

## JOURNEY FROM BARTER SYSTEM TO DIGITAL PAYMENTS SYSTEM

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### ABSTRACT

*In barter system a heap of wheat was exchanged by a farmer for a pair of shoes from shoe maker. With that bartering, human culture in the world progressed from stone age to bronze age to iron age, at present the world is experiencing the digital age. In this digital age, almost every corner of the world is economically connected with a digital stream of technology. This has enhanced the payment system from barter to digital and traditional commerce has changed into electronic-commerce. E-commerce helps to achieve the professed role of digital payments "Faceless, paperless, cashless". With the growth in e-commerce, digital payments are gaining momentum and are projected to grow. Therefore, this paper aims to explore the journey from barter system to digital payments system. The study is based on secondary data. Result indicates that the shift from barter system to digital payments system has taken centuries to happen, since each type of payment system needs the acceptance of people. To overcome the evils of each methods of exchange, different types of payment system was accepted by the people at different ages, finally lead to the acceptance of digital payments. It is concluded that, the digital payments system is accepted by the people at slow pace, in spite of the efforts taken by the policy makers, if this continues, India needs a decade again to become cashless nation. Thus it is suggested to concentrate on follow up action and cross check on the schemes and policies implemented towards digital payments system.*

**Key words:** Barter system, Digital payment system, Digital age, E-commerce and Cashless nation

### INTRODUCTION

Payment in exchange for goods and services has been in existence since ancient civilization in barter system. The inconveniences of the barter system made it difficult for people to trade. Thus system of exchange further developed with coins in exchange. Slowly, the world saw the evolution of paper currency, followed by plastic money. With the introduction of currency and coins, evils also increased to steal the currency and the people desired to be fast and furious in their life, which made them to welcome the digital payments to transfer funds quickly and safely. Now, in this contemporary technologically advanced world, it is that digital payments which is going to rule the entire world. Thus the journey of cashless transactions started from barter system. Even though demonetization created awareness about different modes of digital payments but the spread of

corona virus in India during 2020 forced the people to use digital payments. It is evident with the growth of technology up gradation in making online payments.

### STATEMENT OF THE PROBLEM

In digital payment, the user can make payment anywhere and anytime without physical presence. Thus the digital payments have revolutionized the way the people take up monetary transactions. Even though the technological advances in money exchange are speeding up, the people acceptance of digital payments is slow in India, it is evident with a gradual increase in the volume of digital transactions from 4571.76 crores in 2019-20 to 5487.12 crores in 2020-2021. With the challenges of illiteracy, poverty and non-tech savvy, the government has taken several steps to encourage digital transactions. In this context the researchers make an attempt to study the journey from barter system to digital payments system.

### OBJECTIVES OF THE STUDY

The general objective of the study is to explore the journey from barter system to digital payments system in India.

The following are the specific objectives,

- ❖ To examine the evolution of digital payments system from barter system.
- ❖ To explore the steps taken by Indian government towards digital payments system
- ❖ To find the difficulties and problems in the adoption of digital payments system

### METHODOLOGY

The study is based on secondary data. The materials were collected from books, journals and newspapers. Relevant websites and reports have been used in order to make the study an effective one.

### JOURNEY FROM BARTER SYSTEM TO DIGITAL PAYMENTS SYSTEM

- The Barter system was introduced in 6,000 BC years by the Mesopotamians. Bartering is the act of trading one goods or services in exchange for another without the use of medium of exchange. People swapped valuables against an item they wanted from another person for that they exchanged shells, grains, beans, livestock and even lands.
- About 3,500 years ago, valuable metals such as bronze, silver and gold were used as a form of money. Later bronze, copper, gold and silver coins were introduced for convenience.
- Chinese merchants invented the first form of paper money 1000 years ago.
- The first form of cheque was handwritten and became quite popular by the 17<sup>th</sup> century.
- Western Union, launched the first widely used wire transfers service in 1872. It used the telegraph network for the transfer of funds.

- The first ATM (Automatic Teller Machine) card was introduced by Barclays in London in 1967.
- By the 1970s, cards with magnetic strips came in. Lloyds Bank introduced the first bank card to have an information-encoded magnetic strip using a pin for security.
- In India, digital payments started with the origination of e-governance during 1970's which focused on using the Information and Communication Technology to improve the ability of the government to address the needs of the society. Over the years it has grown enormously by various initiatives taken by the government.
- In 1970, the first major step towards e-governance is the establishment of Department of Electronics.
- In 1977, National Informatics Centre was established and this launched District Information system to computerise all district offices.
- During 1990's, innovative technology have led to the emergence of cashless payment technologies. With just a click of mobile phone or through personal computer, the user can transfer money anywhere they want.
- In 2006, National e-Governance Plan (NeGP) was formulated. It enabled many e-Governance initiatives like Digital India, Aadhar, myGov.in, Unified Mobile Application for New age Governance (UMANG), Digital Locker, PayGov, Mobile Seva and Common Service Centres (CSC).
- In June 2015, Digital India programme was launched by Prime Minister Shri Narendra Modi with a vision to transform India into digitally empowered society.
- In November 2016, demonetisation was done, this paved the way to use digital payments and thereafter the payment trend has an option of digital. Even though digital payment existed a decade ago, the usage started after demonetization. Modes of digital payments gradually enhanced from debit/credit card to internet banking in 1998, followed by e-wallet in 2004, mobile banking in 2008, Aadhar Enabled Payment System in 2010, prepaid card in 2011, Unstructured Supplementary Service Data in 2014, Unified Payment Interface in 2016 and also Micro ATM in 2016. Thus a revolution has taken from barter system to digital payments system in India.
- In February 2017, Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDISHA) scheme was implemented under digital India programme with the educational course content emphasizing on digital payments system. Under this scheme, there are 3,75,447 training centers in India and in Tamil Nadu there are 14,900 training centers till 2<sup>nd</sup> June 2021.

## VOLUME OF DIGITAL TRANSACTIONS

From 2017-18 onwards Digidhan Dashboard displays the volume of digital transactions. Ministry of Electronics and Information Technology (MEITY) developed Digidhan Dashboard under Digidhan Mission, which has been set to provide the facility of digital payments to all citizens of India in a

convenient manner. According to Digidhan Dashboard, volume of digital transactions in India as follows,

**Table No. 1**  
**Volume of Transactions**

Financial Year	Volume of transactions (in Crores)
2017-18	2070.95
2018-19	3134.36
2019-2020	4571.76
2020-2021	5488.50

Source: Digidhan Dashboard

The above table proposes that, volume of digital transactions increased gradually year by year from 2070.95 crores in 2017-18 to 5487.12 crores in 2020-2021. This shows that there is a rising trend in digital payments transaction.

It is inferred that, gradual increasing trend in volume of transactions is resulted by the efforts of Indian government towards digital India through digital India programme, flourishing methods of online payments such as Unified Payments Interface (UPI), e-wallets, internet banking, mobile banking, tap-and-go payments in banking cards and acceptance of digital payments by people.

#### PROBLEMS

Payments system is stepping forward from Stone Age to Digital Age. Each system of payments flourishes with the acceptance of people. People acceptance of digital payments system is hindered by the problems. Following are the problems given by the researchers by analysing the digital payments system.

- Literacy in technology is mandatory for the people to use digital payments system, so it is difficult for the illiterate people to adopt digital payments system.
- Smartphone is the basic requirement to do all digital types of transaction, but it is unavailable with rural and elderly people.
- All the types of vendors and service providers are not offering digital payment options to their customers.
- There is mythology among people that overspending is possible when digital payments are used and banks deduct high transaction cost for the digital payments operations.

- People hesitate to make digital payments, due to security issues in digital transactions such as hackers gaining unauthorized access to the data such as Permanent Account Number (PAN), aadhar number, user name, password, account details and using it for fraudulent activities.
- Problems like poor internet connection and payment conflict makes things extremely difficult for the people to do the cashless transaction.

## SUGGESTIONS

India, after crossing different stages in payment exchange from barter system, at present it is in digital payments system. Even though various steps were taken by policy makers for cashless India, still cash dominates the rural India. To bring out cent percent digital payments society in India, the researchers give few suggestions.

- Digital payments is at developing stage in India. Literacy in technology is the need of the hour. Hence both centre and state governments can organize digital payments training camp to train the beneficiaries in the use of technology for payments.
- Smart phone plays an important role in cashless transactions, the government can give subsidy for manufacture of smart phone so as to sell it at a cheaper rate. So that the general public can buy and use it for digital payments.
- Policy makers, bankers and digital payments service providers can take proper measures to reduce the fraudulent activities in digital payments to nil, this in turn enhances the confidence of the people to make digital payments by providing them a psychological security.
- Digital payments service providers can take necessary steps to enhance broadband speed and wide coverage of internet to all areas to solve the problems of poor internet connection and network error.
- Digital payments service provider can give proper promotion about innovative modes of digital payments and its requirements, this enhances the public to be aware of digital payments.
- Customers must notify the banker and digital payments service provider of the loss/theft of the digital payment instruments such as banking card immediately and keep track on the balance, especially after each transactions.

## CONCLUSION

The journey from barter system to digital payments system is ongoing with the efforts of government of India, bankers and digital payment service providers. The journey towards digital payments system started a decade before, with the introduction of internet banking in 1998, but still, paper based payments occupy the dominant position with 61.4 per cent in 2020. In spite of the efforts taken by the policy makers, there is only a gradual growth towards digital payments, the reason is lack of follow up action and cross check on the schemes and policies implemented towards digital payment system. To make this journey a successful one, still there is

a requirement of training camp for common people to use the technology for payment, infrastructural facilities and zero fraudulent activities in digital payments.

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