

# A Study of Challenges and Opportunities of Economics Growth in India

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## ABSTRACT

*The national economy is experiencing a time of significant changes that request new policy reactions. The development of new on-screen characters in the global field, the natural effects of economic growth, the innovative upheaval, progressively globalized exchange and monetary streams; rising relocation streams and high disparity in certain nations have made customary economic ideal models and policy procedures insufficient in numerous regards. A money exchange in India is a push to move towards an economy by limiting the utilization of physical money. The fundamental goal of the examination is to display the present status of India in use of advanced cash in contrast with other created nations and discover the challenges and opportunities which are related with the money exchange in India. The discoveries of the examination uncovered that the presentation of economy in India can be viewed as a positive development of economy growth and advancement. It has been directed to unwind the challenges and opportunities of economy by advancing electronic money instruments, creating electronic monetary frameworks and spreading computerized exchange propensities among individuals. Demonetisation declaration (2016) is a progressive move towards the economy in India. The data of different countries which are related to usage of digital currencies has been gathered. Data is gathered by using secondary data collection method and then graphical representation is being used.*

## 1. Introduction

Change into an economy is an international issue and a considerable lot of the nations as of now nearly become economy. An economy is the place financial exchanges are not being done in the terms of cash notes, coins or physical cold hard cash. It was in pattern by deal period of exchange and different strategies for trade like nourishment crops or different merchandise (Humphrey, D.B, 2014). Be that as it may, the new ideas of exchanges in economy are made with the assistance of computerized monetary standards where lawful delicate (money) is traded and recorded uniquely in the electronic advanced structure. Such a significant number of challenges and opportunities are related with the impacts of computerized exchanges.

Indian populace where 98 percent of absolute economic exchanges by volume is being done through money (Economic occasions, Nov. 23, 2016), a significant part of the money exchanges being done in the nation are little trade for merchandise or administrations. The entrance of Pos terminals isn't sufficient. A large number of individuals still don't have a ledger, web system and association isn't legitimate, absence of information to utilize online installment techniques. These are a portion of the challenges are there in the nation particularly in communities, provincial territories and undiscovered markets in urban India, should be settled and individuals make guarantee that to receive digitalisation in their installment framework. It is a major assignment before the government of India and their policy producer to change their general public into an economy or less money economy with the India's quickly developing populace. The presentation of exchange has made the government of India to move towards economy. India was the world's quickest developing significant economy in the last quarter of 2014 (G20 an International Forum). India likewise beat the World Bank's growth standpoint for 2015-16 just

because with the economy rate having become 7.6% in 2015-16 and furthermore expected to become 8.0%+ in 2016-17. It is seen that growth of the Indian economy later on is certain. India has just presented a portion of the choice of installment techniques, for example, Ola money and PayTM records to pay rents through web banking, Indian government has taken a choice of demonetisation (2016) by end of each of the 500 and 1000 banknotes, as it would never again be perceived as lawful delicate. This move has been executed with the mean to check the dissemination of "dark money" in the nation and related issues. India is going towards economy quick however it might be a long procedure for a considerable length of time to become total economy or less money economy.

The primary idea of the economy is that to make individuals utilize advanced installment strategies for their exchange of money for merchandise and ventures completely, without disposal of physical money from economic market totally. Constrained money available for use backing to control growth of swelling rate. Quantity theory of money (QTM) states that money supply and value level in an economy are in direct extent to each other. When there is an adjustment in the stockpile of money, there is a corresponding change in the value level and viceversa (Irving Fisher, 1911). At whatever point money supply rose anomalous in the past in an economy, inflationary circumstance created there. May not be the relationship a corresponding one, however over the top increment in money supply prompts swelling (Nikita Dutta).

The Theory's Calculations is expressed as: **MV=PT(the Fisher Equation)**

### Each variable denotes the following:

M = Money supply

V = Velocity of Circulation (the number of times money changes hands)

P= Average Price Level

T= Volume of Transaction of Goods and Services

During the 1950s, Milton Friedman turned out with a proposition that "expansion is consistently and wherever a money related marvel". These words are sufficient to set up the quintessence of amount theory of money swelling is to a great

extent brought about by the unreasonable growth of money supply and by nothing else. Increment of economy or exchange is produce less money or no money request in the market and makes extent of create for QTM theory and it might be an appreciative cooperation to build up a solid economy for since strong a while ago run.

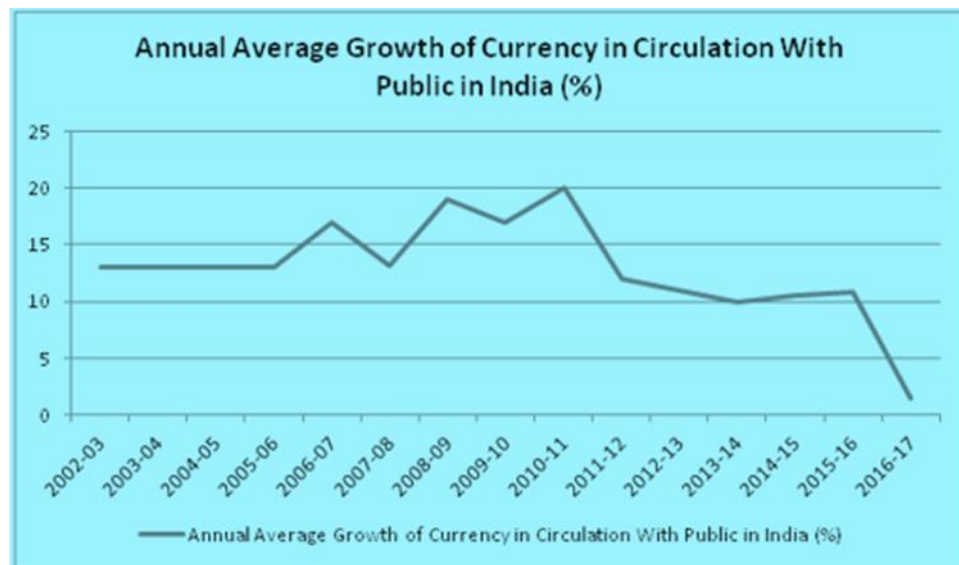


Figure-1 Source: Economic Survey Calculation (2016-17) projected calculation for 2016-17

## 2. Review of literature:

The destruction of money and the development of a general public represent a great deal of advantages for the general public (Humphrey et.al., 1996). As indicated by CBN (2011), a successful and current installment framework is emphatically connected with economic growth. In the growth of Global economy, advanced cash has a key job for exchange of money for representatives, customers and governments around the globe. Just about 25 percent of overall customer spending was through some type of installment card, up from 16 percent in 2003. The report says, Digital money conveyed an extra \$1.1 trillion to the global economy in total in the six years from 2003 through 2008. All things considered, that speaks to a 0.5 percent expansion in absolute yearly gross domestic product (GDP). During a similar period, genuine Global GDP developed by a normal of 3.4 percent (Moody's, 2008).

Nation's economic wellbeing can be estimated by the assessment of nation's economic growth and improvement. Economic growth is normally demonstrated by an expansion in the nation's gross domestic product (GDP) which is the complete estimation of any merchandise and enterprises created in the nation for the most part it is related with the new innovations and improvement. In other manner economic advancement is generally shown by an expansion in residents' personal satisfaction which covers education rate, future and neediness and so forth. (Duggeri Ashley) Digitalisation of

conventional installment techniques is a progressive improvement of banking enterprises, Internet administrations and portable businesses. Computerized installment strategies give increasingly economic opportunity to individuals. It might offer a chance to set up new advancements and improvements around the world, coming about growth of the nation's GDP and economy. New advancements of ventures give more vocations, increment in per capita pay, improve individuals quality life and so on.

Computerized monetary forms can give economic opportunity to business exchange of their clients anyplace on the planet. Economic opportunity is which enables individuals in various nations to exchange with one another. They can begin and extend their business globally by move or acknowledge installments with sheltered and secure exchange in only a couple of hours around the globe. It lessens defilement and gift as well. Over the most recent two decades, the normal growth of Economic opportunity globally is just 3 percent (from 57% to 60% around – Figure2) (Index of Economic Freedom 2017) however increment of computerized money can grow progressively economic opportunity on the planet which can serve new advancements and developments, growth in GDPs, more opportunities of businesses, decrease debasement and psychological oppression and raise harmony and bliss everywhere throughout the world.

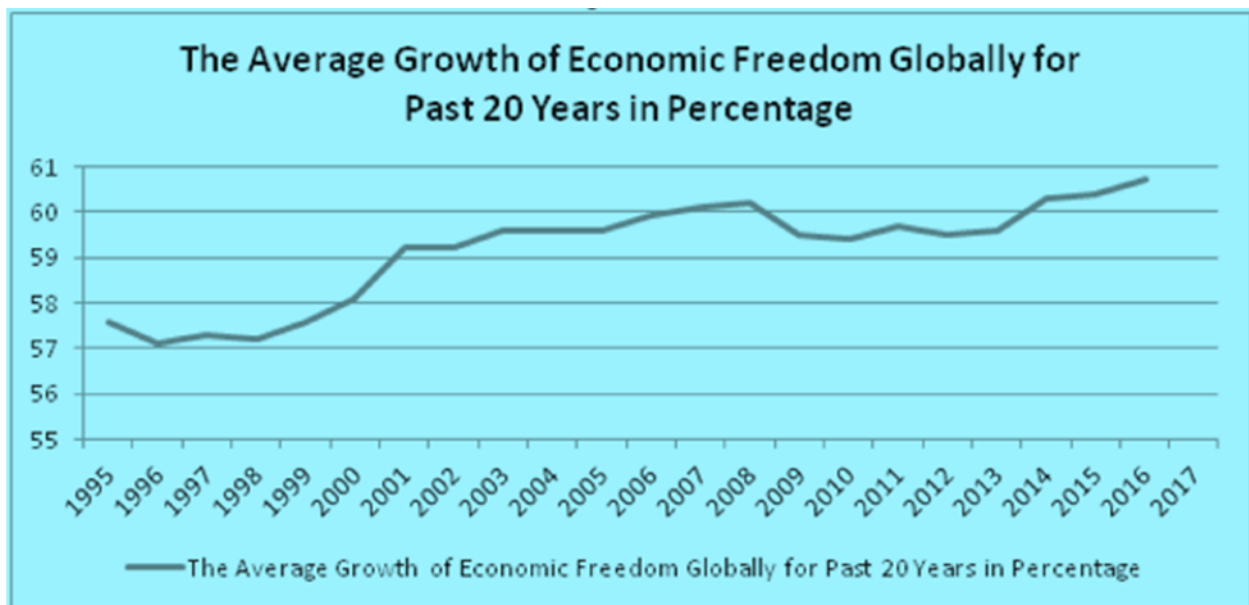


Figure-2 Source: 2017 Index of Economic Freedom

Macro and Bandiera (2004) contended that expanded utilization of banking instruments qualifies money related policy viability and that the present degree of e-use doesn't represent a risk to the strength of the monetary framework. Hord (2005) accentuates the way that electronic payments lower costs for business. The greater installment that is prepared electronically, the less money is spent on paper and postage. As indicated by a new report by Visa, the expense of money exchanges in India is proportional to 1.7 percent of the gross domestic product (GDP). To place that figure in context, the focal government's capital consumption in 2016-17 was barely lower at 1.6 percent of GDP (Ishan Bakshi, Oct. 6, 2016). It will spare a tremendous measure of money that is spending every year in printing and looking after cash. Right now under 1% of all utilization consumption is acquired through instruments (Bappaditya Mukhopadhyay and Sambit Rath, 2011).

Electronic Payments as contended by (Cobb, 2005) have a noteworthy number of economic advantages separated from their accommodation and wellbeing. The procedure makes more noteworthy straightforwardness and responsibility prompting more prominent productivity and better economic execution (Al Sheik, 2005).

India is where 98 percent of all out economic exchanges is done through money and has 26 percent web access and there are just 200 million clients of digital payments services (ICT Fact and Figure 2015). The world Bank's Global index shows that Indians are essentially less acquainted with digital banking and the utilization of credit or platinum cards, making exchanges utilizing cell phones, and utilizing the web to take care of tabs. Various Countries in real money exchange (Figure-3).

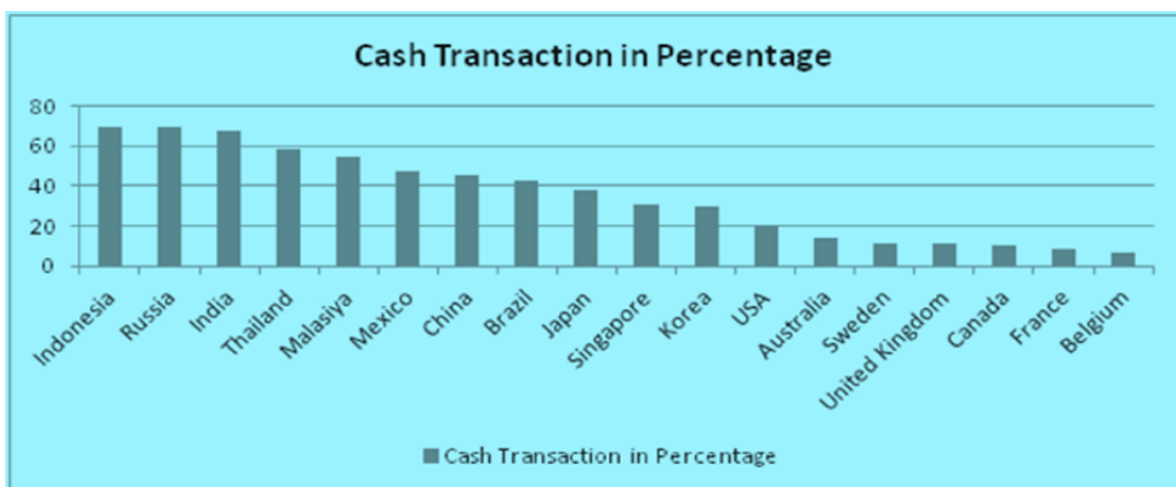


Figure-3 Source: CLSA Report

**3. Economic and institutional regime:**

Economic and Institutional regime comprise overall governance, rules and regulation under the economic environment and regulations of banking and financial institutions of the nations. Let us begin the discussion on

highlighting the strengths and weaknesses of India's Economic and Institutional Regime.

**4. Challenges of economy:**

During the time spent digitalizations of an economy of the nation, it is critical to guarantee that the accessibility of

appropriate sources to arrangement require innovation and adequate labor to give brief services in time. A financial balance is an essential necessity for digitalization. Thus Banks have a center obligation to improve and create them self - first. There are a few challenges during the time spent economy in India.

A) Internet assumes crucial job among banks and clients to get and convey data, this types of banking is portrays as Internet banking (Reserve Bank of India, 2001). The figures appearing in Figure-4 the level of Internet clients of India in correlation of other create nations.

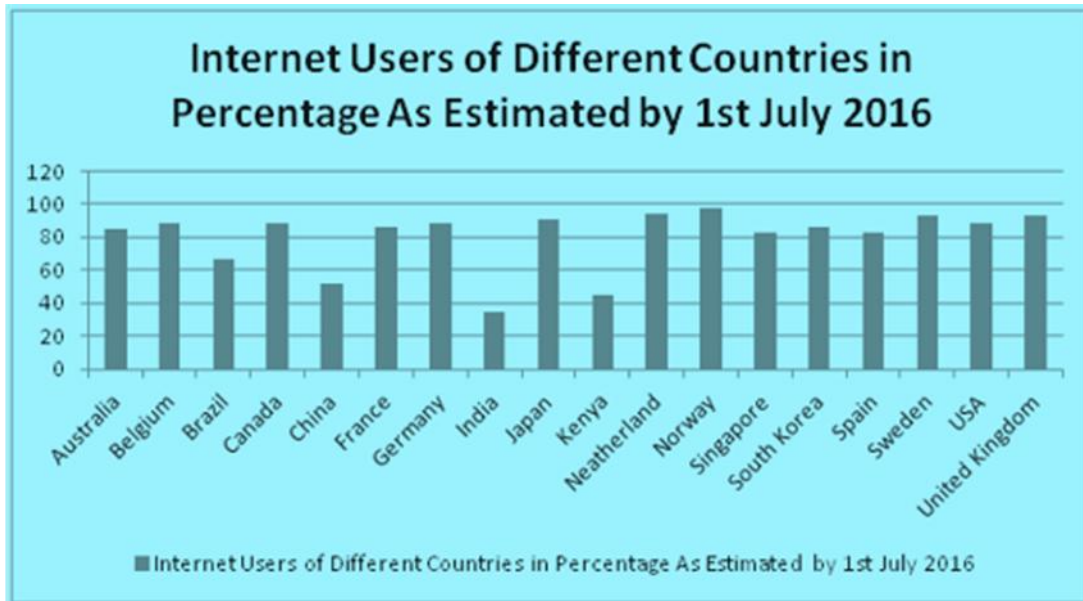


Figure-4 Source: Internet Live Stats

Financial proficiency is another huge challenge in India to receive digital cash framework. Money related proficiency essentially has dependent on the utilization of innovation to viably utilize the influence of medium like PC, portable and web to empower individuals to have aptitudes, information or data about monetary instruments. In India, the absolute proficiency

rate is 74.04%. (Indiafact, March 17, 2013 according to India Census 2011). Out of that, Male education rate is 82.14% and Female proficiency rate is 65.46% as indicated by Census 2011 and Internet clients number of Male is 71% and Female is 29% individually can find in Figure-5.

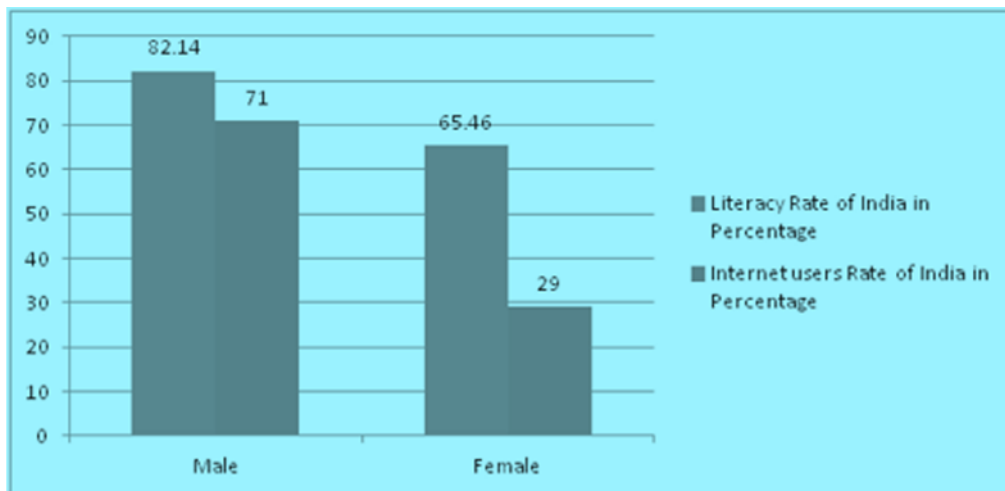


Figure-5 Source: India fact, as per India Census 2011

b) Despite the facts that financial balances have been opened through Pradhan Mantri Jan-Dhan Yojna (PMJDY), the vast majority of them are not in activity. There were 256 million records, around one for each family unit. Opening records just doesn't engage residents to make digital financial exchanges. An ongoing examination found that 23% of PMJDY accounts lie unfilled; 10 million records held just Rs. 1 and just 33% of all were prepared to utilize their Rupay cards (September, 2016). 99% of family units in both country and urban India have in any

event one part with financial balance. In one of each five Indian families is a chief wage earner (CWE). CWE is a provider who doesn't set aside cash in a bank (MRSI 1998). We can see the Figure-6 and obviously still enormous populace are there in the nations who are not working their exchange through banks in any event, having accounts in the bank.

c) India has a wide network of small retailers in all over countries area and most of they do not have enough resources

to invest in electronic payment infrastructure to receive and make payments digitally.

d) The perception of consumers on use of credit and debit cards and belief that cash helps you negotiate better.

e) There is also vested interest in not moving towards economy and most card and cash users fear that they will be charged more if they use cards. Further, non-users of credit

cards are not aware of the benefits of credit cards due to lack of awareness of new technologies and financial literacy.

f) Indian banks are making it difficult for digital wallets issued by private sector companies to be used on the respective bank websites. It could be restrictions on using bank accounts to refill digital wallets or a lack of access to payments gateways. Regulators will have to take a tough stand against such rent-seeking behaviour by the banks.

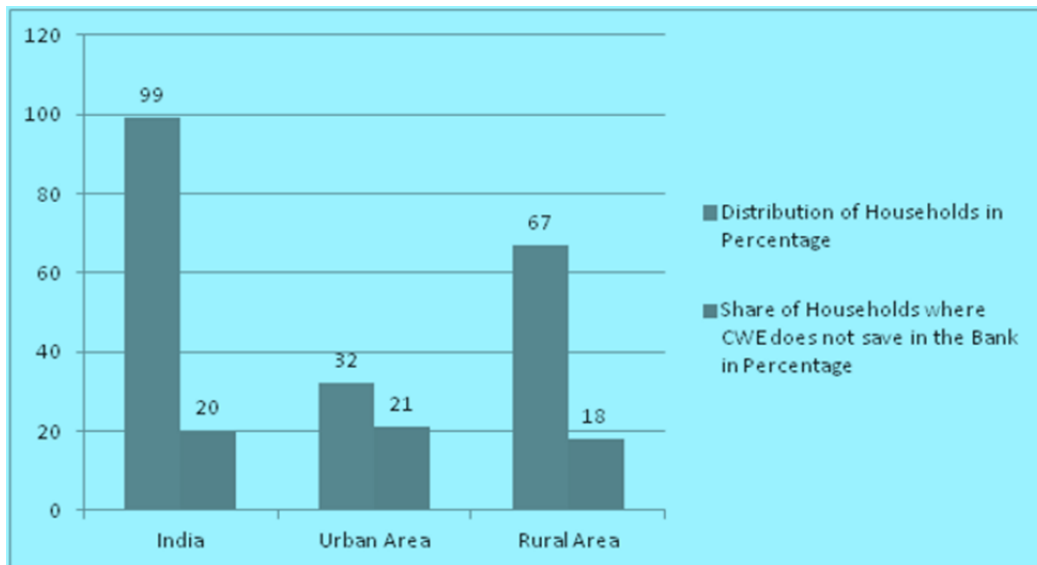


Figure-6

**5. Opportunities of economy:**

The main advantage of transactions is that a legitimate record of every single economic transaction is conceivable to keep. It is solution for expel bootleg market or underground economies that frequently demonstrate harming national economies. Since, money is the essential method of transactions in money laundering and fear mongering financing, an economy disheartens such exercises. Central government additionally get advantage from such transactions as it permits central control of money supply and it is simpler to screen annual assessment paid by a person. transactions are useful with regards to negative global expansion and

quantitative facilitating. Going is likewise decreasing the degrees of defilement pervasive in the country.

Some more benefits of economy are as follows:

a) Real estate prices will reduce because of curbs on black money as most of black money is invested in Real estate.

b) There is a process of issuance of currency where government bear costs against designing, developing, printing, storing, transporting and placing etc. All this can be avoided by digitalisation of cash transactions. In Financial year 2015, RBI spent Rs. 27 billion for currency issuance and management.

c) It pave way for universal availability of banking services to all as no physical infrastructure is needed other than digital. People can make their payments and receive globally.



Figure-7

d) There is greater efficiency in welfare programmes as money is wired directly into the accounts of recipients with great transparency.

e) There are efficiency gains as transaction costs will also come down by using methods of digital payments.

f) In India, 1 in 7 notes is supposed to be fake, which has a huge negative impact on economy. By going transaction, accountability of notes and coins in circulation will be possible.

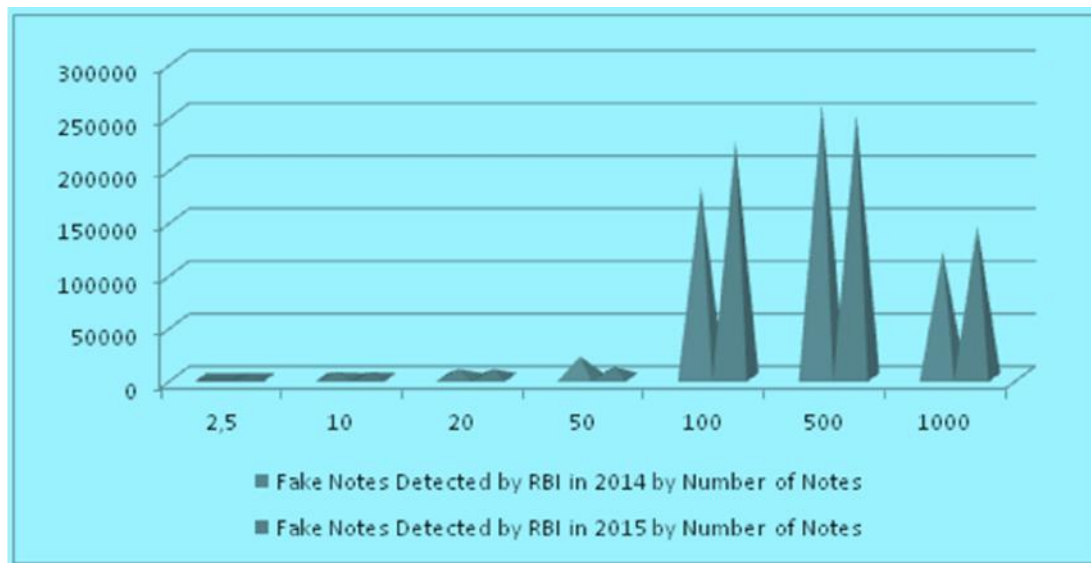


Figure-8 Source: Ministry of Home Affairs and RBI

g) Soiled or tobacco stained notes full of germs are a norm in India. There are many such incidents in our life where we knowingly or unknowing give and take germs in the form of rupee notes. This can be avoided.

h) In the recent trends of digitalisation will reduce costs of operating ATM's.

i) Impact of digital transactions increase in GDP by emerging markets resulting growth of country economy

## 6. Conclusion

The goal of this study is to discover the challenges and opportunities of economy. Economy can be accomplished by reception of appropriate strategies for digital payments. It just requires full demonstrated new financial strategies, centralized

authoritative control, normal monetary consideration on the brokers, government organizations and other private help. Safe and verified services like prompt affirmation of payments, clear proclamation of their records, no shrouded charges, full control on money, abbreviate procedure of transaction by satisfy of required data. As a general audit, the greater part of the major created nations on the planet is moving in an astounding method for economy. A past filled with postponed being developed in India is excessively long. Presently the time, India should advance in full steam ahead and make a new inheritance. This is an ideal opportunity to grasp the economy like other created nations and we should capitalize on it.

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