Syed Rizwana Qadri, Mudasir Ahmad Dar
Lovely Professional University (Phagwara, India)

ROLE OF DIGITAL PAYMENT IN INDIAN ECONOMY AN EMPIRICAL ANALYSIS

Introduction:

Digital payment has emerged today as the backbone of the modern payment system under which Transaction between payer and payee happens in a process through various means provided by the modern technology [1]. This process of payment has emerged as the transparent and real time and is accessible at ease, it has multiple advantages through which it makes the life of a common man easier to live [2]. It has provided with the making the liquidity at the door step level, which has brought down the costs and conveniences associated with the carry of liquid cash [3].

It has not only increased the ease of liquidity but also it has increased the efficiency and productivity in the payment system [4]. It has brought the major changes in the liquidity system of the economy, it has provided a transformation shift in the expenditure process also [5], it has eliminated the discrimination problem, and has provided the impetus to the ride the economy on the path of development as contended by the various economists of repute [6].

Theoretical Framework

The logic behind undertaking this Study is to test the theoretical background prevalent in the economic sciences. As is from the famous Quantity theory proposed by the noted economist of the repute Fisher "The Purchasing Power of Money" (1911) usually known as Fishers Theory of Exchange whose theory is based on the classical Assumption of Perfect competition, no role of fiscal policy, full employment of factors of production and so on.

This Theory established a well-defined equality and identity known as Fisher identity which is reproduced as

$$MV=PT \qquad (1)$$

Where M=money supply that is total amount of liquid and non-liquid monetary units in an economy which make the wheels of the economy to function or operate.

V=velocity that is average number of times a monetary unit changes hands in an economy

P= price level that is rate of increase in the prices of inflation rate

T=the total amount of transaction happening in the economy during the course of time

This version/Variants of the Famous equation contend that "other things remaining the same a proportionate increase in the money supply will lead to a proportionate increase in the level of prices or inflation without in any manner effecting the real output of the economy. So here occurs direct relation between the money supply and price level".

From equation one Velocity can be worked out as

$$V=PT/M \qquad (2)$$

Which emphasis that there occurs an inverse relation between money supply and the movement of monetary unit in an economy, as any amount of increase in money supply will lead the corresponding decrease in the velocity of the circulation of monetary unit and hence impacting the functioning of the economy.

Another version of the quantity theory which expresses the relation between the money supply and nominal output can be reproduced as

MV=PY……………………………………………………………… (3)

That is there occurs a direct and proportionate relation between money supply and nominal output (PY) when keeping the velocity as constant. From Equation (3)

V=PY/M……………………………………………………………… (4)

Alternatively it can be written as

P=MV/Y……………………………………………………………… (5)

Equation (5) contends that there is an inverse relation between an increase in the nominal income and the price level. So the increase in the national income of the country has led to a substantial and direct increase in the price level, although in the short run there may occur an increase in the national income as a result of an increase in money supply it will lead to an increase in the price level because the economy is at the long run equilibrium and in the short run it can affect the macroeconomic variables. As Fisher assumed the constancy of velocity that velocity remains constant more or less in the long run, and it will change only if there is the change in the velocity of money more or less due to institutional factors like changes in the modes of payment system, banking habits of the masses etc., otherwise velocity remains more or less constant.

The sum up, the above conclusions provide the fact that digital payment from all these modes of payment channels has increased tremendously, these empirical studies also highlight the fact that the Indian economy is moving towards the cashless society which will in the future eliminate all the cash from the system and the future is no longer when the payment system in the economy will get developed to such an extent that it will eliminate all the cash in physical terms and will make the payment system completely soft, the feature of this will bear the fruits that demand for money to hold will get decreased providing the increase in the velocity as a result of which money supply will decrease, providing the necessary fruit of decrease in price level as is evident from the Fishers equation of exchange. This move also has the feature that it will lead to an increase in employment and boost the economy towards the path of growth.

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Yelena Buren, Elizaveta Bezvoditskaya
Science tutor *L. Vasilevskaya*
BSEU (Minsk)

E-COMMERCE: PROBLEMS AND SOLUTIONS

E-commerce is a form of business process outsourcing or business transformation of a physical or virtual presence. E-commerce has helped businesses establish a wider market presence by providing less expensive and more efficient distribution channels for their products or services. The paper analyzes the main models of an e-commerce business, their problems and solutions.

According to the analysis conducted there are 4 main models of an e-commerce business: business to consumer (The B2C model refers to companies selling products and services directly to end-users.); business to business (In the B2B model, both participants are business entities. This transaction happens when a business needs to source materials to create products); consumer to business (C2B businesses allow individuals to sell goods and services to companies. This approach gives consumers the power to name their prices.); consumer to consumer (The C2C business model connects online consumers, letting an individual sell to another individual, sell both goods and services.).

Further the analysis reveals the challenges e-commerce companies face:

1. Competitor Analysis. In a competitive environment, others will offer the same products and services as you. Unless one has a strategy to differentiate oneself, it is difficult to survive. The emphasis should be placed on developing a strategy to shine brighter than competitors.

2. The headache of product return and refund. When a product is returned, whether due to a dissatisfied customer or damaged product, the business suffers a heavy loss in shipment and reputation. Logistic and shipping costs have always been problematic to e-commerce sellers delivering their product for free. So, the best thing