



## Digital payments in India

### Description

#### The evolution of digital payments in India:-

- India is a massive cash dependent economy with a 13% cash-to-GDP ratio to the global average of 2.5 to 8%. This invites many illegal transactions and black money within the system. The government hence, figured out that going cashless can be a solution to reduce these money laundering transactions, and a fair play in the economy of the country will persist.
- In 2005, a tax named 'Banking Cash Transaction Tax' was one of the steps taken towards the removal of black money by the then finance minister, P.Chidambaram of UPA government, which levied a tax of 0.1% on withdrawals of cash above 10,000 rupees. But this mainly focused on the banks, while blurring the cash users like merchants or businessmen.
- Demonetization was the next major and effective step taken by Prime Minister Narendra Modi to evacuate black money and embrace digitization on 8<sup>th</sup> of November, 2016. Elimination of 500 and 1000 rupee notes shook the entire economy of the country and paved way for digital transactions with open doors.

#### Present situation :-

- Since the attack of demonetization by the government has been taken, digital and online transactions have had a steep up-rise in its graph. The rate of digital cash users is increasing exponentially day by day. Mobile transaction applications like PayTM says that there has been a 200% increase in its mobile app downloads in recent times and a 250% increase in their recent transactions. Applications like MobiKwik, Oxigen and UPay also reports the growth of digitization in their statistics after the widespread of demonetization.
- The plan of using the Aadhaar card details as a key or the pincode for monetary transactions has been going on. The Aadhaar enabled payment system (AEPS) uses the biometrics of an individual, like the fingerprints, as a personal identification number instead of passwords and pincodes for transactions. This system will also serve the security purposes as the

biometric of an individual is unique.

- India has showcased a massive progress on going cashless in a very small amount of time. The Digital Evolution Index 2017, which is a joint study conducted by the Fletcher School at Tufts University with Mastercard has categorized India under the “break out” segment among the top 60 countries worldwide for going cashless.
- In spite of all these achievements, a security threat remains all over the system. Cyber bullies and hackers have not left behind a single scope to invade databases of banks or companies or personal accounts and emails of politicians, businessmen, journalists and other prominent people for personal fetishes. According to the 2015 data breaches study by IBM and the Ponemon Institute, India is the most targeted country for data breaches. Be it the big, famous brands like IBM, Hitachi or renowned banks like ICICI and HDFC, they all faced cyber attacks.
- With the abundant availability of higher denomination notes, cash transactions are increasing again.

### Steps taken by Indian Government :-

- Demonetization is the biggest and the most effective step taken so far by the Indian government towards digitization. The dumping of 500 and 1000 notes has triggered the wealth of black money holders massively. Though the economy country-wide has dropped, the black money and big-fat illegal cash transactions have also been minimized greatly.
- New portals for online digital transactions have been opened on a wide-scale, encouraging more customers or users of cash to dump the old techniques and go cashless.
- For better security reasons and backing up the after-effects of demonetization, the Ministry of Electronics and Information Technology will be issuing a Request For Proposal (RFP) to set up a common e-governance platform for end-to-end transactional experience for a citizen, businesses as well as internal government functions.

### What still needs to be done:-

- The government must propose more secure and tight algorithms to stop the intervention of cyber attacks on top security databases for big companies, governments and systems, as well as on personal accounts for the public.
- Apart from the digital security, the public also needs to be aware of cyber threats and phishing that take place on a daily basis. Falling as a prey for cyber attacks can be a nightmare for the common people, as well as the big industries and governments. People who do not know much about handling money in a digital way can be fooled easily by asking for their account details or lending information over fake calls, all in the name of digitization. Thus, it is of primary importance that the public is aware of such misleading.
- The security departments of every system must be well equipped with behavior analytics and pattern analysis to identify suspicious activities and prevent them then and there. Identification of frauds and fake apps which serve monetary transactions has to be the main motive of the security departments.

**Best practices worldwide :-**

- A worldwide digital payment system and a cryptocurrency, which is the first decentralized digital currency is the Bitcoin. This system works without a central repository or a single administrator. The transactions here, are verified by network nodes, and takes place between users directly and the record is kept in a public distributed ledger.
- Mobile applications like PayTM, for instance, is certified under the Payment Card Industry Data Security Standard (PCI DSS) 2.0 certification, which is the current industry security standard set by American Express, Visa International, MasterCard Worldwide and a few other international dealers. This is an essential certification for companies that store credit card information. PayTM and other such companies also use 128-bit encryption technology to crypt any information transfer between two systems.

**Conclusion :-**

Going digital will help in keeping track of the monetary transactions taking place and will pose more security on individual's wealth. Digital payments will also be a step for an eco friendly environment as the usage of paper reduces. A drawback factor to the making of a digital India will be the high rates of illiteracy and poverty.

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