notes are not being discontinued, how will it stop black money creation? Or is the stock being kept controlled and monitored? Plastic notes to prevent counterfeiting? We await the post Pokhran goodwill diplomacy!

Cash crunch strikes NH7 Weekender fest

Festival goers cut back on food and drink; entrepreneurs get savvy to sell their products

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The current cash crunch has ensured that music festival goers count every note they spend even as they watch their favourite artists perform. The weekender state of mind — to borrow the ongoing NH7 Weekender music festival's tagline — is to beat demonetisation even if it means staying hungry.

"We have Rs 500 in cash for any emergency expenses, but we're not spending any money on food and drink," said 18-year-old Janhavi Patkar who was at the festival on its first day on Friday. "We eat well at home before we set out every day," added Patkar's 14-year-old sister Nandini, who is keen to watch sitar player Anoushka Shankar, who performs the festival's headlining set on Saturday.

On Friday, approximately 15,000 festival goers attended the NH7 Weekender. Informed Vijay Nair, CEO of Only Much Louder (OML), the event management agency that organises the festival. "Our ticket sales were not affected because most of them were sold online a long time ago, but the food and beverage sales have definitely been hit because of demonetisation. I don't have the exact figures but they're marginally lesser (than last year)," he noted.

While the option of paying via Paytm was available, it was rendered useless because of poor mobile network connectivity and some of the card swipe machines were defective, which meant that fewer food and drink coupons could be purchased.

The option of paying for food and beverage coupons via Paytm was useless due to poor mobile connectivity. (R) Queuing for cash is killing the festive buzz

With festival goers unwilling and unable to spend as much this year, the event may not be the place to make new food memories or discover new places to eat in and around Pune. Music festivals such as NH7 Weekender are a place where small-scale food businesses and independent entrepreneurs have found their feet. The festival, which is in its seventh edition, has supported several local food start-ups such as Street Meat, which started out as a food cart in Viman Nagar now operates as a café in Koregaon Park. Nikhil Vaswani, one of the founders of Street Meat, explained, "We had a stall at Weekender for two years and customers all the way from Mumbai sought us out after they tried our food at the festival. In fact, dishes such as Pulled Pork Bun Pao and Korean Chicken Wings, which were popular at Weekender, have been retained on our menu and remain to be big hits."

Stalls that sold merchandise took a bigger beating and remained empty. But some entrepreneurs found novel ways to cope with demonetisation. Twenty-two-year-old Mayur Ahuja, founder of the two-month old Kitgenie, which sells T-shirts, badges and posters, shared, "My mobile network is good, so I turned it around into a personal hotspot and allowed others to pay me via Paytm." Ritgenie was also one of the few stalls at the festival that accepted old currency. "We had just one customer who gave us old notes, but several others told us that they would return tomorrow with their old currency. So I don't really feel the need to set up a card machine at my stall."

NH7 is not the only music festival to bear the brunt of demonization. The first edition of Electric Daisy Carnival, an electronica festival, which was held in Delhi the day after the demonetisation drive was announced on November 8, was the worst hit. Also organised by Nair's company OML, the festival drew a crowd of 12,500 music fans. "It was maybe a tenth of what we expected," said Nair. The Riders Music Festival, which was scheduled to be held this month in Delhi, was also postponed because of demonetisation.

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Cash crunch makes border tax a burden

Private tourist buses stranded for hours at the state borders as officials refuse to accept ₹500 and ₹1,000 currency

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The Centre's demonetisation move has even driven the sate tourism sector up the wall. Hundreds of private tourist bus and inter-state car passengers are stuck for hours at the state borders, unable to pay border tax as the officials are loath to accept Rs 500 and Rs 1,000 notes.

Baba Shinde, president of the Mahaashtra Transport Vehicle Owners' and Drivers' association, said, "On November 8, the Modi government announced that the old currency notes will be banned. But, it also said that petrol pumps, hospitals and government offices will be accepting them. Even tolls were exempted by the central transport ministry. But, it's utter chaos at the border crossings. When passengers from Mahaashtra try to cross over to Karnataka, Goa or Gujarat, the officials at the border of the respective states are demanding new currency notes or only Rs 100 notes. Hired private tourist buses need to pay charges per passenger per week. This amount goes between Rs 50,000 and Rs 70,000 per bus. And, ever since the note ban has been declared, it is not possible to gather such a huge amount in new currency."

This problem is only being faced by the temporary hired tourist buses or cars. The regular tourist buses, for which passengers need a ticket, pay border tax to the states every month and are not due to pay any yet.

Atul Borkar, who went with a family group to Karnataka by a tourist bus last week, had a tough time while crossing the border at Belgaum. "We were a group of 45 people and were travelling from Pune on November 10. When we reached the Karnataka border, their officials stopped us. They were not ready to take the Rs 500 and Rs 1,000 notes for the border tax, so I had to literally beg some of my friends and relatives in Kolhapur to exchange money. I managed to pool an amount of Rs 50,000 to pay the tax. We were waiting for more than four hours at the border. Only after paying the full amount did they allow us to enter Karnataka," he said.

Private tourist buses are hit the hardest as they have to pay a weekly tax, unlike government ones

Literature review

India Today carried an interview of former UDIDAI Chief and Co-founder of Infosys Nandan Nilekani of January 2 issue 2017. He says and I quote here his views on digital economy and the step government has taken on demonetization. "It has created a great window of opportunity to accelerate the digitalization of economy. This is a bold drive to reform our cash filled economy to cashless" "Apart from printing the required notes for circulation we must stress on digitalization for easy handling of economic transaction. 86% of all high value notes be replaced and by printing 2000 rupee note the constraint to cash this will make customer go towards digital payments for below 2000 value." Modi government asked banks to open 250 million bank accounts and they will receive RUPAY cards for POS sale. This must be done on war footing basis. Those 350 million people having no mobile or bank accounts there is micro ATM enable a person with Aadhar card with finger print open bank account and use ATM with finger print as identification- a historic economic revolution indeed. Presently as per Nilekani there are 130000 micro ATMs and will be more to satisfy the needs of below 2000 transaction in shops. Some who have basic phones can use banking work with their mobile. This require training as well.
Nilekani gave advantages of Cell phones to be used for bank transaction and open loop means bank to bank . Debit cards Micro ATM are open loop.

About wallets

Today we have Mobikwik and Paytm as wallets. We can use them to keep our money in these wallets by transfer via mobile banking. The wallets can pay to shops directly as per the advice of account holder. FOR digital there are five options (to be educated in these devices) like Debit Cards, UPIs, (unified payment interface) Micro ATMs USSD (unstructured supplementary service data) wallets. ALL ARE DIGITAL DEVICES TO PAY. Off course we need some security features while we operate these devices. The frauds can happen as our people are still not educated to use digital with safety. Nilekani further says. "By digital transactions there will be behavioral change. Today only 5% transactions are digital and 95% are in cash. This percentage may go up to 20%.India has the digital infrastructure. We do not need more solutions to deploy. The electricity supply is not sufficient to source the digital, but once a phone is charged we need no power. But for computer we need constant power. We need to educate people to adopt the change to be digital. Many advanced countries have benefitted WE have at least a billion have Aadhar to support digital and is fully secured with all possible hazards of hacking in electronic transfer. Further he says black money can be curbed by adopting digital payment because cash payment is the real culprit in this way". In the Indian context 100% cashless is not possible as per Modi's "Man ki Bath" but if we move towards digital some economic cleaning in the system can remove corruption, black money and good tax compliance. Whether India is ready to take plunge in Cashless? Centuries has history to feel more sentimental in CASH FEEL, the psychosis cannot be destroyed at one stroke. Many eminent economists feel that to turn the mindset of large community in India is very hard to achieve.
What consumers feel 68% want CASH system and 50% feel digital is complex to achieve as we are not so well informed to adopt digital. Merchants feel 87% is the most preferred option for any business. 90% of rural India who were in shambles in Nov/Dec 2016 feel that digital is beyond their acceptance. The ballot box in next few months up to March 2017 will decide the YES/NO of public feel. Education, poverty, unemployment and poor health across the country are economic hurdles for digital acceptance. Among many priorities DIGITAL INDIA cannot prove to be good reform. India with 65% population under 35 their requirements are difficult to assess. Our economic basic fundamentals are far below the satisfaction to give the dose of digital at this moment. We agree that demonetization has done well to curb black money or corruption to SOME EXTENT. Not fully. In the year 2017 the report that 300 crore new 2000 notes were found captured shows the bankers few stabbed the government at the back to obstruct real noble intension of government, this is a fact and we do not proudly possess the sound judicial system to punish them who betrayed government. Cash crunch affected 50% vegetables in New Mumbai to rot on street is unforgettable economic disaster. Government had no strategic plans to execute the reform of Demonetisation and I am afraid the same fate may accrue for DIGITAL REFORM as conceived.

Digital economy 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. *In the last decade of the 20th century. Nicholas Negroponte (1995) used a metaphor of shifting from processing atoms to processing bits.* He discussed the disadvantages of the former (e.g., mass, materials, transport) and advantages of the latter (e.g., weightlessness, virtual, instant global movement). In this new economy, digital networking and communication infrastructures provide a global platform over which people and organizations devise strategies, interact, communicate, collaborate and search for information. More recently, *Digital Economy* has been defined as the branch of economics studying zero marginal cost intangible goods over the Net. It is widely accepted that the growth of the digital economy has widespread impact on the whole economy. Various attempts at categorizing the size of the impact on traditional sectors have been made. The Boston Consulting Group discussed "four

waves of change sweeping over consumer goods and retail", for instance. In 2012, Deloitte ranked six industry sectors as having a "short fuse" and to experience a "big bang" as a result of the digital economy.

Telstra, a leading Australian telecommunications provider, describes how competition will become more global and more intense as a result of the digital economy. Given its expected broad impact, traditional firms are actively assessing how to respond to the changes brought about by the digital economy. For corporations, timing of their response is of the essence. Banks are trying to innovate and use digital tools to improve their traditional business. Governments are investing in infrastructure. In 2013, the Australian National Broadband Network, for instance, aimed to provide a 1 GB/sec download speed fibre based broadband to 93% of the population over ten years. The digital economy is developing rapidly worldwide. It is the single most important driver of innovation, competitiveness and growth, and it holds huge potential for European entrepreneurs and small and medium-sized enterprises (SMEs). Unfortunately, only two percent of European enterprises are currently taking full advantage of new digital opportunities. How European businesses adopt digital technologies will be a key determinant of their future growth. New digital trends such as cloud computing, mobile web services, smart grids, and social media, are radically changing the business landscape, reshaping the nature of work, the boundaries of enterprises and the responsibilities of business leaders. These trends enable more than just technological innovation. They spur innovation in business models, business networking and the transfer of knowledge and access to international markets.

Challenges for the sector in the EU

Two billion people are currently connected to the internet and by 2016, this number will exceed 3 billion – almost half of the world's population. Businesses that fail to get digitally connected will become excluded from the global market. The huge potential of the digital economy is underexploited in Europe, with 41% of enterprises being non-digital, and only two percent taking full advantage of digital opportunities. New digital opportunities create new business opportunities. Now that youth unemployment has risen to over 20% in the EU (and to over 55% in Spain and Greece), the growth prospects offered by the digital economy in Europe are promising. Other regions of the world are already ahead of the game. The digital economy now contributes up to eight percent of the GDP of the G-20 major economies, powering growth and creating jobs. Over the last five years, the development of mobile applications alone has created nearly 500 000 new jobs in the US, implying strong employment growth prospects. That type of growth is not seen across the EU. It is estimated that 1.5 million additional jobs could be created in the EU digital economy if it mirrors the performance of the US or Sweden.
Although many EU entrepreneurs are already leveraging digital technologies to create successful businesses and significant economic impact, that number could be increased. This is especially true given that European small businesses grow two to three times faster, and create new jobs when they embrace digital technologies. With the aid of technology, small businesses can also go global from day one, reaching overseas markets and talented potential employees. Just engaging with customers online seems to create growth: figures have shown that SMEs from many countries that have actively engaged with consumers on the internet have experienced sales growth rates that are up to 22 percentage points higher over three years than those companies in countries with low or no internet presence. By not taking full advantage of digital technologies, EU businesses miss out on the chance to expand and create jobs. It is estimated that if all EU countries mirrored the performance of the USA or the best-performing EU countries, 400,000 to 1.5 million new jobs could be created in the EU internet economy.

New technologies also hold potential for the manufacturing industries. The digitisation of manufacturing can transform the entire industry, offering prospects for the re-location of industry in Europe. The digital economy will reach EUR 3.2 trillion in the G-20 economies and already contributes up to eight per cent of GDP, powering growth and creating jobs. In addition, over 75% of the value added created by the Internet is in traditional industries, due to higher productivity gains.
The European Commission works in many areas to help Digital entrepreneurship in the EU.

The Commission also works on other issues related to the competitiveness of the digital economy in Europe such as:

- e-Invoicing;
- ICT Standardization;
- e-Skills.

Conclusion

1 Unless the internet facility is provided across the country with power to operate PC the digital reform remains a dormant proposition.
2 To educate the masses on digital technology can take year not month
3 Rural banks are not serving well to customers as they go even today to money lenders for cash for daily work.
4 Poverty unemployment are real problem which no government has addressed so far in spite of big slogans.
5 No basic economic fundamentals have yet changed to see the DIGITAL DREAM.
6 The security physical plus cyber is yet to be addressed. Our cyber laws are poor to punish the guilty. Few months back two lakh debit cards were blocked and there was no reason for justification.
7 So far CRIME AND CYBER CRIME has not seen visible punishment because we have BAD LAW OF BAIL WHERE A CRIME IS FASHION IN THE COUNTRY.
8 One third of all political class have criminal record how can they change laws to punish the guilty for LIFE ??

Analysisand finding

To interpret the data to come to conclusion and finding and suggest government to adopt a policy to educate masses the advantages of Digital age.

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