ORIGINAL RESEARCH PAPER

Economics

DIGITAL PLATFORMS FOR GROWTH: THE COSTS OF DIGITAL ECONOMY

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ABSTRACT

With the Demonetisation decision by the Prime Minister on November 8, 2016, there were efforts to give importance to cashless transaction. This is a part of the larger scheme of "Digital Economy". Digital Economy is not a new concept. Much before demonetization, Digital Economy was being pursued. Significant impetus was given by the Government after demonetization was done. Digital Economy entails that all economic transactions are done in a digital format. This includes billing and accounting too. Digital Economy has its benefits like – swift transactions, overcoming geographical limitations, better accounting, easing electronic commerce etc.

However, there are costs involved in migrating completely to Digital Economy. Digital Economy requires perennial supply of electricity and internet connectivity at all times. Apart from this, there are costs involved to acquire gadgets for each individual. For instance, when billing is done in a digital format, the customer is required to possess a gadget with internet connection, where the bill will be delivered. This also requires digital maintenance of records. This paper discusses the requirements for Digital Economy and suggests that Digital Economy should be implemented in a phased manner and there should be safeguard measures.

Introduction:

Digital Economy refers to the economic system where digital systems are used in the economy. The term 'Digital Economy' was coined in Don Tap Scott's 1995 book The Digital Economy: Promise and Peril in the Age of Networked Intelligence. Digital economy can be used to boost the economic activities and ease of doing business. For instance, the use of internet banking can transfer money to any part of the country (or even to other countries) in no time. With the development of information and communication technology (ICT), the economy incorporated the several features of digital initiative. Digital Economy has its own advantages, but comes with certain costs.

Technology:

In the late 80s and 90s, the advancement in transportation and communication bridged the connection between various countries. It also facilitated trade and service exchange between countries in a much easier way. After the coming of computers, the storage of information became easy. The connection between various computers using a network paved way for information revolution. This is today known as Internet. With internet connectivity, we are able to exchange information in real time. This technology helped businesses in one country to make use of the work force elsewhere (Dimelis & Papaioannou, 2011).

Growth of ICT in India:

In India, ICT had huge growth after the liberalization process in 1991. Due to globalization, our country got many businesses from abroad. These business establishments got the information and communication technologies from their countries. Mumbai being the financial capital got good access to technology. Even New Delhi got good access to technology.

Due to the good investment policies, Bangalore city was able to attract many software businesses. Bangalore then came to be known as 'silicon valley' of India (KUMAR, 2012). Hyderabad too housed several software companies. India is now in a good position in software exports. As of 2014, the software technology exports by India are rising 8 to 10 percent annually (NDTV, 2014).

Banking and ICT:

Banking operations in the beginning were done systematically by using established accounting principles and records were maintained in books. Even today, Some of the basic records are maintained in the physical format in the banks. In the first phase of ICT implementation of banks, the physical records were digitized and the bank statements were stored electronically on the local computers. The change came with internet. The bank records in each bank were connected to the centralized server. This made the maintenance of records easy. Apart from this, RBI has taken several initiatives to make effective use of ICT for better banking system (Kauffman & Kumar, 2008).

National Electronic Fund Transfer:

Due to this new initiative of RBI, all the banks have been connected through internet. The RBI has a central repository where all the transfer of money takes place. Under this scheme, every computerized bank branch has been given an IFSC code. The first few characters of the IFSC code denote the specific bank and the next numbers denote the branch. For example: SBIN12345 denotes that it is a bank branch of State Bank of India.

Under this scheme, we can transfer money to any bank branches across India, provided we know the branch IFSC code and 13 digit account number. There is no lower limit and upper limit for transfer; however, the total amount per transaction cannot be more than INR 50,000.

This facility works during the working hours. Even a transfer is done during the non-working hours, and then it will be scheduled for the next working day. The transfer is usually executed within 15 minutes. This has facilitated people who live away from their homes to send money. NEFT can be done at any computerized branch by the assistance of the staff and even through internet banking.

Internet Banking:

Most of the banks today are providing internet banking facility on their websites. Internet banking is not activated by default due to security concerns. The account holder should approach the branch in person, fill the form and give authorization to activate internet banking. Thereafter the bank provides them the credentials to login into the internet banking portal. After the activation of internet banking, the account holder can transfer money within the same bank or any other bank. The account holder can even use the credentials of internet banking to make payments to third parties through the e-commerce websites.

Due to the low knowledge in using internet and security measures, the banks ask the customers to exercise caution and due care while using internet banking. The banks have introduced the method of "two step authentication" to avoid hackers from accessing bank accounts. Now, every bank has made it compulsory to enter "one time password" before making a transaction. Under this, every time we attempt a money transfer, a password is sent to the mobile or email and only after entering this password, the transaction will be completed. This password measure has been very successful.

To avoid "malwares" and "key loggers" from capturing / robbing the passwords, most internet banking websites provide virtual keyboard on the screen.

Mobile banking by use of mobile apps is fast catching up. There have been certain issues in mobile banking due to internet connectivity issues.

Debit / Credit Cards:

Debit and credit cards have helped the bank customers to withdraw their money from any ATMs (automated teller machines) installed by various banks. Earlier, there was restriction for using the debit card of one bank in the ATM kiosk of another bank. But now, RBI regulations have allowed the use of debit cards in any ATMs. ATMs have reduced the burden of bank staff. Much of the rush in the banks earlier was caused by the people who wanted to withdraw money from their accounts. This has been streamlined to the ATMs now. These days, people visit banks only for payment of money and for making Demand Drafts (DD) and other specialized services.

Debit and credit cards can also be used for online money transfer. Even for online money transfer, one time password authentication is required along with the 3D secure password. Debit card frauds are also common on internet by fake websites. Debit cards are also used for shopping and swiping. It has indeed become a convenient mode for payment in well-developed cities, with established businesses having swiping machines.

Issues in E-banking:

Internet connectivity, power problem and cyber-crimes are major issues in e-banking. Due to the internet connectivity problem, many of the transactions get cancelled. The online cash transfers have to be effectuated within few seconds and in case of delay the system assumes that the transaction has to be cancelled. Due to slow internet connection, most of the Indian customers face problems with online banking. One more issue is with the "one time passwords" (OTP).

Many mobile carriers have network issues and late delivery of OTP through SMS is a big issue (Nitsure, 2003).

Internet connectivity problems and the fear of internet frauds have reduced e-commerce activity in India. Even today, cash on delivery (COD) is the usual preferred mode for payment by the e-commerce customers. Internet frauds are common because customers do not change their passwords frequently; they keep simple passwords and have security issues in their computer devices. These things need to be given importance by the customers to avoid frauds. Even the problem of "phishing" has been a headache for the banks. Phishing is a fraudulent act of sending emails in the name of the banks seeking the credentials. This is an offence under Indian Penal Code and Indian Information Technology Act, 2000.

Conclusion:

In a country like India, trying to go totally into Digital Economy may be a bad idea. Efforts should be made to implement Digital Economy in fields where there is scope for it. The implementation should be done in a phased manner. Importance is to be given to the poorer sections of the society. The Government should ensure that the poor are not put at disadvantage while Digital Economy is being implemented.

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