

## NEED FOR DIGITALIZATION OF THE INDIAN ECONOMY AND ITS IMPACT ON CORPORATE FINANCIAL RETURNS

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### ABSTRACT

Digitalization refers to the application of digital technology into daily living establishing relationship between various segments of the society. It significantly impacts on economy in terms of increased speed of economic activities, enhanced efficiencies and better growth prospects. We are living in a Digitalized World where we have witnessed the Digitalized business processes by incorporating it in our day to day lives. The government is pushing and encouraging the Indian economy to be cashless and reduce dependency on liquid transactions. The study focus on the need for digitization of the Indian Economy and its impact on Indian Banking sector. The scope is limited to make a small level of analysis on the need for digitalization and its impact on the Indian economy. Secondary data will mainly be taken from newspapers, published journal and the company's website. The study is a quantitative research, it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships. Grounded theory is one method of observing and categorizing data, the other two being ethnography and experimentation. Hence concluding, "The country is still in the growing stage of Digital era and is increasing rapidly day by day".

*Keywords: Digitalization, Digital Economy, Digital Payments, Digital India, Digital population.*

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### I. INTRODUCTION

Digitization is a process of converting the diverse forms of information, such as text, sound, image or voice into digitalized format. The digitization has a proved impact on economy and society by reducing unemployment, improving quality of life, and boosting access to knowledge and other public services. Since 2014, a slew of policy measures like Digital India, Skill India, Make in India, Startup India, and 'Smart Cities' have been introduced, while working to remove bureaucratic red tape and make the country more investor-friendly. With India's GDP bouncing back to a growth rate of 7.2 per cent, it has once again become the fastest growing economy in the world. Digital India is the flagship programme of the Government of India. It was launched on 1st July 2015 by Prime Minister Narendra Modi, with a vision to transform India into a digitally empowered society and knowledge economy. The major changes due to Digitalization are becoming visible today because of the push by govt., which is expected to usher in a new era. At this rate paper currency will soon be a past story. Proliferation of digital technologies is re-invigorating the venerable yet boring banking industry and is disrupting it in multiple ways. With the launch of innovative products and services, creation of new business models, rapid adoption of new technologies and constant changes in regulatory environment, this elephantine industry is trying to find a nimbleness hitherto unknown to it. This post is an endeavour to amalgamate thoughts on the key impacts on banking brought by this wave of digitalization or digitization. The study focus on the need for digitization of the Indian Economy and its impact on Indian Banking sector. It also focus on the various schemes introduced by the Indian government which boost the adoption and acceptance of the digitalization in India. The study reveals that the electronic payment transactions in post demonetization period with different ways of payments like RTGS, NEFT, CTS, IMPS, NACH, UPI, USSD, POS, PPI. The preferred modes of payment in India after demonetization from November 2016 to October 2017 October is constantly increased with slight fluctuations in January 2017. The research states the constant increasing trend in digital payments after declaring Demonetization. As per the RBI's preliminary assessment about pre and post demonetization, the growth of selecting an electronic mode of payment from Oct-2016 to Feb-2017 with a different category of payments the immediate payment service in Oct – 2016 volume increases in January 2019. It indicates that during the period of demonetization and in the post-demonetization period the immediate payment services were increased and the financial returns due to digitalization also increases.

### II. LITERATURE REVIEW

According to **Megha Narang**, Guest faculty, IMSAR, M.D.U, Rohtak. Journal for Studies in Management and Planning, 01 January 2018. To investigate the impact of digitization on economic growth and its potential for creating employment opportunities. Digitization being a key economic driver in the present world it is important to integrate the economy by creating digital markets. It is found in large economies internet accounts for about 3.4% of GDP on average along with stable employment generation.

According to **Mrinalini Kaul, Purvi Mathur** Lecturer, Birla Institute of Technology, Mesra (Jaipur centre). International Journal of Management and Applied Science (IJMAS), 2017-06-27. "Making India Digital" campaign aimed to connect rural areas with high speed internet network and to improve the digital literacy.

According to **Karamvir Sheokand, Neha Gupta**, Assistant Professor, IMSAR (MDU), Rohtak, Haryana- 124001, India.

Indian Journal of Economics and Development, May 2017.

Introduce the Digital India Campaign and Indian Economy. To know about the pillars for the implementation of the programme.

According to **Moinak Maiti**, Asian Economic and Financial Review, 2017.

Research Scholar Department of Banking Technology (UGC innovative programme) School of Management Pondicherry University Pondicherry, India. The impact of digitisation on India's two most vibrant and high potential segments for future growth: services sector and MSME segments.

#### **Objectives of the study**

- To study the need and benefits of Digitization in banking sector.
- To analyse the current status of the digital population in India.
- To study the impact of Digitalization on Indian economy.

### **III. METHODOLOGY OF THE STUDY**

Methodology means the way of study which consists of different type of sources both secondary and primary sources. In this research the methodology used is completely through secondary data source. Secondary data is research data that has previously been collected and can be used by the researchers. The term contrasts with primary data, which is data collected directly from its source. In this study an exploratory research is used which helps us to understand the need and impact of digitalization in Indian banking sector for growth of Indian economy. The secondary data collected through various sources like from RBI, internet, through books, journals, articles, papers, reports and internet source also. And the digital population as of 2018 used to analyse the adoption and acceptance of digitalization in India. It also explains the need of digitalization and virtually active population in the country. The present study mainly focuses on the digital economy and its challenges and opportunities. This study intends to analyse the impact of digitalization on Indian economy.

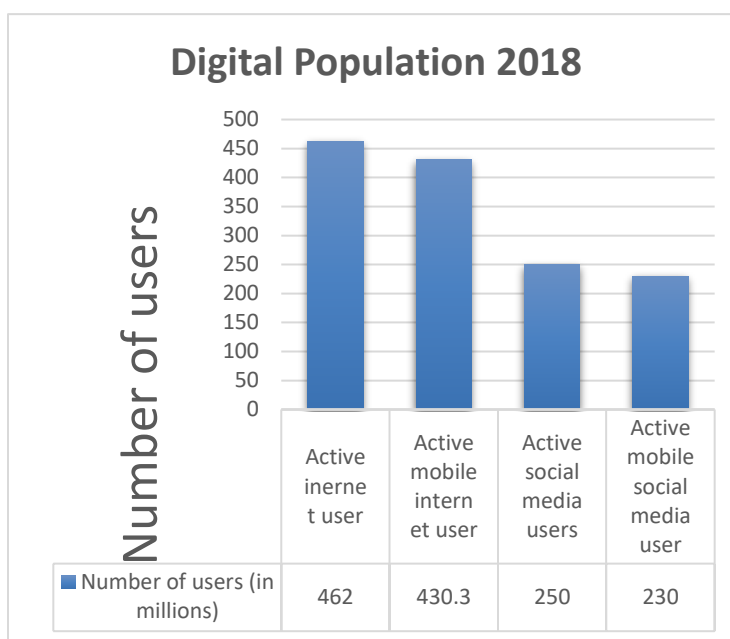
### **IV. DATA ANALYSIS AND INTERPRETATION**

*Table-1: Digital population in India as of 2018(in millions)*

Retail e-commerce sales(in millions)		Preferred payment mode (%)			Digital buyers		Active Digital Population	
Year	Sales	Methods	2015	2020	Year	In millions	Type of users	No's
2016	16073	Cash	57	45	2014	54	Internet users	462
2017	20059	Debit card	15	17	2015	93.4	Mobile internet user	430.3
2018	25076	Credit card	11	13	2016	130.1	Social media user	250
2019	31123	Online bank	9	10	2017	180.1	Mobile social media user	230
2020	37979	M-wallet	8	15	2018	224.1	-	-
2021	45206	-	-	-	2019	273.6	-	-
2021	52301	-	-	-	2020	326.1	-	-

Source- Various sources (Worldometers, United Nations, IAMI, Facebook, Cisco).

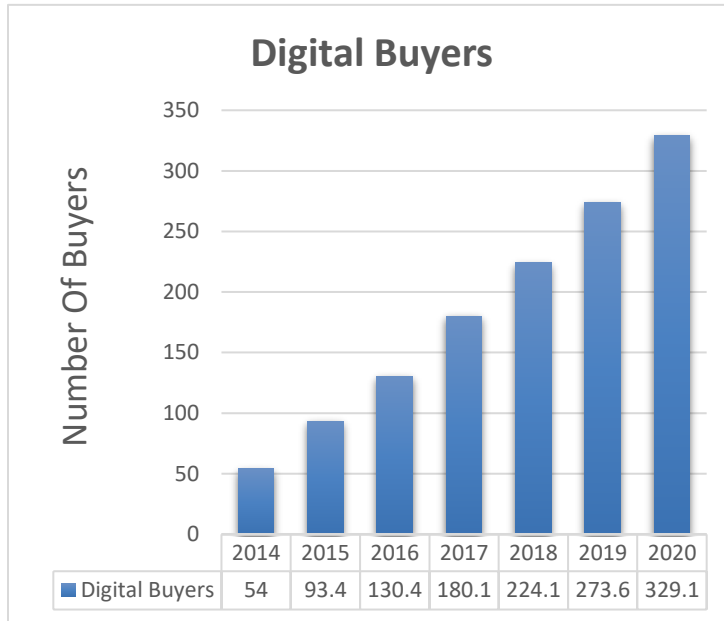
[www.statista.com/statistics/309866/india-digital-population/](http://www.statista.com/statistics/309866/india-digital-population/)



Graph-1.1: Digital Population

**Interpretation:**

The digital Population in India in 2018, the table states the different digital users like active internet user, active mobile user, active social media user, active mobile internet user. This graph-1.1 presents the digital population in India as of January 2018. The active internet user are more compared to other user's i.e.462 million. It is clear that the active internet users are more rather than another users.



Graph-1.2: Digital buyers in India

**Interpretation**

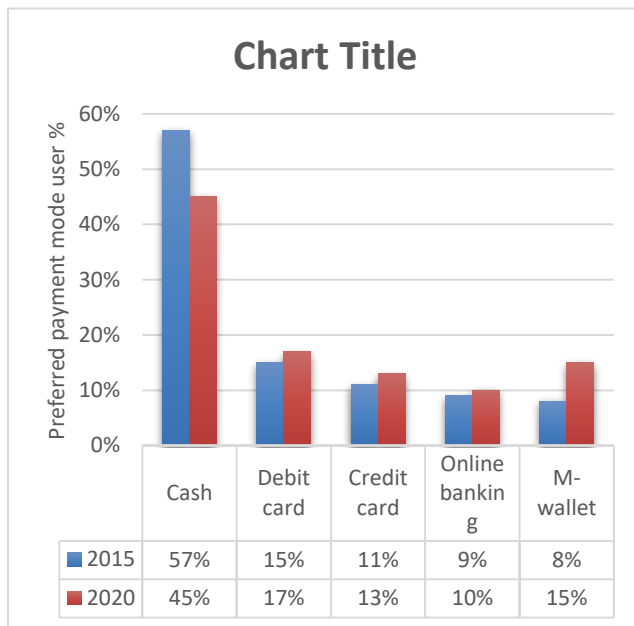
This graph-1.2 timeline displays a forecast of the number of digital buyers in India up to 2020, based on factual numbers from 2014 to 2016. In 2020, over 329 million people in India are expected to buy goods and services by using digital online methods, up from 130.4 million in 2016. The Digital buyers in India from 2014 to 2018 are 54, 93.4, 130.4, 180.1, and 224.1 million respectively. It indicates that the longer term consumerism can largely rely on digital transactions.



Graph 1.3: Retail E-commerce Sales

**Interpretation:**

Retail E-commerce Sales-The table reveals that the retail e-commerce sales in India from 2016 and 2018 are 16073 million and 25076 million respectively. The estimated sales in e-commerce sector from 2019 to 2022 will go on increasing in manner, in 2022 it is expected to increase 52301 millions.



Graph 1.4: Preferred payment modes

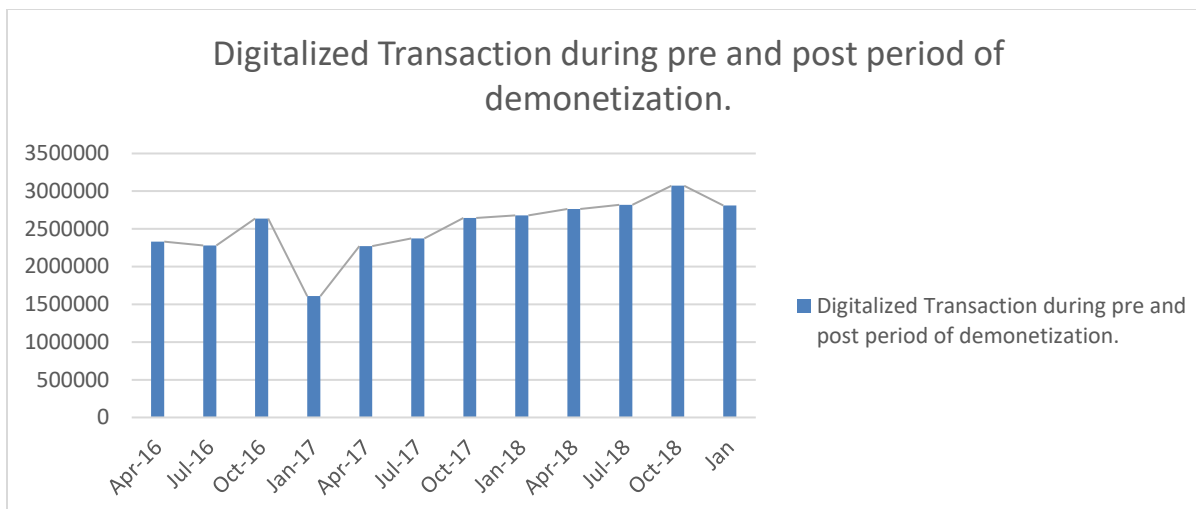
**Interpretation**

The graph-1.4 gives the information on the most popular digital payment methods in India in 2015 with forecast regarding 2020. In 2015, cash on delivery accounted for 57 percent of all digitalized shopping transactions methods. Mobile wallet is said to increase from 8 to 15 percent of payments in 2020. The most successful online shopping store in India in 2016 was Amazon.in with an approximate 438 million U.S. dollars in net e-commerce sales. Flip kart was ranked second with close to 399 million U.S. dollars in net sales. That year, the India amounted to 117.7 U.S. dollars. Annual e-retail revenue per user is projected to increase to 147.6 U.S. dollars per user.

Table-2: Electronic payment transactions from April 2016 to January 2019

Periods	NEFT	RTGS	Debit card	Credit card	Mobile banking	Total
Apr 2016	8324.52	68411.27	2252098.40	2863.372	524.83	2332222
Jul 2016	8145.39	74919.55	2191650.70	2922.41	809.59	2278448
Oct 2016	9504.50	76473.29	2547814.47	2996.80	1139.41	2637928
Jan 2017	11355.08	77486.07	1516436.70	1539.20	1383.05	1608200

Apr 2017	12156.17	88512.19	2168595.80	2327.20	1612.65	2273204
Jul 2017	12011.60	87149.26	2270761.20	2848.50	811.61	2373582
Oct 2017	13851.28	92056.10	2533210	3210	917.08	2643244
Jan 2018	15374.10	107488.40	2550216.8	3408.9227	1114.08	2677602
Apr 2018	16326.64	94045.75	2647971	3396	1348.89	2763088
Jul 2018	17321.40	112012.91	2683760	3723	2059.82	2818877
Oct 2018	19227.03	111856.75	2933989	4182	2480.17	3071735
Jan 2019	19662.60	124797.03	2661242	3943	2959.56	2812604



**Graph-2.1: Digitalized Transaction during pre and post period of demonetization.**

**Digitalized Transaction during pre and post period of demonetization:**

**Electronic Payment Transactions:** The table 2 reveals that the electronic payment transactions in post demonetization period in with modes with different ways of payments like RTGS – Real time gross settlement NEFT – National electronic funds transfer, CTS – Cheque truncation system, IMPS – Immediate payment service, NACH – National Automated Clearing House, UPI - Unified Payments Interface, USSD - Unstructured Supplementary Service Data, POS – Point of sale, PPI – Prepaid Payment.

Instrument. Among these payment methods top 5 methods used broadly in India are shown in the table. The preferred modes of payment in India after demonetization from November 2016 to October 2017 October is constantly increased with slight fluctuations in January 2017 the total electronic payments were 1608200. The table two states that the constant increasing trend in digital payments after declaring the demonetization. As per the RBI’s preliminary assessment about pre and post demonetization, the growth of selecting an electronic mode of payment from oct-2016 to feb-2017 with a different category of payments the immediate payment service in Oct – 2016 volume is 2637928 but it increases up to 2812604 in January 2019. It indicates that during the period of demonetization and in the post-demonetization period the immediate payment services were increased and the financial returns due to digitalization also increases.

**V. FINDINGS**

The present study reviews the existing literature relating digitalization of economy, by reviewing the literature it is clear that the integration of technology into our day to day life by digitizing everything will make ensure about greater transparency and accountability. The digitalization helps to increase the employment opportunities, improving the standard of living and especially it helps increase the e – literacy.

The study shows the continuous increase in the digital population which shows the adoption and the acceptance of digitalization.

The analyses of the study states that the country is still in the growing age of digitalization and has a need of digitalization and this rapid increase of digitalized methods are helping the country in increasing its economy and its financial returns.

**VI. CONCLUSION**

The present study intends to investigate the impact of digitization on Indian economy. The digital programme initiated by the government of India with a desire to promote the cash less, the faceless economy can also be called as internet economy or digital economy. The advancement of information and communication technology plays a significant role in the faster growth of the economy. The recent measure to withdraw the five hundred and thousand denomination i.e. demonetization is the fundamental motivation to approach the digital mode especially in the business field we can see the online marketing, online financial services, and online trading activities.

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