

Concept of e-money

A recent development in the monetary and financial sector from the technological development is the emergence of electronic money. With every day, the physical use of cash decreases, especially for small and medium transactions. Payments are increasing through mobile wallets, digital wallets, and smart cards. The situation in which money is moving electronically is getting stronger in most economies and India is no exception. Electronic money refers to the essence of variable money. The demilitarization launched by the government aims to achieve the sub-goal of achieving a non-monetary economy.

E-Money

In general, electronic money is an online store with a monetary value on a technical device. The definition of electronic money has become more scientific and specific with the developments associated with it.

Electronic writing or money only referred to is referred to as electronic money. Electronic money is also referred to as electronic money, electronic money, digital money, electronic currency, digital currency, electronic currency, digital money and cyber currency. Electronic money uses the Internet, digital store-value systems, and computer networks.

Electronic money is a cash value that is stored and transmitted electronically by a variety of means - mobile phone, tablet, disconnected card (or smart cards), hard disk drive, or servers. Electronic money does not necessarily need to involve bank accounts in transactions, but it functions as a prepaid holder. It is often used to carry out transactions of small value.

Some examples of electronic money are direct deposit, electronic money transfer, virtual currency, and gold digital currency.

In which form e-money can be kept?

Electronic money can be stored in devices that are usually stored on a server. A credit card such as a credit or debit card that enables us to simply access our deposit or use the balance is not eligible as electronic money.

Types of electronic currencies

There are two types of electronic currency: hard electronic and flexible electronic currencies.

- **Hard electronic currencies** do not allow for reversal of fees, that is, they only support non-reversible transactions. The advantage of this type is that it reduces the cost of operating the electronic currency system.
- **Soft electronic currencies** allow payment cancellation. Payment is only reflected in the event of a dispute or fraud. The reversible payment time will be 72 hours or more. Some examples of this type are credit card and Pay Pal.

Electronic money systems are evolving day by day. Some developments are: it can be used with secured credit cards for extensive facilities, and internet-linked bank accounts can be used for currency exchange with the Secure Micropayment system such as Pay Pal.

Electronic money in India

In India, the RBI regulates the field of electronic money mainly under the Payment and Settlement System (PPS Law) Act 2007. The law details the problem related to electronic money under the name of prepayment tools. The RBI also issues separate guidelines for prepaid payment tools. According to PPS law, banks and non-banking entities can issue prepaid payment instruments in the country after obtaining the necessary approval / authorization from RBI.

In 2002, a working group under YV Reddy reported on electronic money by conducting an extensive study on the potential of electronic money in India. Electronic money in the form of prepaid tools is expected to pay non-cash transactions in the country.

Different Systems of Electronic Money

Electronic Money includes three different systems namely-

- **Centralized Systems** - There are many centralized systems that sell their e-currency directly to end-users, namely Web Money, Pay Pal, Hub Culture Ven and Cashu, but Liberty Reserve only sells through third-party crypto currency exchanges.

- **Decentralized Systems** - Electronic money includes some decentralized systems. They are:

(1) **Bitcoin:** - Bitcoin is a peer-to-peer electronic money system with maximum inflation.

(2) **The monetary ripple system:** The monetary ripple system is a system developed to distribute the electronic money system independent of the local currency.

- **Offline Anonymous System** - The anonymous system can be made "offline". In this electronic money system, merchants do not need to interact with banks before receiving currencies from users. Alternatively, merchants can collect money spent by users and later deposit funds into the bank. The merchant can hand over his storage media at the bank to exchange electronic money for cash.