

SMARTPHONE-A HELP IN INDIA'S DRIVE FOR CASHLESS ECONOMY

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ABSTRACT

Today it is almost impossible to imagine our life without smart phones. Now mobile apps steer our daily activities in every aspect starting from official communication to entertainment. Digital India drive by Government of India bears the objective of more online activities in every sphere to boost the cashless economy. Thereafter, even small retailers and shop owners started transacting through cashless models like Paytm. While the voice for the cashless economy is raised, major transactions are done through credit/debit cards or other digital methods like POS (point-of-sales) machines, digital wallets, etc. and minimize the circulation of liquid currency. Smart phones are taking bigger roles in order to carry the initiative towards accomplishment.

KEYWORDS: Demonetization, UPI (Unified payment Interface), Cashless

INTRODUCTION

Perhaps the most common claim with regard to the importance of money in our everyday life is the morally neutral if comically exaggerated claim that 'money makes the world go round'. Equally exaggerated but showing a deeper insight is the biblical warning that 'the love of money is the root of all evil', neatly transformed by George Bernard Shaw into the fear that it is rather the lack of money which is the root of all evil.

However, whether it is the love or conversely the lack of money which is potentially sinful, the purpose of the statement in either case is to underline the overwhelming personal and moral significance of money to society in a way that gives a broader and deeper insight into its importance than simply stressing its basically economic aspects, as when we say that 'money makes the world go round'.

Ever since the age of agricultural productivity in ancient times, when people have had excess production beyond self-consumption, we have had the need to give this produce to someone and get something we seek in return. Barter was the first system where Good A is given an exchange for Good B, and the value parameters are negotiated. Soon the need arose to minimize negotiation of value, and standardize the value of money units. And then the cash came in light in the form of coins and then paper notes gradually over the centuries.

The phrase "cashless society" was originally devised in the United States in the mid-1950s to describe a future in which electronic transactions would substitute the exchange of coins, cheques and banknotes. In the last half-century, some economies have evolved in this direction, although paper notes and coins are still used in even the most advanced economies, such as Sweden and Iceland. The displacement of cash with other payment solutions is an important topic in

the histories of computing and banking: without the digitalization of customer accounts on top of the adoption of mainframe computers by banks in the 1960s and 1970s, the subsequent moves toward cashless economies would not have been possible. Also the usage of smart phones and newly developed apps has accelerated the speed of digitalization.

Although extensive work has been done on the adoption of computers by European and North American banks, the efforts are far less on the computerization of East Asian financial institutions. Indian banks lagged behind their American and British peers in terms of computerization in the 1960s; they rapidly caught up and were early adopters of technologies such as ATMs, telephone banking, and Internet banking. India seems to be moving in the right direction. Like the rest of the world, it has observed massive growth in the popularity of phones, as accessibility has improved and costs have dropped. And the country has “leapfrogged” many old technologies, jumping straight to the latest gadgets. In this paper we have tried to analyse the impact of growing use of smart phones in the field of digitalization.

Digitalization in India and Its Road Ahead

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 change India into a digitally empowered society and knowledge economy. “Faceless, Paperless, Cashless” is one of the stated roles of Digital India. Major progress towards this goal was made in late 2016, when the government took steps to demonetize the country. Now, even small retailers and shop owners are using cashless models like Paytm for transactions.

Furthermore, the Government of India’s additional initiatives like Mobile Seva and reward schemes like Lucky GrahakYojana and DigiDhanVyaparYojana are complementing the usage of mobile in a cashless economy. Mobile Seva provides a fully operational mobile payment gateway, incorporating various channels for making electronic payments through mobile devices. Government departments and agencies can integrate the gateway with their applications, so that citizens and businesses can make payments for various government services through their mobile devices.

Launched in late 2016, Lucky GrahakYojana distributes daily and weekly rewards to thousands of retail consumers. Similarly, DigiDhanVyaparYojana distributes weekly rewards to thousands of small businesses. To qualify for these rewards, applicants must make digital payments through a Unified Payment Interface (UPI), RuPay, the Aadhaar Enabled Payment System (AEPS), or an Unstructured Supplementary Service Data (USSD). These initiatives have boosted confidence in digital mediums for payment services and will likely lead to increased private sector mobile payment services, as well. The government has launched a National Digital Literacy Mission (NDLM) that has penetrated rural areas. Under the initiative, 8.2 million people have already been trained by 2016, surpassing the target of NDLM training 5.2 million by 2018. The government has launched a National Digital Literacy Mission (NDLM) that has penetrated rural areas, Chandrashekhar said. “Under the initiative, 8.2 million people have already been trained by 2016, surpassing the target of NDLM training 5.2 million by 2018

The journey from barter to cashless transactions is still underway and in early stages. The end point costs (eg: cards, POS machines) and overall transaction costs are being relentlessly lowered with the advent of mobile / wearable and block chain technologies.

Smart Phone – Growth & Its Impact on Digitalization

In India Mobile phones and smartphones have the lion's share of the market; less than 3% of phones in India are landlines, and around 89% of broadband connections are wireless. In two to three years, about 600 million Indians will access internet through broadband. A smartphone is simply any phone with a touchscreen, internet access and apps. Phones that are not suitable for high-speed internet are known as "feature phones". There is a World Bank report which says that a 10% increase in broadband penetration (in India) can lead to a 1.4% increase in GDP (gross domestic product), making Internet important for enhancing the growth of the economy. In Google has so far made 120 railway stations Internet-enabled, through a partnership with Indian Railway Catering and Tourism Corp. (IRCTC). Google registers about 15,000 people daily who are using Internet for the first time through this medium.

There is an accelerating technology shift to mobile broadband networks across the world. Mobile broadband connections (3G and 4G technologies) accounted for almost 50% of total connections at the end of 2015, and are set to increase to more than 70% by 2020. The factors driving this migration are greater availability and affordability of smart phones, more extensive and deeper network coverage, and in some cases operator handset subsidies. The greatest impact of this technology migration to date has been in the developed world. Here, mobile broadband already accounts for more than 80% of connections and, by 2020, this will reach 92%. In contrast, around 40% of connections are currently on mobile broadband networks in the developing world. Smartphone adoption is accelerating across the developing world; Smartphone connections reached 40% of the total connections base by the end of 2015 (up from 5% in 2010)

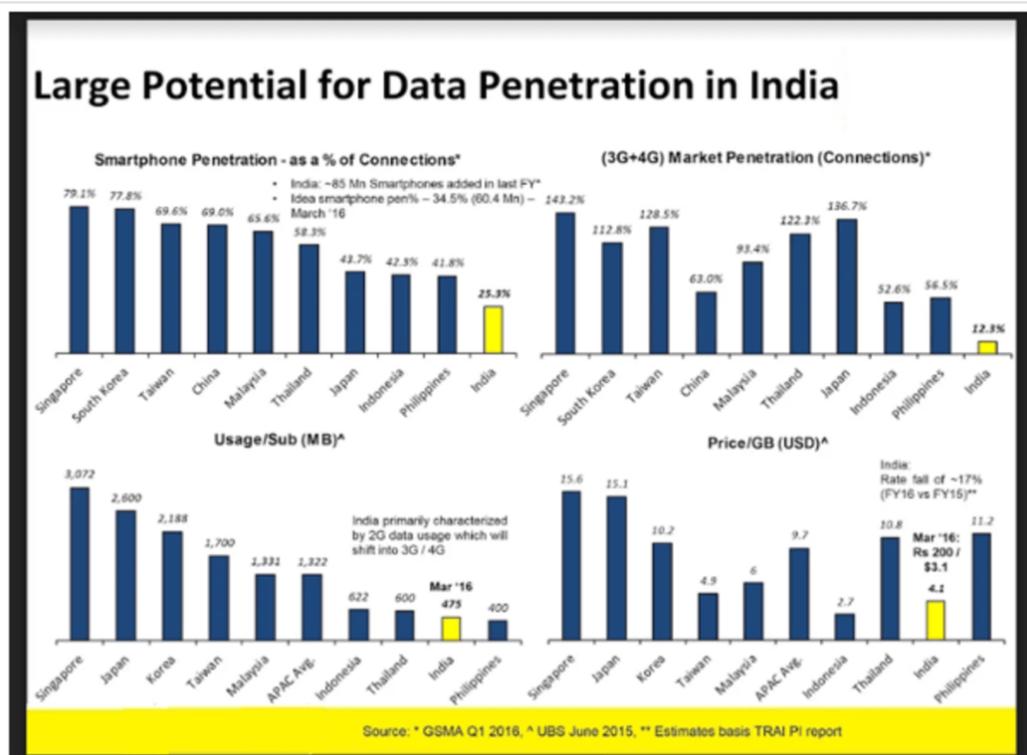


Figure 1

As the figure above shows, the majority of Smartphone's being used in India by the middle of 2016 were not 3G or 4G-enabled. Nearly 75% of all mobile devices were feature phones, and therefore not suitable for high-speed internet access.

To increase the number of internet users and regular usage, India needs affordable, 3G or 4G-enabled Smartphone, as well as cheaper data plans with decent speeds.

With over 460 million internet users, India is the second largest online market, ranked only behind China. By 2021, there will be about 635.8 million internet users in India. Despite the large base of internet users in India, only 26 percent of the Indian population accessed the internet in 2015. This is a significant increase in comparison to the previous years, considering the internet penetration rate in India stood at about 10 percent in 2011. Furthermore, men dominated internet usage in India with 71 percent to women's 29 percent. In 2016, 24.33 percent of the population accessed the internet from their mobile phone. This figure is expected to grow to 37.36 percent in 2021.

Smartphone-A Help in India's Drive for Cashless Economy

Demonetization, although has been criticised at various quarters across the country, gave fuel to mobile ecosystems. Mobile payments were the saviour in the time when citizens found themselves paralyzed without any cash in hand and ATMs ran without cash.

Mobile payment or mobile wallets are digital wallets, supporting a wide range of payment option so that consumers can make purchases and transfers easily. During the time of demonetization, mobile payment witnessed a un-parallel spurt in usage, which reached as high as a 435% rise.

Mobile payment solutions are the right vehicle for a smooth transition from a cash based economy to an app based economy. This, in turn, matches with the wider goal of India of becoming a digitized country. Mobile wallet users can transact instantly for purchases, transfers, etc. making transactions extremely easy. With mobile payments, users do not need to stand in long queues in cash counters and ATMs, a convenience appreciated by customers and businesses alike.

A mobile wallet has led to a reform in the banking sector as well, leading to a record increase in digital transactions. Needless to say, now banks can save on manpower for handling cash due to a reduction in footfall in bank branches. Businesses benefit as well, since the risk of handling cash is minimized, thanks to mobile wallets.

Mobile payment companies have capitalized the demonetization drive successfully. They have invested millions to ensure their operations and platforms are accessible from anywhere. Thus, from auto-rickshaws to street vendors, everyone has used mobile wallets successfully.

UPI (Unified payment Interface) is going to be a game changer in the coming years. It is the payment process by which mobile wallet customers can transfer money from their bank accounts to merchants and also receive payments without disclosing banking information. Seamless and low transaction times are the main reasons why UPI is gaining popularity day by day. Soon, UPI will extend to merchant transactions as well.

The Future of Mobile Wallets

According to analysts, by 2018 the mobile wallet market in India will grow at a CAGR of 140%, while the global mobile wallet market will register a CAGR of 34% by 2020. What's fueling this optimism is the fact that India is one of the fastest-growing markets for smartphones in the world. It is expected to become the second largest market by 2017 – replacing the United States. The number of mobile internet users in India is expected to touch 314 million by 2017, up from 280 million now.

According to a recent report by GrowthPraxis, the market for mobile-enabled payments in India grew more than fifteen times between 2012 and 2015 to reach its current size of \$1.4bn. Interestingly, nearly 60% of users accessed the internet for the first time on their mobile phones – in marked contrast to many other countries, where desktop and laptop are the first web-enabled devices that people use.

Earlier, most people used mobile internet for social networking sites, but that's changing now – as increasing numbers of people are using it to make mobile payments.” Service providers are looking to make money by taking a cut from vendors, as the apps are free for customers. They are also flooding the market with cash back offers and discounts to get more traffic.

But the question remains, can mobile wallets in India mirror the success that mobile payment tech has enjoyed in countries like Kenya, where more than 90% of the adult population has signed up to Vodafone's M-pesa payment platform?

Telecom infrastructure is improving and 3G & 4G services are being offered at very affordable prices, giving a huge boost to mobile commerce in the future. With 4G becoming more and more affordable with entry of telecom giants such as GIO, the digital wallets adoption in Tier 2 and Tier 3 cities is going to increase many folds. If reliable and fast mobile networks can make it out to rural areas, then mobile wallets should see huge growth in India. But it will still take a huge cultural shift to wean people off hard cash.

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