

A STUDY ON INITIATIVES TAKEN ON FINANCIAL INCLUSION THROUGH THE DIGITAL PROGRAMME BY GOVERNMENT OF INDIA

Dr. Dashrath Bhiku Bhoite*

ABSTRACT

The lack of financial literacy is causing many emerging nations to fall behind. Long-term focus areas for developing nations like India should include financial inclusion. Financial inclusion refers to providing affordable financial services & products to the under banked and underprivileged segments of society that are beyond the purview of traditional banking. A society cannot be considered socially and economically sound unless every community member is self-sufficient. Under the direction of Hon. Prime Minister Narendra Modi, the Indian government has implemented several financial inclusion measures through the Pradhan Matri Jan-Dhan Sampurna Vittiya Samaveshan, Pradhan Mantri Suraksha Bima Yojana, and Atal Pension Yojna and also announced the digital India Programme. In addition to highlighting the importance and fundamental financial inclusion requirements, the article examines how the Digital India Programme introduces this idea to India. It also examines the successful initiatives taken in this regard by the Indian government and Reserve Bank of India. The issues that India is currently facing about financial inclusion are also covered in the paper, along with potential solutions.

KEYWORDS: Digital India, Financial Inclusion, Government, Banks, Inclusive Growth, Financial Services.

Introduction

India has carried out a number of changes in the last 20 years, opening up the economy and reducing the disparities in the living standards of its citizens. However, a sizable portion of the population of the nation is economically and socially marginalized. It becomes necessary to improve financial inclusion in order to facilitate social inclusion.

In the global fight against poverty, regulators and policy makers in more than 60 developing nations have made financial inclusion a top goal. A growing number of nations are using comprehensive strategies and techniques to enhance financial accessibility.

Although financial inclusion was first introduced in India in 1950, RBI the country's central bank, began to prioritize financial inclusion in 2005. Over the following ten years, the RBI has issued numerous directives and guidelines about financial inclusion. It views FI as a powerful instrument for inclusive growth that guarantees everyone has equal access to opportunities. The RBI has been concentrating on enabling the process of providing the impoverished segments of Indian society with a variety of suitable financial products and services at a reasonable cost.

With an emphasis on loan distribution, the RBI has provided guidelines to banks nationwide that promote financial inclusion. These rules include implementation through the banks and the withholding of incentives from those banks that do not show a willingness to engage with the community, particularly the impoverished. Banks have received requests to match the goals of financial inclusion with their current procedures.

* MIT College of Management, MIT ADT University, Loni Kalbhor, Pune, Maharashtra, India.

Table: Financial Inclusion Steps by Government of India

Period	Process Phase	Steps Taken
1950-1970	Consolidation of Banking Sector & facilitation of Industry and Trade	<ul style="list-style-type: none"> • Co-operative Movement • Setting up of State Bank of India • Nationalization of Banks • Lead Bank Scheme • Regional Rural Banks • Service Area Approach • Self-Help Groups • - BCs& BFs concept
1970-1990	Focus of Channeling the Credit to neglected sectors and the weaker section	
1990-2005	Focusing on strengthening the financial institutions as part of financial sector reforms	
2005-2015	Financial Inclusion was expressly made as a policy objective	
From 2015	Digital India Programme announced on 1 July 2015	

Initiatives Passed by the Government of India

The Indian government has implemented several programs, such as the Digital India Programme, Pradhan Mantri Jan-Dhan Yojana, Sampurna Vittiya Samaveshan, Pradhan Mantri Suraksha Bima Yojana, Atal Pension Yojna, etc., intending to promote financial inclusion for development. The RBI Governor, Raghuram Rajan, explained what financial inclusion means for India on August 25, 2014. The speaker expressed his belief that financial inclusion in India could help free the impoverished from reliance on corrupt politicians and indifferently provide public services, even though it is not a panacea.

He went on, saying, "Products should address the needs of the poor to attract them: a secure location for savings, a dependable method of sending and receiving money, a speedy way to borrow money when needed or to get out from under a moneylender's grasp, easily understandable life and health insurance, and a way to start saving for retirement." The RBI will therefore encourage banks to provide such a minimum array of services to meet this goal.

Although the government has made several actions over the years to promote banking, he said, there are still difficult jobs ahead. 10.19 crore of the nation's 24.67 crore households do not use financial services. Out of the households taken in both rural and urban areas, 44% and 33%, respectively, still have not opened their bank account.

Digital India (DI)

On July 1, 2015, Prime Minister Narendra Modi announced the much-anticipated 'Digital India' plan, with the goal of establishing a transparent, responsive, and participatory government and significantly advancing the Financial Inclusion target. Through coordinated and synchronized interaction with the Central Government and State Governments, this would set up India for the knowledge-based revolution and provide citizens with good governance.

The Digital India plan envisions inclusive growth in electronic services, goods, manufacturing, employment prospects, and other related areas. The three primary focus areas of Digital India's vision are as follows:

- Digital infrastructure as a public utility for all citizens;
- on-demand governance and services; and
- citizen empowerment through digital means

Broadband roads, public internet access programs, universal mobile connection, e-governance-government reforming through technology, eKranti-Delivery of electronic services, information for all, and other initiatives are among the goals of the Digital India program. Manufacturing of electronics: Aim for net zero imports, use IT to create jobs, implement early harvest initiatives.

Some of the Key areas of Concern Include:

- The goal of the Digital Locker System is to reduce the amount of paper documents used and to facilitate agency-wide sharing of electronic data. According to the government, the exchange of electronic papers will take place via accredited repositories, guaranteeing the legitimacy of the documents on the internet.

- Using a "Discuss", "Do", and "Disseminate" approach, MyGov.in has been established as a platform for giving information to citizens regarding governance. Users would be able to access these functions on their phones through the MyGov mobile app.
 - To accomplish the objectives of the Swachh Bharat Mission, individuals and government agencies will use the Swachh Bharat Mission (SBM) mobile app.
 - Using Aadhaar authentication, citizens will be able to digitally sign documents online through the eSign framework.
 - The eHospital application now includes the Online Registration System (ORS). According to the government, this program offers crucial services like online registration, fee and appointment payment, online diagnostic reports, and online blood availability inquiries.
 - The National Scholarships Portal is billed as a one-stop shop for the complete application procedure for all scholarships offered by the Indian government, including student submission, verification, approval, and distribution to the final recipient.
 - To enable the effective provision of services to the populace, Deity has launched the Digitize India Platform (DIP), an effort aimed at digitizing the nation's records on a massive scale.
 - The Indian government launched Bharat Net, a highspeed digital network that connects all 2.5 lakh gram Panchayats nationwide. This would be the biggest optical fiber-based rural broadband access project in the world.
 - Deity has also launched policy initiatives in the field of e-Government, including as the Structure for Adoption of Open Source Software while using in e-Government Systems, the Policy on Adoption of Open Source Software for the Government of India, and the e-Kranti Framework.
 - Next Generation Network (NGN), an IP-based system that handles all kinds of services like phone, data, multimedia/video& other packet switched communication services, have been adopted by BSNL to replace the exchanges that date back thirty years.
 - BSNL has started to widely distribute Wi-Fi hotspots around the nation. The user's mobile device can connect to the BSNL Wi-Fi network.
 - The establishment of BPO centers in various Northeastern states as well as in smaller, rural towns in other areas has been authorized by the BPO policy.
 - The Electronics Development Fund (EDF) Policy seeks to foster innovation, Research and Development and product development as well as to build an IP resource pool nationally in order to support the development of a venture fund ecosystem that can support itself.
 - The Indian government launched the National Centre for Flexible Electronics (NCFlexE) as an effort to foster creativity and research in the rapidly developing field of flexible electronics.
 - The Department of Electronics and Information Technology (Deity), ERNET, and NASSCOM collaborated to create the Center of Excellence on the Internet of Things (IoT).
- **Pradhan Mantri Jan-Dhan Yojana (PMJDY)**

On August 15, 2014, Indian Prime Minister Narendra Modi made the announcement of this broad financial inclusion plan during his inaugural Independence Day speech. The program's official debut date was August 28, 2014, with the stated goal of giving "universal access to banking facilities to all."

The primary objective of the Pradhan Mantri Jan-Dhan Yojana (PMJDY)" is to assure excluded groups, like low-income and weaker sections, access to a range of financial services, including basic savings bank accounts, remittance facilities, need-based credit, insurance, and pensions. The PMJDY plan is part of the National Mission on Financial Inclusion, which aims to achieve comprehensive financial inclusion for all households in the nation through an integrated strategy.

The strategy calls for establishing financial literacy, providing simple access to credit, insurance, and pension facilities, and providing all households with at least one basic bank account. A RuPay Debit card with an integrated Rs. 1 lakh accident insurance cover would also be given to the beneficiaries. Additionally, all government benefits (from the federal, state, and local levels) are to be directed onto the recipients' accounts, and the Union Government's Direct Benefits Transfer (DBT) program is to be promoted.

This also covers technical concerns like slow connectivity and online transactions. A thorough framework was established in order to successfully apply PMJDY. It entails the subsequent actions:

- Kirana stores, corporates, and other businesses should be added to the business correspondent model. It is clear that banks must fully support Business Correspondents (BCs) and provide them with appropriate compensation. As BCs, banks have partnered with common service centers (CSCs).
- Even in cities, the imposition of KYC (Know your customer) regulations has made it more difficult to register new accounts. This is why e-KYCs, of which the Aadhaar is immensely helpful, are quite significant.
- There will be more coordination between mobile phone carriers and banks because mobile banking via phones is expected to become more significant in a future where there are fewer physical bank offices. (4) The project's commercial feasibility will receive more attention because it will be crucial to the program's success in the end.

- **Sampoorna Vittiya Samaveshan (SVS)**

The comprehensive financial inclusion plan Sampoorna Vittiya Samaveshan (SVS) plan was presented by the Union government in August 2014 as a way to cover the 10 crore uncovered unbanked households and to provide basic financial services to all excluded households. This strategy also stipulates that each household must open one account for a female member. Sub-service areas (SSAs) are used in the first phase to try and give all beneficiaries universal access. A BC agent (BCA) will oversee each SSA, which is made up of 100–1,500 families spread over several villages. The BCA's job is to make account opening and banking operations run smoothly. The most recent inclusion plan places more emphasis on households than on geographic regions.

It is suggested to provide acceptable need-based credit facilities, for which overdraft facilities will be approved, following satisfactory account management. Customers will receive a smart card, called a RuPay card, so they may manage their accounts without BCs. The financially excluded will concurrently become appropriately aware.

- **Pradhan Mantri Suraksha Bima Yojana and Pradhan Mantri Jeevan Jyoti Bima Yojana**

The government started the Pradhan Mantri Suraksha Bima Yojana in June 2015 to give vulnerable groups in society access to inexpensive insurance. This accident insurance plan ensures coverage for unintentional death and disability resulting from an accident. The program is a one-year coverage that is renewed annually. All Public Sector General Insurance Companies and other insurers with bank partnerships have provided the program. Section 80C provides a tax-free premium payment, while Section 10(10D) exempts the proceeds from taxes. In June 2015, the government implemented the Pradhan Mantri Jeevan Jyoti Bima Yojana as an additional measure to enhance financial inclusion.

This program offers reasonably priced life insurance to the underprivileged and vulnerable groups in society. The insurance plan is a one-year policy that is renewable annually and provides life insurance coverage for any cause of death. The program would be made available and run by LIC as well as other life insurance providers who have partnerships with banks.

- **Atal Pension Yojna (APY)**

June 1, 2015, was the scheme's start date. The Indian government is focused on empowering and enabling the working poor and other vulnerable members of society to prepare for their retirement because it is concerned about their old-age economic stability. When someone is no longer employed, a pension gives them a monthly payment. All citizens who work in the unorganized sector are the focus of the APY. The Atal Income Yojna Scheme (APY) provides subscribers under 40 with a set monthly income ranging from Rs. 1000 at age 40 to Rs. 5000 at age 60, contingent on their contributions.

The government also co-contributed 50% of the subscriber's contribution or Rs 1,000 annually, whichever is smaller, to each eligible subscriber account for a period of five years, from 2015–16 to 2019–20. This meant that the government would guarantee the benefit of a minimum pension.

Rationale of the Study

This study intends to examine financial inclusion as it relates to the Digital India initiative. This Digital India program is an ambitious undertaking that the Indian government has launched. The same initiative focuses on nine main characteristics, financial inclusion being one of the key ones. Financial

inclusion is essential for growth because it is only via this program that women and the country's poorer sections have gained access to the banking system. Therefore, it is crucial that the Digital India program, which in particular links low-income individuals, is implemented.

Statement of the Problem

Examining financial inclusion in relation to the Digital India program is the goal of this research. The Indian government has started an ambitious project called Digital India. Financial inclusion is one of the nine primary features that the same project focuses on. Growth depends on financial inclusion because it is only via this initiative that women and the nation's poorer segments have been able to access the banking system. Thus, it is imperative that the Digital India initiative, which specifically connects low-income people, be put into action.

Objectives of the Study

- To investigate the role that financial inclusion plays in the expansion of the Indian economy.
- To study how crucial the Digital India initiative is to the country's progress.
- To study the different financial inclusion initiatives that the government offers.
- To investigate the role that financial inclusion plays in the expansion of the Indian economy.

Literature Review

The majority of research has come to the roughly similar conclusion that financial inclusion requires financial literacy. Most of the respondents who indicated that they would be open to repeating the program support this notion. Given how quickly technology is advancing throughout the globe, it is inevitable that ICT will play a significant role in financial inclusion. As a result, it is highly recommended that technological interventions be included in the financial literacy curriculum to provide the underprivileged with financial products and services that are both secure and quick to access.

"Financial Exclusion is the lack of access by certain consumers to appropriate low-cost, fair and safe financial products and services from the mainstream providers," stated Shri K. C. Chakraborty, Chairman and Managing Director of Indian Bank. "There is a significant overlap between permanent financial exclusion and poverty," he continued. Financial exclusion and poverty both limit choices, which has an impact on social interaction and lowers involvement in society.

Financial inclusion, as defined by the Planning Commission (2009), is the availability of a wide diversity of financial services to everyone at an equitable cost. These include financial services including insurance and equity products in addition to banking goods. Financial services that households can use include financing, asset generation, and emergency preparedness. Having access to credit includes emergency loans, home loans, and consumer loans. By making use of contingency planning it would help with future savings such as buffer savings, retirement savings, and insurable contingencies. Conversely, the household's level of financial awareness and risk tolerance determines the availability of savings and investments for wealth growth.

Financial inclusion, according to Chakraborty (2011), is the process by which mainstream institutional players promise that unprotected groups, such as lower-income groups and weaker sections of society, have fair and transparent access to appropriate financial products and services at an affordable cost. The mainstream media has recently begun to focus more attention on this topic. However, with the majority of Indians still unable to access banking services, financial inclusion has remained a pipe dream, as is the case with many other challenges in India.

Methodology

Both primary and secondary data form the basis of the current investigation. Seventy percent of the sample is made up of women who have participated in financial literacy programs. Furthermore, the vast majority of respondents came from impoverished and unbanked backgrounds, which restricts their access to financial institutions and their services. This raises the possibility that promoting financial literacy programs with a bias against women may not be the best way to achieve financial inclusion. There are two factors at play. First, men make the majority of financial decisions, and second, they do more business outside of financial institutions. Men's financial literacy training should be prioritized equally in order to increase the financial inclusion of low-income households, as this could have a bigger effect.

Findings

- Not every customer's needs are met by the financial products that are on the market.
- The banks and other financial institutions that want to draw in more clients do not have sufficient access to the newest technology and infrastructure.
- Private banks tend to steer clear of the weakest segments of society in favor of profitable clients.
- People in society at all levels lack enough financial awareness.
- The paperwork requirements and procedures inside the nation's financial sector are challenging.
- The banks and other financial institutions do not adequately provide doorstep banking and staffing policies.
- Women are underrepresented in the market for financial services.

Suggestions

- To increase financial inclusion at all economic levels, financial products should be tailored.
- To draw more individuals to financial inclusion, modern technology and infrastructure upgrades are required.
- There should be a mandatory rise in the private bank's participation in financial services and financial inclusion for all economic levels.
- To promote financial inclusion, the government, banks, and financial institutions should organize financial awareness initiatives.
- Simplifying the process and documentation is necessary to increase financial inclusion among the populace.
- Improved hiring practices and doorstep banking from banks and other financial institutions are required to attain appropriate financial inclusion.

Conclusion

In conclusion, India must pursue financial inclusion if it is to become a major player in the world economy. Advocates for financial inclusion in India recently had a short triumph lap and a global focus in January 2015 with a revived push. On January 20, Indian Finance Minister Arun Jaitley accepted a Guinness World Record for the Pradhan Mantri Jan Dhan Yojana (PMJDY), which has been the fastest financial inclusion program ever launched. Approximately 18,096,130 bank accounts were opened under this nationwide inclusion initiative in a single week, from 23rd August to 29th August 2014. Recently, the much-anticipated 'Digital India' initiative will also give e-Government more momentum and advancement and encourage inclusive growth encompassing electronic services, goods, gadgets, manufacturing, and employment prospects.

However, as a prerequisite for equitable growth and integrated development, India must focus on earnestly implementing financial inclusion programs if it is to stand out on the international stage. To reach the core poor, the financial inclusion mission still has a long way to go. The RBI has mandated that all bank branches around the nation use low-cost technology and develop low-cost business models to guarantee financial inclusion in villages. It has given its approval for banks to implement Financial Inclusion Plans over a three-year period. The RBI has also mandated that standards for Financial Literacy and Inclusion be incorporated into staff performance reviews.

Taking a broad view, on May 6, 2015, Christine Lagarde, the head of the International Monetary Fund (IMF), stated that "nearly two billion people globally do not have bank accounts including those in the US." This indicates that even while financial systems are vast, many people are excluded from financial services worldwide. "It requires supervisors and regulators to work on risk management and to collaborate," she continued. Building resilience is necessary in any nation. Realigning business culture with societal goals is necessary. In the Indian context, this means that creating simple bank accounts with no frills is not only the goal or the end of financial inclusion; rather, formal financial institutions and banks need to build strong relationships with community-based financial ventures to win the trust and goodwill of the unbanked population.

There is still more work to be done and Financial Inclusion has not yet produced the expected outcomes. To achieve this goal of actual financial inclusion, government, supervisory agencies, and legal regulators must collaborate more cohesively and integratedly.

References

1. Paramasivan C, Ganeshkumar V. Overview of financial inclusion in India. *International Journal of Management and Development Studies* 2013; 2(3): 45-49.
2. Kaur H, Singh KN. Pradhan Mantri Jan Dhan Yojana (PMJDY): A Leap towards Financial Inclusion in India. *International Journal of Emerging Research in Management and Technology* 2015; 4(1): 25-29.
3. Kumar P. Financial Inclusion in India- Current Position and Challenges. *Asian Journal of Multidisciplinary Studies* 2014; 2(7): 283-289.
4. Kumar R, Kumar V. Financial Inclusion in India. *Indian Streams Research Journal* 2015; 5(5): 1-8.
5. Reserve Bank of India. Economic Growth, Financial Deepening and Financial Inclusion, Speech by Rakesh Mohan, Deputy Governor, Reserve Bank of India, November 20, 2006.
6. Reserve Bank of India. Financial Inclusion: A road India needs to travel, Speech by Dr. K.C. Chakrabarty, Deputy Governor, Reserve Bank of India, October 12, 2011.
7. Sharma A, Kukreja S. An Analytical Study: Relevance of Financial Inclusion for Developing Nations. *International Journal of Engineering and Science* 2013; 2(6): 15-20.
8. Shashikant, Uma (2015, May 18), Modi government's financial inclusion programme: Here's how to make most of it, *The Economic Times*, Retrieved from <http://articles.economictimes.indiatimes.com> (accessed as on 25 June, 2015)
9. The Economic Times Bureau, Digital India: 15 salient things to know about PM Narendra Modi's project, *The Economic Times*, Retrieved from <http://economictimes.indiatimes.com> (accessed as on 1 July, 2015)
10. Jan Dhan Yojna. See <http://economictimes.indiatimes.com/news/economy/finance/jan-dhan-yojna-makes-it-to-guinness-world-records-11-5-cr-jan-dhan-accounts-opened/articleshow/45955376.cms>
11. Digital India plan could boost GDP up to \$1 trillion by 2025: McKinsey, December 2014. See: <http://economictimes.indiatimes.com/industry/telecom/digital-india-plan-could-boost-gdp-up-to-1-trillion-by-2025-mckinsey/articleshow/45536177.cms>
12. Digital Banking- An Expert Guide On How To Get There, December 2014. See: <http://www.forbes.com/sites/tomgroenfeldt/2014/12/28/digital-banking-an-expert-guide-on-how-to-get-there/>

