

# TO STUDY THE FINANCIAL INCLUSION THROUGH THE DIGITAL INDIA PROGRAMME

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## ABSTRACT

The many developing countries in the world mostly lagging behind because of the illiteracy about finance. The developing country like India must have to the concentration on the area like financial inclusion for long term basis. The Financial inclusion is the delivery of financial services and products at reasonable costs to that backward and unbanked part of society, which is not covered under the area of formal banking. An economy can be both economically and socially sound, only when each and every person in the society is financial independent. The Indian Government under the guidance of Hon. Prime Minister Narendra Modi has taken various initiatives for the financial inclusion through the Pradhan Mantri Jan-Dhan Yojana, Sampurna Vittiya Samaveshan, Pradhan Mantri Suraksha Bima Yojana, and Atal Pension Yojna and also announce the digital India Programme. The Government of India also has taken the initiatives on 8th of December 2016 that was the Demonetization of currency notes and from that action there has been seen the great financial inclusion in the country. Every person from the country visited the bank for changing their currency notes.

The paper highlights the basic need and significance of financial inclusion and analyzes how this concept enters into the Indian through the Digital India Programme. It also analyze the effective measures implemented by the government and Reserve Bank of India in this direction. The basic objectives of this paper are to study the importance of Financial Inclusion for the growth of Indian Economy, To study the importance of Digital India programme for the development, To study the various programmes run by the Government for the financial inclusion, To study the impact and results of financial inclusion programme run by the government. The paper also discusses the challenges that India is facing today and their probable solutions with respect to financial Inclusion. The major findings of the papers are Private Banks is found mainly focusing upon the profitable customers and avoiding weaker section of the society. The women are lagging behind in the enjoying financial services available in the market.

**Keywords** - Digital India, Financial Inclusion, Government, Banks, Inclusive Growth, Financial Services.

## INTRODUCTION

Over the past two decades, India has implemented a wide-range of reforms, opening up the economy, and narrowing the gaps in the living standards of its people. Yet, a huge chunk of the country's population is socially and economically excluded. It becomes imperative that social inclusion is made possible better with Financial Inclusion.

In the war against poverty, Financial Inclusion has emerged as a priority for policy makers and regulators in over 60 developing countries across the globe. An increasing number of countries have introduced or introducing holistic approaches and methods to improve access to finance.

In India, though the activity of financial inclusion started as early as 1950, from the year 2005 onwards financial inclusion has been considered a Policy Priority for Reserve Bank of India (RBI), India's central bank, which has given several directions and guidelines during the past one decade. It looks at FI as an effective tool for inclusive growth ensuring equality of opportunity for all. RBI has been focusing on facilitating a process of making available a range of appropriate financial products and services to the underprivileged sections of the Indian Society at an affordable cost.

Keeping a credit delivery focus, RBI has given guidelines to banks in the country encouraging financial inclusion such as

implementation through the banks and dis-incentivizing those banks which are not responsive to the community including the underprivileged. Banks have been urged to align their existing practices with the objectives of financial inclusion. The Demonetization of currency notes is declared by the Prime Minister on 8th Dec 2016 and it was also the one of the great factor of the financial inclusion. Every corner of the country has seen the long lines in front of the banks for changing their currency notes.

**Table: Financial Inclusion steps by Government of India.**

Period	Process Phase	Steps Taken
1950-1970	Consolidation of Banking Sector and facilitation of Industry and Trade	- Co-operative Movement - Setting up of State Bank of India
1970-1990	Focus of Channeling of Credit to neglected sectors and weaker section	- Nationalization of Banks
1990-2005	Focus on strengthening the financial institutions as part of financial sector reforms	- Lead Bank Scheme - Regional Rural Banks
2005-2015	Financial Inclusion was explicitly made as a policy objective	- Service Area Approach - Self Help Groups
From 2015	Digital India Programme announce on 1 July 2015	- BCs & BFs concept
2016	Demonetization of currency notes	- Replacement of 500 and 1000 notes.

## INITIATIVES TAKEN BY GOVERNMENT OF INDIA

The Indian government has taking various initiatives for the purpose of financial inclusion for the development purpose through the various activities like Digital India Programme, Pradhan Mantri Jan-Dhan Yojana, Sampurna Vittiya Samaveshan, Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojna, etc., On 25 August 2014, the RBI Governor Raghuram Rajan outlined the real meaning of financial inclusion for India. He said that “Simplicity and reliability in financial inclusion in India, though not a cure all, can be a way of liberating the poor from dependence on indifferently delivered public services and from venal politicians”. Further, he added, “In order to draw the poor, the products should address their needs - a safe place to save, a reliable way to send and receive money, a quick way to borrow in times of need or to escape the clutches of the money lender,

easy to understand life and health insurance and an avenue to engage in savings for the old age.” For achieving this target, the RBI will accordingly nudge banks to offer such basic suite of services.

He added that while over the years the government has taken several steps to spread the banking habit, formidable tasks lie ahead. As of the 24.67 crore households in the country, 10.19 crore do not have access to banking services. In rural areas, 44 per cent households and in urban areas 33 per cent still do not have a bank account.

## DIGITAL INDIA (DI)

In an order to create transparent, responsive, participative government and to give a big push to Financial Inclusion target, Prime Minister Narendra Modi launched the much ambitious 'Digital India' programme on July 1, 2015. This will be for prepare India for the knowledge based transformation and deliver good governance to citizens by synchronized and coordinated engagement with both Central Government and State Government.

The vision of Digital India programme aims at inclusive growth in areas of electronics services, products, manufacturing and job opportunities etc. The vision of Digital India is centred on three main key areas:

- (i) Digital Infrastructure as a utility to every citizen
- (ii) Governance & services on demand
- (iii) Digital Empowerment of citizens

The Digital India programme aims to provide broadband highways, universal access to mobile connectivity, public internet access programme, e-governance: Reforming government through technology, eKranti - Electronic delivery of services, Information for all, Electronics manufacturing: Target net zero imports, IT for jobs and early harvest programmes.

### Some of the key areas of concern include:

- 1) Digital Locker System aims to minimize the usage of physical documents and enable sharing of e-documents across agencies. The sharing of the e-documents will be done through registered repositories thereby ensuring the authenticity of the documents online, says the government.
- 2) MyGov.in has been implemented as a platform for citizen engagement in governance, through a "Discuss", "Do" and "Disseminate" approach. The mobile app for MyGov would bring these features to users on a mobile phone.

- 3) Swachh Bharat Mission (SBM) Mobile app would be used by people and Government organizations for achieving the goals of Swachh Bharat Mission.
- 4) eSign framework would allow citizens to digitally sign a document online using Aadhaar authentication.
- 5) The Online Registration System (ORS) under the eHospital application has been introduced. This application provides important services such as online registration, payment of fees and appointment, online diagnostic reports, enquiring availability of blood online etc, the government claims.
- 6) National Scholarships Portal is said to be a one stop solution for end to end scholarship process right from submission of student application, verification, sanction and disbursement to end beneficiary for all the scholarships provided by the Government of India.
- 7) DeitY has undertaken an initiative namely Digitize India Platform (DIP) for large scale digitization of records in the country that would facilitate efficient delivery of services to the citizens.
- 8) The Government of India has undertaken an initiative namely Bharat Net, a high speed digital highway to connect all 2.5 lakh Gram Panchayats of country. This would be the world's largest rural broadband connectivity project using optical fibre.
- 9) Policy initiatives have also been undertaken by DeitY in the e-Governance domain like e-Kranti Framework, Policy on Adoption of Open Source Software for Government of India, Framework for Adoption of Open Source Software in e-Governance Systems etc.
- 10) BSNL has introduced Next Generation Network (NGN), to replace 30 year old exchanges, which is an IP based technology to manage all types of services like voice, data, multimedia/video and other types of packet switched communication services.
- 11) BSNL has undertaken large scale deployment of Wi-Fi hotspots throughout the country. The user can latch on the BSNL Wi-Fi network through their mobile devices.
- 12) BPO Policy has been approved to create BPO centres in different North Eastern states and also in smaller / mofussil towns of other states.
- 13) Electronics Development Fund (EDF) Policy aims to promote Innovation, R&D, and Product Development and to create a resource pool of IP within the country to create a self-sustaining eco-system of Venture Funds.
- 14) National Centre for Flexible Electronics (NCFlexE) is

an initiative of Government of India to promote research and innovation in the emerging area of Flexible Electronics.

- 15) Centre of Excellence on Internet of Things (IoT) is a joint initiative of Department of Electronics & Information Technology (DeitY), ERNET and NASSCOM.

## **PRADHAN MANTRI JAN-DHANYOJANA (PMJDY)**

Indian Prime Minister Narendra Modi announced this scheme for comprehensive financial inclusion on his first Independence Day speech on 15 August 2014. The scheme was formally launched on 28 August 2014 with a target to provide 'universal access to banking facilities to all'.

The basic objective of "Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is to ensure access to various financial services like availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to the excluded sections i.e. weaker sections and low income groups. PMJDY is a National Mission on Financial Inclusion plan encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic bank account for each household, introducing financial literacy, easy access to credit, insurance and pension facility. In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance cover of Rs. 1 lakh. The plan also foresees to channelize all Government benefits (from Centre / State / Local Body) to the beneficiaries accounts and pushing the Direct Benefits Transfer (DBT) scheme of the Union Government.

The technological issues like poor connectivity, on-line transactions will also be addressed in this. For the successful implementation of PMJDY, the detailed framework was laid down. It includes the following steps:

- (1) The business correspondent model should be extended to include entities such as kirana shops, corporates and others. It is obvious that Business Correspondents (BCs) need to be properly remunerated and have the full support of banks. Banks have tied up with common service centres (CSCs) as BCs.
- (2) Insistence on KYC (know your customer) norms has hindered the opening of new accounts even in urban areas. Great significance is, therefore, attached to e-KYCs, in which the Aadhaar plays an extremely useful role.

- (3) Since mobile banking through phones is to play an increasingly important role in ascenario where physical bank branches will be few, greater co-ordination between mobiletelephone companies and banks will be taken care of.
- (4) Greater emphasis will laid upon the commercial viability of the project, as this will be theultimate key to the programme's success.

### **SAMPOORNAVITTIYASAMAVESHAN (SVS)**

A plan of the Union government to cover the unbanked (10 crore uncovered households)households, they introduced comprehensive financial inclusion plan SampoornaVittiyaSamaveshan (SVS) plan, in August, 2014, to extend coverage of basic financial services to allexcluded households. This plan also targets that one account has to be opened for a ladymember of each household. In the first phase, it attempt to provide universal access to all thebeneficiaries through sub-service areas (SSAs). Each SSA consist of 100-1,500 families in acluster of villages and each SSA will be serviced by a BC agent (BCA) whose task it will beto facilitate account opening and smooth banking operation. The latest inclusion plan has itsfocus on households rather than geographical areas. After satisfactory conduct of accounts, itis proposed to offer reasonable need-based credit facilities for which overdraft facilities willbe sanctioned. A smart card (RuPay card) will be issued to enable customers to operate theiraccounts even without BCs. Simultaneously suitable awareness will be created among thefinancially excluded.

### **PRADHAN MANTRI SURAKSHA BIMA YOJANA AND PRADHAN MANTRI JEEVAN JYOTI BIMA YOJANA**

Pradhan MantriSurakshaBimaYojana has been launched by government, June 2015, toprovide access of insurance to vulnerable section of society at affordable cost. It is anAccident Insurance Scheme offering accidental death and disability cover for death ordisability on account of an accident. The scheme is a one year cover, renewable from year toyear. The scheme has been offered by all Public Sector General Insurance Companies and allother insurers having tie-up with banks.The premium paid will be tax-free under section 80Cand also the proceeds amount will get tax- exemption u / s 10 ( 10 D ) . P r a d h a n MantriJeevanJyotiBimaYojana, June 2015, was another step taken by government for improving financialinclusion. This scheme provides life insurance to poor and to vulnerable

section of society ataffordable cost. The scheme is a one year cover, renewable from year to year, InsuranceScheme offering life insurance cover for death due to any reason. The scheme would beoffered / administered through LIC and other Life Insurance companies having tie-up withbanks.

### **ATAL PENSION YOJNA (APY)**

The scheme was launched on June 1 2015. The Government of India is concerned about theOldageincome security of the working poor and to vulnerable section of society and isfocused on encouraging and enabling them to save for their retirement. . A pension providespeople with a monthly income when they are no longer earning. The APY is focused on allcitizens in the unorganized sector. Under the Atal Pension Yojna Scheme (APY), the subscribers,under the age of 40, would receive the fixed monthly pension of Rs. 1000 to Rs5000 at the age of 60 years, depending on their contributions. The benefit of minimumpension would be guaranteed by the government, as government also co-contribute 50 percent of a subscriber's contribution or Rs 1,000 per annum, whichever is lower to each eligiblesubscriber account for a period of of 5 years from 2015-16 to 2019-20.

### **DEMONETIZATION OF CURRENCY NOTES**

The Demonetization of currency notes is declared by the Prime Minister on 8th Dec 2016 and it was also the one of the great factor of the financial inclusion. Every corner of the country has seen the long lines in front of the banks for changing their currency notes.

### **RATIONALE OF THE STUDY**

The present study is designed to focus on the subject of financial inclusion through the Digital India programme. The government of India announces their ambitious project that is Digital India programme. The same programme is having the concentration on the different nine parameters; one of the important one is financial inclusion. For the development purpose the financial inclusion is necessary because only through this programme the weaker section and women's are also become the part of the banking system in the country. Hence this Digital India programme is having the great importance.

### **STATEMENT OF THE PROBLEM**

Today it is found from the several study in India that peoples are lagging behind in the enjoying banking and financial services. For the development of the nation there should be proper financial inclusion at all the levels of economy. The

government of India is also taking the initiatives through the various programme for the financial inclusion. But it is the need of the day to increase the financial inclusion. The Government of India launches the one programme that is digital India in that also the financial inclusion had given the more weightage; hence the researcher has selected the topic “To Study the Financial Inclusion Through the Digital India Programme” for the present study.

## OBJECTIVES OF THE STUDY

1. To study the importance of Financial Inclusion for the growth of Indian Economy.
2. To study the importance of Digital India programme for the development of the nation.
3. To study the various programmes run by the Government for the financial inclusion.
4. To study the impact and results of financial inclusion programme run by the government.

## LITERATURE REVIEW

Almost all studies have more or less concluded that Financial Literacy is a crucial part of the financial inclusion. A majority of the respondents willing for repeated programmes also confirm this belief. In the wake of rapid invasion of technology across the world it also becomes imminent that ICT plays an important role in the financial inclusion and it is strongly advised that the financial literacy curriculum includes technological interventions in a bid to reach quicker and cost effective as also secure financial products and services to the needy.

Shri K. C. Chakraborty as Chairman and Managing Director, Indian Bank said that “Financial Exclusion is the lack of access by certain consumers to appropriate low cost, fair and safe financial products and services from the main stream providers”. He added that “There is a large overlap between poverty and permanent financial exclusion. Both poverty and financial exclusion result in a reduction of choices which affects social interaction and leads to reduced participation in society”.

According to the Planning Commission (2009), financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. The household access to financial services includes access to contingency planning, credit and wealth creation. Access to contingency planning would help for future savings such as retirement savings, buffer savings and insurable contingencies and access to

credit includes emergency loans, housing loans and consumption loans. On the other hand, access to wealth creation includes savings and investment based on household's level of financial literacy and risk perception.

According to Chakraborty (2011), financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. This issue started gaining importance recently in the news media. However, as is the case with several issues in India, financial inclusion has remained a pipe dream with a majority of Indians continuing to lack access to banking services.

## METHODOLOGY

The present study is based on the primary as well as secondary data. The sample primarily consists of women (70%) who had undergone financial literacy programmes. Moreover, the majority of the respondents belonged to unbanked and poor classes, who have less access to financial institutions and their services. This poses a question that biasness towards women for financial literacy programmes may not be the right approach to financial inclusion. The reason is twofold. First, mostly the financial decision making is taken by the men and second, they do transact more outside, including financial institutions. Formaking poor households financially included, equal importance should be given to training of men on financial literacy and this could lead to a greater impact.

## FINDINGS

1. The financial products available in the market is not up to the requirement of every customers.
2. The Infrastructural facility and the latest technology is not properly available to the banks and the financial institutions for the purpose of attracting the more customers.
3. The Private Banks are found mainly focusing upon the profitable customers and avoiding weaker section of the society.
4. There is not proper Financial Awareness among the all levels of the people.
5. The process and requirement of the documentations is difficult in the financial system of the country
6. The staffing policies and doorstep banking is not properly provided by the banks and the financial institutions.

7. The woman are lagging behind in the enjoying financial services available in the market

## SUGGESTIONS

1. The financial products should be customized for getting the more financial inclusion at all levels of the economy.
2. The Infrastructural Up-gradation and the proper latest technology is needed for attracting more people for the financial inclusion.
3. The Private Banks Participation should be compulsorily increase to the financial inclusion and financial services to all levels of the economy.
4. The Financial Awareness programmes should be arranged by Government, Banks and financial Institutions for the financial inclusion.
5. For the increasing financial inclusion by the people there is need of Simplification of documentation and the procedure.
6. For getting the proper financial inclusion there is need of better staffing policies and doorstep banking by the banks and financial Institutions.

## CONCLUSION

To sum up, financial inclusion is the road that India needs to travel toward becoming a global player. Recently, Indian financial inclusion advocates enjoyed a brief victory lap and an international spotlight in January, 2015 with a renewed push. On January 20, Indian Finance Minister Arun Jaitley was presented with a Guinness World Record for the fastest financial inclusion roll-out in history, the Pradhan Mantri Jan Dhan Yojana (PMJDY). During one week, between 23 and 29 August 2014, around 18,096,130 bank accounts were opened through this national inclusion strategy. The recent much ambitious 'Digital India' programme will also provide the intensified impetus for further momentum and progress for e-Governance and would promote inclusive growth that covers electronic services, products, devices, manufacturing and job opportunities. But, for standing out on a global platform, India has to pay attention upon the real implementation of financial inclusion initiatives, as a key for inclusive growth and integrated development. There is a long way to go for the financial inclusion mission to reach to the core poor. Reserve Bank of India has directed that all branches of banks across the country should ensure financial inclusion in villages by harnessing low cost technology and by innovating low cost business models. It has approved Financial Inclusion Plans to be rolled out by banks over a period of three years. RBI has also directed to include criteria

regarding Financial Literacy and Inclusion in performance evaluation of the staff. Looking at the global picture, on May 6, 2015, IMF Chief Christine Lagarde said that "Nearly two billion people globally do not have bank accounts including those in the US", meaning that financial systems around the world despite being sizable exclude many individuals from financial services. She added that "It requires supervisors and regulators to work on managing risks and to work together. It requires building resilience in all countries. It requires realignment between corporate culture and societal objectives". In Indian context, it means that mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion, while formal financial institutions and banks must gain the trust and goodwill of the unbanked population through developing strong linkages with community-based financial ventures and cooperative.

Financial Inclusion has not yielded the desired results yet and there is long road ahead. It requires government, supervisory agencies and legal regulators to work in a more integrated, unified manner so as to accomplish this mission of real financial inclusion.

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