POLICY TAKEAWAYS

THE UNIVERSITY OF QUEENSLAND
AUSTRALIA

CREATE CHANGE

DAY 1 SESSION 1.1: DIGITAL TRANSACTIONS IN INDIA. OCTOBER 2021

Digital Transactions in India: An Introduction

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In 2015, the Indian central government launched the Digital India campaign which sought to transform India into a digitally empowered society and knowledge economy and reduce financial corruption. In this process, digital transaction platforms were seen as a key mechanism to enhance transparency and traceability of financial flows. To accomplish this, the Digital India campaign has encouraged the development of online payment infrastructure and a fit-for-purpose regulatory environment. Since the launch of Digital India, the programme has resulted in increased commercial activity and revenues, and improved compliance. India's population and geographic size presents unique challenges for modernizing digital infrastructure. Rapid growth in digital service delivery by government also has implications for data sovereignty and cyber security.

Image: David Dvoracek / Unsplash

Key Takeaways

1

A key pillar of Digital India is to transparently track and trace financial transactions to increase tax compliance, as well as reduce illegally obtained and counterfeit money.

In 2016, in a shock move, Prime Minister Modi announced the demonetization of all Rs. 500 and 1,000 banknotes circulating in the Indian economy. The purpose of demonetization was to uncover sources of illegal profits and counterfeit notes, improve tax compliance, and increase the amount of digital transactions. By providing greater ease, security and transparency in the handling of money, the government's surveillance of digital platforms is helping clean up and improve the efficiency of India's economy.

2

The digital infrastructure required to reach 'every citizen' in India presents a complex challenge.

The Digital India programme promises to reach 'every citizen' — even those in the most remote communities. To accomplish this will require extensive infrastructure development, training and education, and social change. Specifically, the Indian government will need to resolve issues of data storage, the development of a skilled labour force, and address the environmental costs associated with increased technological consumption. Other policy concerns include data privacy, cybersecurity, and data sovereignty.

3

Many questions remain if the Digital India Programme is to achieve its stated goals.

"India's ambition to implement a digital transactions architecture is one of the largest social and economic challenges ever attempted," said Adrian. However, some important questions remained unanswered including: Whether the successful implementation of Digital India can deliver sufficient gains to justify the cost of such a system? Will increased digital transactions lead to increased consumption and employment equitably across Indian society? And, what will be the cost of this plan and what sectors will bear this cost in what is a highly diverse society?

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