Global Scientific JOURNALS

GSJ: Volume 11, Issue 3, March 2023, Online: ISSN 2320-9186
www.globalscientificjournal.com

ROLE OF DIGITAL INDIA INITIATIVE IN FINANCIAL INCLUSION: AN ASSESSMENT

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Abstract

Financial inclusion refers to providing fair, transparent, and equitable access to finance and financial services to everyone at a reasonable price. One of the essential requirements for an economy to accomplish balanced growth in its economy is the presence of a smart financial system. If the majority of the population has access to banking services, the banking system is considered to have developed. By creating a number of commissions, RBI has taken some noteworthy measures to address the problems with financial inclusion. The most important program, dubbed "Digital India," was introduced by Mr. Narendra Modi, the Indian Prime Minister, on July 1, 2015, with the goal of enhancing digital literacy and connecting rural areas to high-speed Internet networks. Of course, the success of the Digital India plan will have an immense effect on expanding the scope of financial inclusion. In considering this context, the current article makes an effort to evaluate how the Digital India programme has affected financial inclusion. The problem was addressed using secondary data.

Key Words: Financial Inclusion, Digital India, RBI, Internet , Network

Introduction:

The term "financial inclusion" was first coined in 1993, although the work on this topic doesn't begin until 1998. Connecting every segment of society to the banking system is referred to as financial inclusion. If all citizens use the financial system, a banking system can be built in a balanced fashion. In order for the economy to grow, a developed banking sector inside the financial system is therefore needed. To reinforce this system, the Reserve Bank of India and the Indian government adopt a number of actions. The RBI set up many commissions to look into financial inclusion. Commissions make recommendations that aid in the advancement of financial inclusion. The Indian government has recently taken various actions that contribute to the creation of "Digital India." This is a significant development for financial inclusion. It will be quite simple to connect all of the citizens with banking systems with the aid of this project. The customer will find payment systems to be quite simple. Initiatives for a Digital India thereby boost both the economy's growth rate and the rate of financial inclusion. Financial inclusion entails providing financial services to all segments of society, namely the underprivileged and weaker ones. Therefore, a sizable population has used banking and financial services. All residents may access a variety of government services online thanks to the Digital India Campaign. The goal of financial inclusion can be achieved with the support of the digital India program, which makes it simple to connect the many societal segments.

Review of Literature:

Jani and Tere (2015) look at the various services and forms of government that Indian citizens are asking for. They also talked about the infrastructure needed to use all of the services offered by Digital India. They offer a fresh interpretation of India Tomorrow, stating that IT (Indian talent) + IT (information technology) equals IT (India tomorrow). **Morgan (2014)** studied the connection between financial inclusion and stability. to determine whether there are significant trade-offs between them or if they are mutually reinforcing. According to his study, the beneficial aspects of bank asset diversification, decreased riskiness, and greater stability outweigh the negative aspects of declining lending standards, bank reputation risk, and insufficient regulation of MFIs. The contribution of the banking industry to India's financial inclusion is examined by **Tamilarasu (2014).** He looks at how the number of cops per office is declining over time. He also looked at the number of commercial banks in India between 2008 and 2013, and he found an upward trend in the number of banks. **Sharma and Kukreja (2013)** examined the globe Bank's survey report and contrasted India's financial inclusion with that of the rest of the globe. In comparison, India still has a long way to go before achieving financial inclusion. Their report also includes a comparison of the banking sector by country. According to **Kumar (2007),** achieving financial inclusion is a continuous process rather than a one-time endeavour. All parties, including society, policymakers, financial institutions, the government, the community, etc., must work together. He researched how India's commercial banks contribute to financial inclusion. Technology plays a significant role in financial inclusion. He talked about how the role of technology in financial inclusion cannot be disregarded.

Therefore, it is evident from the scant literature on the subject that digitalization is essential for financial inclusion in any nation. Infrastructure, stakeholder cooperation, and national financial stability all play a significant role in the growth of financial inclusion. This study shows that there has been relatively little research on financial inclusion and digitalization in any nation. The current study aims to investigate this specific field. This is where our study's research is lacking.

Objectives of the Study:

Main objective of the study is to emphasis the digitalization of India for the financial inclusion. To reaching this objective this paper also depict the concept of digitalization, financial inclusion, different mode of digitalization, government initiative etc.

Research Methodology:

This paper is basically based on theoretical work, various numerical data are used for preparing different diagram which expresses the trend of digitalization.

Paper is design by using secondary data which are collected from various research papers, newspapers articles, websites and published reports.

Digital India:

The Indian government launched the "Digital India" programme on July 1, 2015, with the goal of ensuring that citizens have access to government services online. The government's ambitious plan to transform our nation into a digitally empowered knowledge economy was another ambitious endeavour. It seeks to incorporate with the prevalent patterns of technological advancement and attract significant investment to the technology sector. (Rangarajan Committee, 2008). In light of people's growing readiness to utilise the internet and the nation's increasing data traffic, the "Digital India" project and a payments infrastructure are establishing the groundwork for a digital economy. According to the Government of India, the initiative's objective centers on giving every person access to infrastructure as a utility, as well as on digital empowerment, on-demand services, and governance. The landscape of financial services in India is changing as a result of technology. With the aid of digital technology in banking services, the government has quickened its approach to achieving financial inclusion. To reach the unbanked population and create the enormous prospects for financial services, the efforts made by the RBI to promote financial inclusion required this help from the digital infrastructure. Therefore, this initiative's primary goal is to offer infrastructure and technological services on demand. This programme will undoubtedly quicken the process of financial inclusion.

Financial Inclusion:

Financial inclusion is the provision of financial services to underprivileged or low-income groups of society at reasonable pricing. (Sarma, 2008; Solo, 2008). The goal is to provide banking services to every segment of society. Financial Inclusion was the name used when it first began. The phrase was originally used in 1993, but the concept really took off in 1998. With the nationalisation of 14 major banks in 1969, the banking industry truly began to expand. This effort resulted in a significant banking sector change in India. Six further banks were nationalised in 1980 after that. To meet the financial needs of farmers and to improve rural areas, NABARD (National Bank for Agriculture and Rural Development) was founded in 1982. Along with the NABARD, annual agriculture plans were also started. The major goal of these projects was to link society with the financial industry. Access to a "wide range of financial services at a reasonable cost," according to the Reserve Bank of India, is the broad definition of financial inclusion.

Different Commissions on Financial Inclusion:

Various commissions are formed by the Government of India for financial inclusion which is as follows.

Khan commission:

In order to examine financial inclusion, the RBI established the Khan Commission in 2004. The commission's recommendations were included in the mid-term review of the policy (2005–06), and the commission advised banks to assess their current practises in order to

ISSN 2320-9186

bring them in line with the goal of financial inclusion. The RBI urged banks to offer basic banking "no frills" accounts with "NIL" or "very minimum" balance requirements as well as fees that would make such accounts available to large segments of the population.

Nachiket MOR Committee:

In September 2013, the RBI established the "Committee on Comprehensive Financial Services for Small Businesses and Low Income Households," which Nachiket Mor, a member of the RBI board, served as chairman. In January 2014, RBI published the extensive and exhaustive Report of this committee. The committee's main suggestions were:

- Providing all Indians over the age of 18 access to a universal bank account by January 1, 2016.In order to do this, a vertically segmented banking system is needed, with wholesale banks handling credit outreach and payments banks handling deposits and payments. These banks must have Rs. 50 crore in capital, which is only 10% of the amount required for newly licenced banks.
- Aadhaar will be the main force behind the swift increase of bank accounts.
- Monitoring at the district level, such as the percentage of GDP represented by deposits and advances (GDP).

Deepak Mohanti Committee

On July 15, 2015, the Deepak Mohanti Committee was established by the central bank, RBI. The group was established with the primary goal of researching other nations' financial inclusion programs, particularly as they relate to technology. The goals were also set in connection to consumer protection and consumer education regarding sound banking practices. The committee's main suggestions were

- Banks must work extra hard to increase female account opening, and as a welfare measure, the government may take into consideration the Sukanya Shiksha deposit programme for girl children.
- A unique biometric identity, such as Aadhaar, should be linked to each individual credit account given the prevalence of individual account ownership (94% of all credit accounts).
- A "Gold KCC" (Kisan credit card) programme with greater flexibility for borrowers with timely repayment records, which might be integrated with a government-

sponsored personal insurance, as well as the digitization of KCC to track spending patterns, are also suggested.

- It is suggested that National Payments Corporation of India (NPCI) provide a multilingual mobile application for users of non-smart phones, particularly for those who utilise the national unified USSD platform. (NUUP).

Digital India Initiative is likely to drive Financial Inclusion:

India's financial inclusion status is more likely to improve through digital India initiative as:

- For banks in rural or remote places, brick and mortar operations are proving to be an unprofitable venture.
- Due to regional restrictions, there are distributional difficulties.
- Traditional banking models cannot be used in these areas for small-ticket transactions, deposits, loans, etc.
- Several accounts are basic in design.
- A dearth of knowledge about financial goods exists.
- There is a significant need for competent and trained labour.
- In order to measure the effects of technology-driven inclusion, unbanked economies have taken advantage of digital technologies, notably in the mobile sector.

Component of Digital Financial Inclusion:

Different component are used for digital financial inclusion. These are as follows.

Digital transactional platform: Through a device that transmits and receives transaction data and connects—directly or through the use of a digital communication channel—to a bank or nonbank permitted to store electronic value, a customer can make or receive payments and transfers and store value electronically.

Retail agents: Customers are able to change cash into electronically stored value and then back into cash thanks to retail agents who are equipped with digital devices that are connected to communications infrastructure to transmit and receive transaction details. Agents may also carry out other tasks, subject to existing law and the agreement with the major financial institution.

Device: The tool used can be either a digital one, like a mobile phone, which transmits data and information, or a physical one, like a credit card, which connects to a digital one. (e.g., POS terminal).

The Impact of Digital India Progrmme on Financial Inclusion:

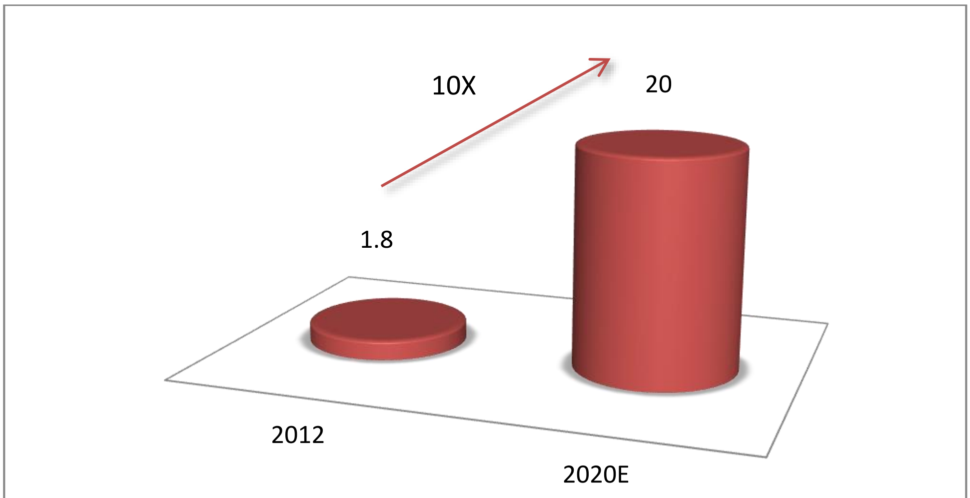
- A USD18.4 billion investment in IT skill development, government service improvement, and last-mile internet connectivity.
- By June 2017, a nationwide fibre-optic network will be established.
- The provision of Wi-Fi services in key tourist destinations and cities with a population of over one million.
- By 2019, 250,000 village clusters will have access to broadband internet, at a cost of around $5.9 billion.
- Each citizen will have access to "digital lockers" where they can save all of their original identifying papers and records.
- India's development of 100 smart cities, for which USD 1.2 billion has been set aside.
- Connectivity across all phone models.
- 400,000 internet access points are being set up.
- Digital inclusion aims to provide almost 1.7 crore IT, telecom and electronic professionals with jobs.
- The creation of 8.5 crore indirect IT-related jobs at least.
- Put an emphasis on automating the provision of government services.
- Securing a position of leadership in IT for the enhancement of banking, healthcare, and education services.
- Widening access to the internet and enabling the usage of shareable private space on public cloud architecture to give people more digital power.

These are the actions made as part of Digital India to advance the IT industry. The goal of financial inclusion can be easily achieved with the growth of the IT sector.

ISSN 2320-9186

Growth of data traffic in India (EB)

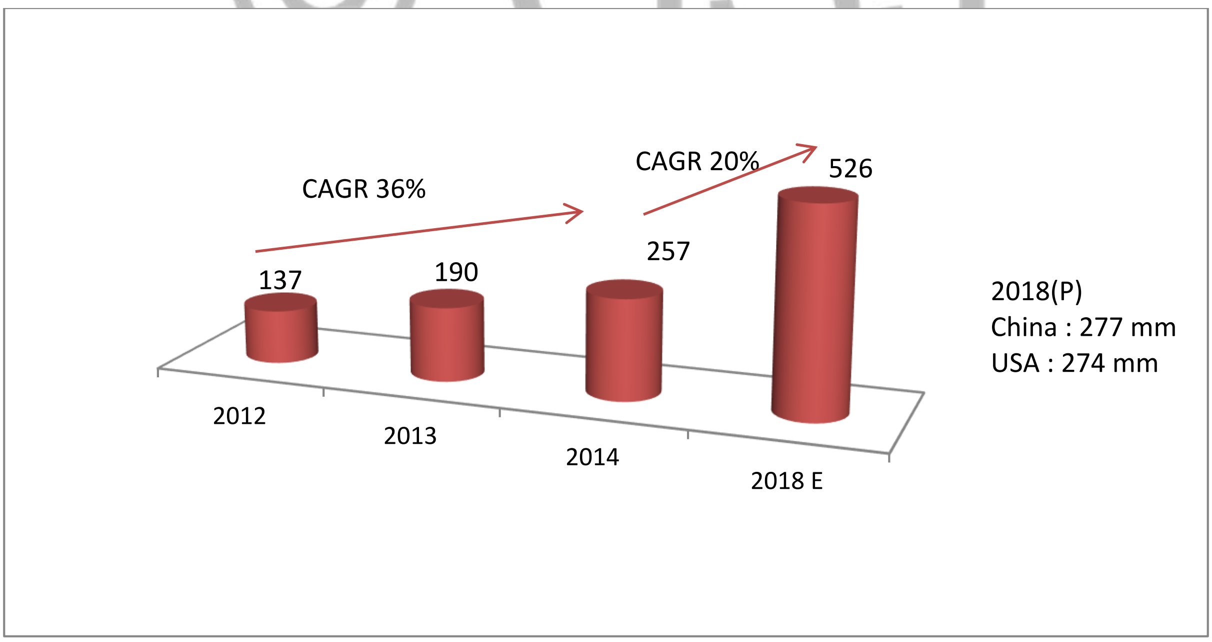
Data traffic is the quantity of information moving through a network. This was 1.8E in 2012, and it will be 20E in 2020. The presentation is illustrated as follows.



(EB is Exabyte. 1EB= 1 billion GB)

Number of internet users in India (in million)

Internet users increase day to day which is reflected in the following diagram.



Digitization: The market is now counting on shifting consumer preferences away from pricing (discounts) and towards convenience and service as a result of exposure to innovative digital-based services that have been disruptive in nature (e-commerce players and e-governance services).

- **The unpenetrated or financially excluded, along with GoI initiatives, offer natural growth opportunities:**

The goal of bringing 50% of the unbanked population under the banking system is being aggressively pursued. In order to move closer to this objective, about 160 million accounts have been opened through PMJDY, and 500 billion INR are intended to be transferred directly through DBT.

- **Increasing mobile penetration and smart phone usage:**

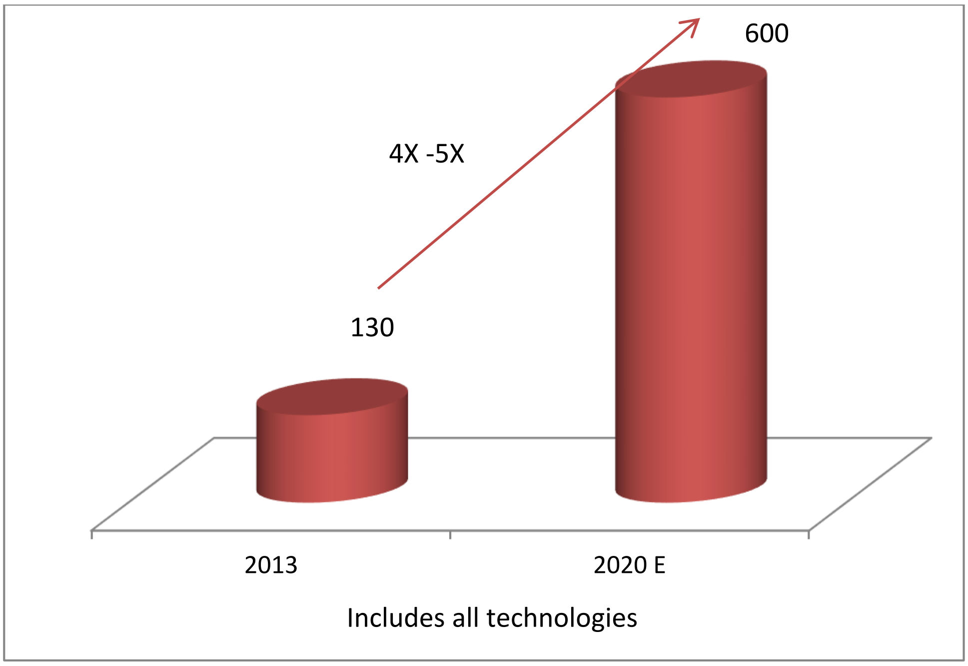
Given that players are placing their bets on mobile-based financial services, the approximate 90% mobile penetration is likely to increase financial literacy as well as inclusion. Falling handset prices and an expected 50% increase in smart phone adoption are predicted to boost security, improved servicing, and acceptance.

- **Leveraging mobile phone and Smartphone penetration:**

In India, digital growth would likely be led by mobile devices given the anticipated level of penetration. Financial inclusion is anticipated to be boosted by innovations that take use of mobile adoption and payments banks.

Number of mobile internet users (in million)

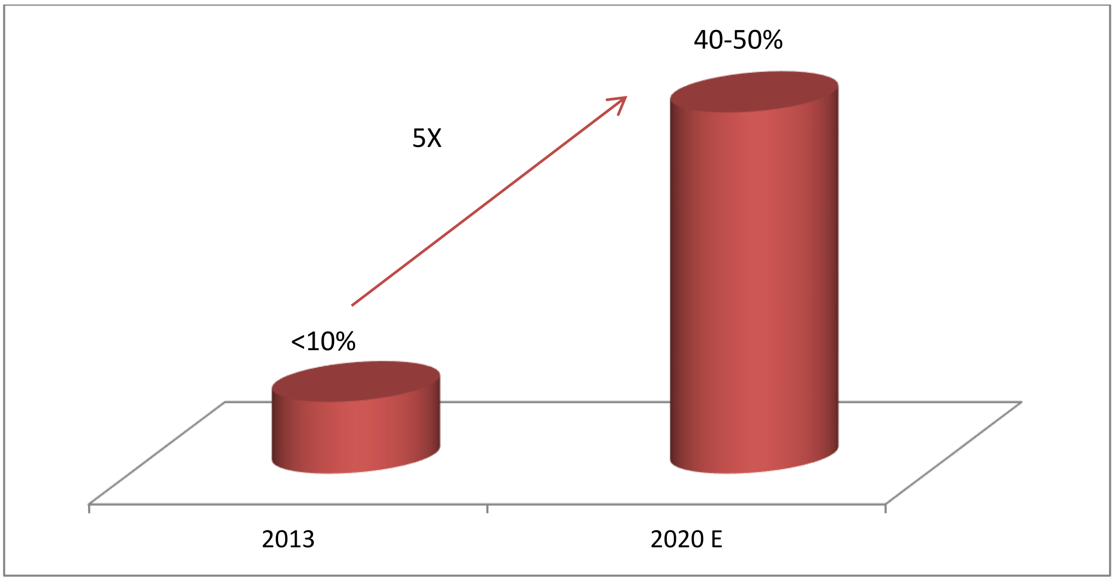
Mobile internet user was 130 million in 2013 and it will be 600 million in 2020. Following diagram present this trend.



The 920 million mobile phone customers in the nation provide a large market for an inventive low-cost route to spread the reach of banking and payment services. (Refer to graphs below for user statistics).

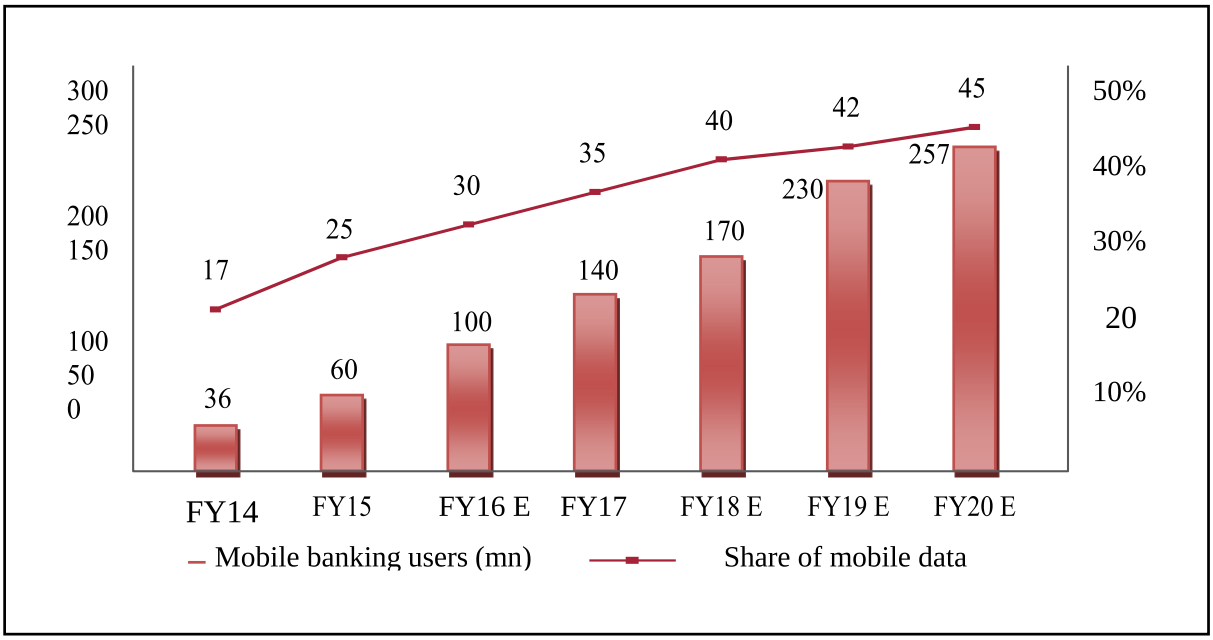
Smartphone penetration (in per cent):

The percentage of the population who owned a smartphone at a given time is known as smartphone penetration. In India, it will be between 40 and 50 percent in 2020, as seen in the diagram below.

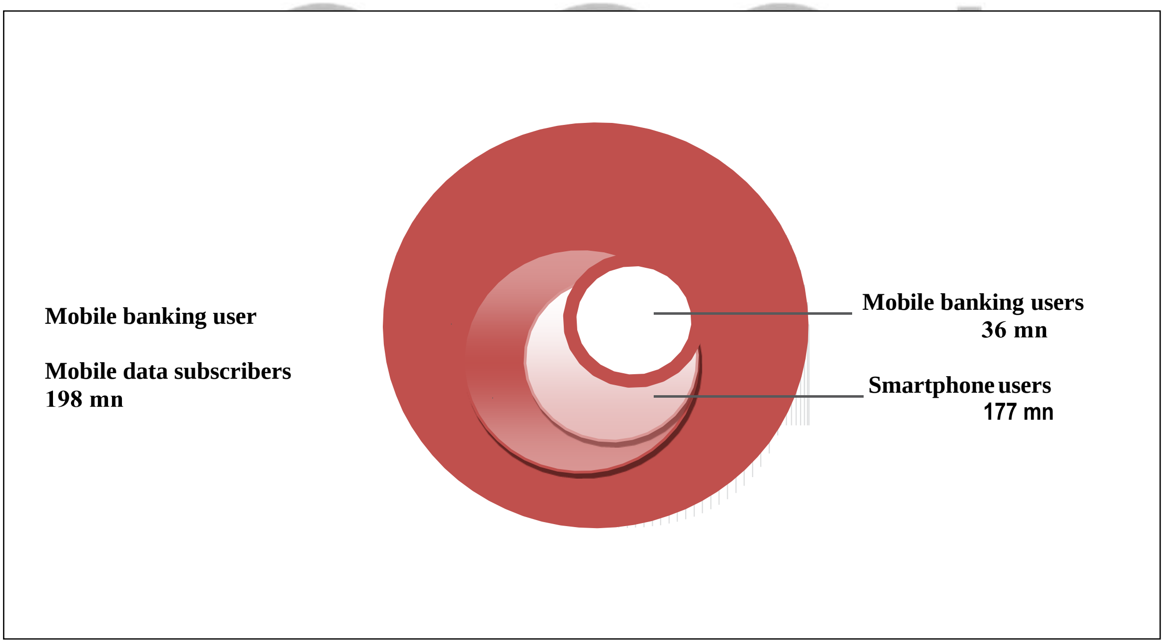


Mobile banking user forecasts (in per cent):

Mobile banking rate also increase day to day. Following figure prove the statement.



India's mobile-banking opportunity:

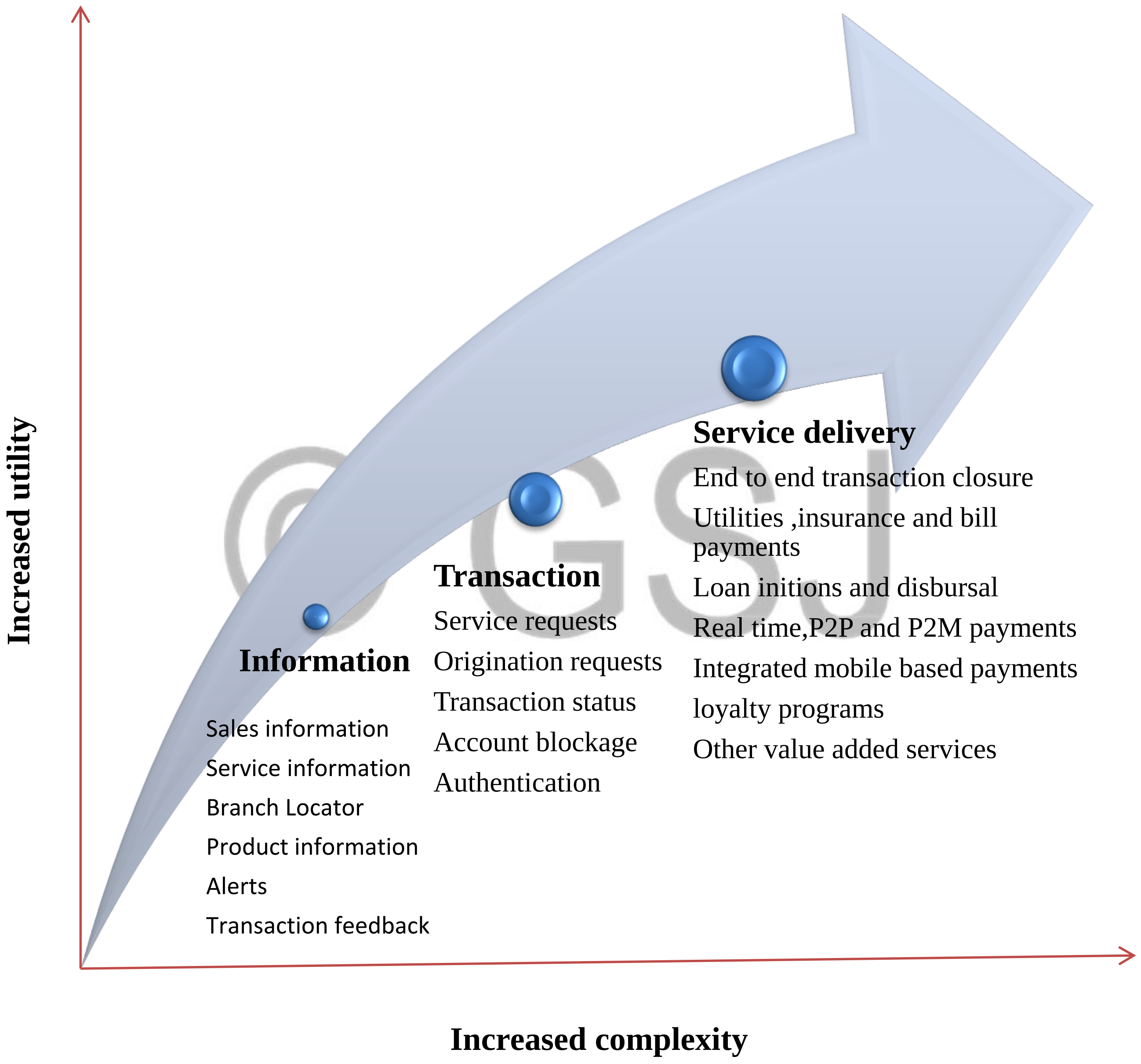


Following are some movements, owing to increased mobile penetration and use of mobile internet, that reflect the shift towards financial inclusion:

- The National Payments Corporation of India launched a national unified Unstructured Supplementary Service Data (USSD) code and gateway that is device, operator, and bank independent as a solution for the majority of Indians who have basic feature phones. Numerous models and partnerships have been established between banks, telecom operators, and technology players. (Refer to the graph below to know the utility levels of mobile with respect to complexity)

- Prepaid mobile instruments (wallets) are promoting the use of cashless remittances and commerce for the unbanked and underbanked.

Maturity of Mobile Usage:



Findings

There are still many difficulties in making digital financial services sustainable, despite their enormous potential and well-established promise to promote financial inclusion. Banks should concentrate on creating appealing products that encourage widespread active client adoption. The next wave of growth is predicted to emerge through focusing on the underbanked as the unbanked pool shrinks over the next few years as a result of both physical and digital initiatives.

Suggestions and Recommendations :

In order to profit from the expansion of this market, banks may also need to make investments to improve user preparedness in the following areas:

- Aadhar-based supporting systems for e-KYC.
- Supporting analytics and mobile platforms to comprehend client segments and wants.
- Developing cutting-edge distribution models that go beyond traditional, labour-intensive operational models based on brick and mortar.
- Making customer service paradigms like voice-based, multilingual interactions, and streamlined service offerings available.
- Determining the need for innovation based on scalable technical efforts that can be integrated with new disruptive technologies and business models, such as prepaid instruments (PPI), point of sale (PoS), kiosks, mobile devices, payment banks, etc.

Conclusion:

Players may need to make strategic decisions on the digital model as well as the transition path they may need to follow in the short to medium term due to capital and internal capability constraints. With the digital India agenda, everyone wants to be able to pay using technology. The low income segment of society will increase its use of electronic banking methods. The zero or minimal fee for banking services will also encourage certain financial behaviours. It can be concluded that the goal of financial inclusion will be easier to achieve thanks to digital India.

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