

SUPPORTING OPPORTUNITIES FOR THE GROWTH OF E-PAYMENT IN INDIA

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With the developments in ICT sector, e-payment is going to be one of the important means of transactions in times to come. In fact, it is said that e-payment is potentially the most important development since the industrial revolution, supported by the recent developments in ICT. Its evolution during the past few years is a result of the transition from private or closed networks to open, public network platform, such as the Internet. In that sense, e-payment can be seen as an evolution rather than a revolution. The impact of e-payment for developing countries is at present mainly in the international trade sector. Studies indicate that over the past few years, the import and export industries have grown significantly, and, therefore, the impact of e-payment will be quite significant. E-payment will also have a significant impact on the services sector as this is not only the fastest growing sector of today, but is also going to be the sector with the greatest potential for offering digitized services and transactions in the years to come.

1. POLICY RECOMMENDATIONS

1.1. Regulating Information Infrastructure

Electronic services infrastructures like telecommunications, television and data networking, as well as the regulatory regimes that affect them, must be permitted and encouraged to converge in order to reflect the rapid convergence of networking technologies employed in E-payment applications.

Electronic Commerce- particularly through managed Internet facilities- that can respond flexibly to the needs of a growing diversity of commercial users. Govt. Should evaluate current competition policies to ensure that they do not impede orderly development of the information and communication infrastructure [1].

1.2. Setting Standards

We urge governments to adopt a pragmatic approach that does not discourage the development of widely accepted proprietary solutions becoming adopted as if they were closely monitors standardisation developments closely to ensure that proprietary standards do not become barriers to market entry or impediments to further innovation.[2]

1.3. Data Exchange

We broadly support the ongoing efforts of the OECD, in consultation with the private sector, to negotiate international guidelines of the development and use of Cryptography and for determining the criteria for legal

access to encrypted data. National Data Protection laws should be harmonized early in order to prevent situations that could destroy public confidence in Electronic Commerce where privacy and confidently implications are concerned.[3] Harmonization should not, however, be promoted in a way that would inhibited the legitimate use of databases. Governments should not act to restrict transborder data flows unduly, but should act multilaterally to minimise the possibility of abuse in the utilisation of customer information when databases are transported from one jurisdiction to another.

1.4. Logistic Infrastructure

Costly and inefficient systems for the physical transportation of goods could slow down the development of the electronic marketplace. Governments have a major

Role to play in ensuring that physical transportation infrastructures are developed in coherent, co-coordinated ways, such that they complement the transaction efficiencies generated by Electronic Commerce and do not interfere with speedy process.[4]

2. PROMOTING INDUSTRY-GOVT. RELATIONS

2.1. Flexibility among Public/private Sector Relationships

Industry and government should maintain a dynamic international dialogue on the harmonisation of Electronic Commerce and Electronic Administration Principles. Public sector practices must be made responsive to the substantial changes in the business environment that are expected to occur with the diffusion of Electronic Commerce.[5] This

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applies particularly to procurement practices and to all administrative reporting procedures that are required of industry by governments.

2.2. Awareness and Education

Govt. should promote awareness of the potential of Electronic Commerce in all sectors of the economy and, in consultation with industry, work to reflect the rapidly changing professional and skills requirements of the electronic marketplace in education and employment programmers.[6]

3. NEW PRINCIPLES FOR THE GOVT. OF ECONOMIC ACTIVITY

3.1. Reforming Regulatory Practices

Government support for the concept of liberalised electronic services markets must be backed up with the real changes in regulatory practices. Badly conceived de-regulation and re-regulation can provide new forms of protection to existing monopolies and can be worse than preserving the status quo.[7]

New Kinds of regulation may be required to prevent new infrastructure providers' form acquiring market power on a scale equivalent to that exercised by incumbent infrastructure monopolies, but new regulation must not prevent better infrastructure management.

3.2. Clarification of Laws and Regulations

As a matter of urgency, governments need to clarify the legal definitions, practices and structures that pertain to commercial activities in an electronic environment and to seek multilateral agreement on critical legal matters, especially the laws regarding residency, agency, liability, audit ability, control of databases, unauthorized use of databases and data protection.

Where appropriate, governments should adjust existing laws and regulations so that they apply to 'intangible' as well as 'material' product environments. They should ensure that all future actions regarding consumer protection laws and regulations co-coordinated with developments in Electronic Commerce.[8]

Recognizing the special characteristics of the commercial environment provided by the Internet, an internationally agreed legal definition is urgently required so as to know as to where commercial transactions are deemed to have taken place of the Internet.

4. FORMING STRATEGIES FOR E-PAYMENT IN INDIA

India has been lagging behind in comparison to other countries, although it has made considerable efforts in

achieving advances in the area of e-commerce. The Ministry of Information and Technology³ formulated an Action Plan in May 1999 for the setting up of a National Information Infrastructure. Broad components of Action Plan, inter alia, included setting up of the national high-speed backbone network, and interconnection of networks⁴. India has also been facing problems regarding the regulatory and legal framework for ecommerce, as also of PC penetration. This is due to a variety of reasons, including the lack of software in Indian languages. Anticipating the need to facilitate the growth of e-commerce, the government initiated the formulation of cyber laws in the country. In this connection, four international state-of-the-art studies were prepared to draw a parallel for India. These dealt with the key cyber laws cryptography, IPR, digital signature and computer crimes. A project of Electronic Data Interchange (EDI) to facilitate trade amongst trading partners has also been implemented [9].

There are far more people connected to the Internet in India today (around 13 million users as on March, 2008) due to the improving PC penetration, availability of bandwidth and power. However, despite the growing Internet population, India witnessed modest ecommerce activity. E-payment activity during 2002 was estimated to be in the region of Investment in ICT helps not only in achieving economic growth but also in helping the society in a variety of ways. The most creative use of ICT seems to be in the application of other computer-based technologies, including embedded chips, satellite based information, etc. in order to meet local needs better.

To illustrate this point, one of the applications that has been successfully adopted in India relates to the dairy sector. In fact, the use of the ICT has helped this industry, which is the world's largest producer of milk and dairy products¹¹. It started with the setting up of a well-organized co-operative movement of dairy producers in Gujarat. Traditionally, individual milk producers brought their milk to the central collection point, where payment was based on volume and the butterfat content. Volume was easily ascertained, but assessing the butterfat content was a complex process.[10] This meant lengthy delays before payment. Complaints and charges of fraudulent assessment were frequent. The solution to the problem involved the use of partially automated equipment. Initially, the expensive imported variety was used at the milk collection centres. This totally automated butterfat assessment machinery was of European manufacture and functioned poorly in Indian conditions. This was, therefore, replaced by a local design of the computer-based assessing equipment. It was less sophisticated, less expensive, partially automated and needed some human intervention but it gave accurate butterfat readings in a few minutes. This computer-based equipment shows a final output that automatically combines the volume of milk with butterfat content to yield a payment

chit immediately cashable by the farmer. The new process was transparent. It diminished delays and complaints and satisfaction of suppliers increased considerably. In the Indian context, the following strategies should be adopted to promote the growth of ICT and eventually e-payment as well as of its use to benefit the society.

Public-private Partnership: With a view to developing ICT in the country, it is important that the government plays an active role as 'enabler' of ICT development. It should focus on facilitating the entry of smaller, underprivileged players into the marketplace and work on public-private partnership for increasing investment in this sector. [12]

Development of Software: Availability of software is an important factor in the growth of e-commerce. It is argued that free and open-source software (FOSS) helps a great deal in this regard¹⁷. In this context, the OECD Report on E-payment and Economic Development states that "opening the source code to public scrutiny is much more than a technical issue: it allows collaborative development in software production, easier integration with other programmes that can be produced by independent programmers, and customization of software to meet the commercial, regulatory, cultural and linguistic requirements of users. By contrast, closed-source or proprietary software requires a significant upfront investment in license fees and is not always adaptable to local concerns"¹⁸. FOSS, therefore, is a different kind of process for building, maintaining and changing the rules that govern information flows. It transforms the perception of how software is written, and who can change it and under what conditions, and the freedoms and responsibilities associated with this process. FOSS not only enables but more importantly, empowers people to manage their ICT development.[13]

Business Process Outsourcing (BPO): This is yet another important area concerning ecommerce and economic development. It involves contracting a service provider to completely manage, deliver and operate one or more of a client's functions¹⁹. In the past, BPO existed for decades, especially in manufacturing, as a way of reducing costs. The earliest BPO ventures, principally by large enterprises, were in the area of IT services. These services have considerably expanded in recent years, primarily due to the development of ICT combined with the increasing demand from enterprises in developed countries, wishing to outsource non-core business functions at low cost. It is, therefore, of paramount A number of factors are critical for the success of BPO in the service-supplying country. These include the availability of adequate Internet infrastructure and access, political stability, strong government support, adequate investment resources, the availability of an educated and skilled labour force and proficiency in the client's primary language. Other factors include compatibility in culture and mindset between the client and the service supplier. These factors have to be taken note of

in developing strategy for the development of ICT in India.[14]

Regulatory Framework: This assumes increasing importance in the growth of ecommerce. This is primarily due to the fact that one of the main challenges facing ecommerce relates to opportunities and risks created by ICT. The issue of security of data on internet and related issues are extremely important for the success of BPO or e-commerce. Similarly, the issue of how to resolve cross-border disputes in the e-payment environment is equally important. Distances between parties, linguistic and cultural differences, difficulties in determining the applicable law and competent jurisdiction, and enforcement of judgments are among the main obstacles that can significantly increase the cost of doing business online. Given that traditional dispute settlement mechanisms may not provide effective redressal in e-payment transactions, there is a need to consider alternative dispute resolution (ADR) mechanisms that can provide speedy, low-cost redressal for claims arising from online interactions. It is, therefore, pertinent to think in terms of the main forms of ADR arbitration, mediation and negotiation- as processes effective in settling disputes out of court and in a manner that is less formal than litigation in court. Although ADR is still in its infancy, it has the potential to grow and to provide fair and inexpensive adjudication of disputes arising out of online transactions. All these aspects have to be taken note of by the policy makers to promote activities that aim to reinforce the growth of the digital economy in India.[15]

CONCLUSION

Liberalization of Indian telecom sector has lead to the convergence of computer, telecommunication and information, making it universally available and affordable. With the IT revolution, there is a constant and continuous convergence of technology and India is witnessing a change never seen before. The change and pace of growth is dynamic-from basic telephony to voice video and data services, and bandwidth on demand to virtual private networks. The fast track revolution in IT, particularly the spread of Internet, makes it imperative that the telecommunication sector keep pace for its survival and growth. The growth of e-payment in India (1999 to 2009) is expected to be the highest among the Asian Countries[16].

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