



Digital India Initiative: An analytical study

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Abstract

Digital economy is rapidly developing worldwide as the largest driver of innovation, competition, and growth. Even though many people have been excluded, tremendous opportunities are available for the digital economy to support financial inclusion for sustainable economic development. Digital India is an initiative taken by the Indian Prime Minister Shri Narendra Modi on 1st July, 2015 to ensure that the governmental services are made available electronically to the citizens. The concept of digital banking under digital India will be very helpful in financial inclusion. This paper highlights the effect of digital India initiative on the concept of financial inclusion. The digital India initiative can easily connect the different groups of society and can help to achieve the objective of financial inclusion through digital banking.

Keywords: Digital economy, rapidly, Analytical, Digital India

1. Introduction

Initiatives As the Indian economy is rapidly growing, The developing economy is in need of digital. The Indian government has taken many steps towards this digitization. The “Digital India Initiative” adopted to provide internet facilities and wide-ranging mobile phone services around our nation, assisting to the entire people to enter the economic activities thro online by operating through mobile or any other digital media like through computer, internet banking. A Cashless Economy is an economy in which all types of transactions are carried out through digital means. It includes ebanking (Mobile banking or banking through computers), debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets.. Participants in a recent conference organized by the Asian Development Bank in collaboration with the Consultative Group to Assist the Poor and the Asian Development Bank Institute, with the support of the government of Luxembourg, shared their insights about what works and does not work to promote the digital economy in the service of financial inclusion. They also examined how the Asian Development Bank’s developing member countries can be helped to fast-track innovative digital financial solutions to meet their development objectives.

Since 2010, more than 55 countries have made commitments to digitalization, and more than 30 have either launched or are developing a national strategy. Our research indicates that when countries institute a national digitalization strategy, they increase the pace and impact of reforms.

Countries that have reached the most evolution toward digitalisation have put in place an enabling regulatory and policy environment, and have encouraged competition allowing banks and non-banks to innovate and expand access to financial services. However, creating this innovative and competitive space has to be accompanied by appropriate consumer protection measures and regulations to ensure responsible provision of financial services.

Digital financial technology, or “fintech,” and particularly the global spread of mobile phones, has facilitated expanding access to financial services to hard-to-reach populations and small businesses at low cost and risk:

- Digital IDs make it easier than ever before to open an account
- Digitization of cash-payments is introducing more people to transaction accounts
- Mobile-based financial services bring convenient access even to remote areas
- Greater availability of customer data allows providers to design digital financial products that better fit the needs of unbanked individuals

As countries have accelerated efforts toward financial inclusion, it has become apparent that they face similar hurdles which impede their progress. These include:

- Ensure financial access and services extend to hard-to-reach populations, including women and the rural poor
- Increase citizens’ financial literacy and capability so they understand different financial services and products
- Make sure everyone has valid identification documents, and a low-cost, accessible means for them to be authenticated
- Devise useful and relevant financial products, tailored to consumer needs
- Establish robust financial consumer protection frameworks, and adapt relevant regulatory and supervisory authorities, including by utilizing technology to improve supervision (so-called “regtech”)
- Globally, a lack of IDs makes it hard to open a bank account, access capital and credit.

Review of literature

Agrawal and Sen (2017) ^[11], highlights that almost 90% of India universities are equipped with Ointernet facilities. In

addition, government has created database to store citizen data online to avoid distortion or data loss. This initiative ensures that government has updated data for decision making.

Gyana (2019) reports that all union territories are covered with mobile connectivity. From an evidenced data, Madhya Pradesh and Odisha states have the maximum number villages which are not yet connected with mobile services.

Kedar (2015) ^[1], India has been creating at least 10000 jobs every month to fight unemployment rates within the region. This triggers generation of income leading to improved living standards as well as GDP rates in the country. As result, finances for supporting social amenities and infrastructure are available According to report by United Nations (2016), India was ranked position 107 on e-Government Development Index. This goes tremendous improvement since it was ranked 118 in 2014.

This has been attributed by creation of online portals where government publics and communicates vital information with citizens. For instance, individual identification cards and voters card are stored online thus enabling easy retrieval incase of need. Furthermore, the government has developed portals where they publicize current achievement and completed projects for citizens to evaluate (Gurumurthy, Chami & Thomas, 2016). Through e-governance, India has improved its economy since citizens are able to evaluate and track progress of achievement thus closing loopholes for corruption in long run. There is a huge growth in the e governance transactions can be understood from the Figure 3 from the year 2013 to 2017.

Means of expansions to Increasing Financial Inclusion

Faster payment infrastructure: Technology now provides the opportunity to improve payment infrastructure. The importance and benefits of a faster payment infrastructure in lowering barriers and reducing costs for financial inclusion is key. The Unified Payments Interface System in India and the Faster Payments System in the United Kingdom (UK) are good examples to learn from.

Digitizing government-to-person (G2P) payments: The Indian government's initiative to link direct transfers and other subsidies to the national identification system made substantial progress in including the poor in the digital space.

New models of collaboration and partnership: On the supply side, Duncan Woods of Oliver Wyman pointed out that players entering the digital economy are creating new models and the kind of collaboration that leverages each other's strengths and expertise. Successful examples include Telenor in Pakistan and its partnership with Tameer Bank on mobile e-money accounts that brought together the infrastructure and outreach of a mobile network operator and the financial expertise of a bank to reach millions of customers.

Customer-centric models: Examples of customer-centric models that work with people formerly excluded from financial access have been showing the way to address some of the barriers to inclusion. Realini referred back to the example of Juntos Finanzas, which developed solutions to the problem of account dormancy by sending reminders to mobile phones. She stressed how understanding and focusing on a problem and developing solutions that are based on "trickle-up approach" to learn the needs and demands of customers can get them on board and keep them

engaged in making use of digital financial services. This included the innovative use of automated short message service (SMS) messaging that provides customers with reminders and encourages them to save or pay a loan on time.

Big data analytics: Technology has allowed analysis of the mass of information now available through digital sources, generally referred to as "big data" analytics. This creates opportunities to reduce the costs of dealing with clients. Several private sector players have started using big data for credit and insurance, since this brings down the costs of providing these services, especially for low-income customers. This is where the economics come into play to support greater access to a full range of financial services. Prime examples include the more than 9 million customers of M-PESA who now have access to savings and credit from the Commercial Bank of Africa in Kenya and millions of small and medium-size enterprises that now have access to almost instant credit from

Digital currency: The use of digital money through licensed e-money issuers is able to broaden the access and ability for people to send and receive funds as well as become financially included. While there are several examples such as M-PESA and Tigo Pesa in Kenya and Tanzania, there are also examples such as GCASH and Smart Money in the Philippines, Easy Paisa in Pakistan and WING in Cambodia.

Steps taken by the Indian Government towards Digital India

- The government has been functioning hard to promote digital payment systems. Till now, the government has reported a 400-1,000% enhance in digital transactions since the demonetization.
- The RBI has been promoting a biometric authentication system for banking
- The Aadhar Enabled Payment System (AEPS) can be used to open a Bank Account using just an identification number and fingerprint
- Government is also promoting mobile transactions. newly, the RBI had issued some instructions that permit the users to increase their limit to Rs 1, 00,000 based on certain Know your customer verification.

Apart from this Various incentives offered by government to promote digital India on Cashless India like:

- On digital transactions up to rupees 2000, Service Tax of 15% give up
- discount of 0.75% on digital purchase of fuel through credit cards, mobile wallets or e-wallets,
- Free accident insurance worth rupees 10 lakh on account of online ticket buyers
- On purchase of new LIC policies online via its site, 8% discount is offered.

Challenges For Digitalization in India

There are yen number of problems in making India as digital economy. Few among them are

Transactions are mainly in cash: Even though the government provides many benefit for digital transaction, people still interested in cash transaction as it easy to do and they addicted to go for cash transactions, ATM use is

mainly for cash withdrawals and not for settling online transactions

Limited availability of point of sale terminals. Mobile Internet penetration remains **weak** in rural India

Though bank accounts have been opened through Jan Dhan Yojana, most of them are lying unoperational

- The low literacy rates in rural India & lack of infrastructure

- In India, there are approx. 350 million internet users.

The internet penetration rate is just 27% which is very low, It has to be at least 67% which is global median

Measure to be taken to overcome from the above challenge

The World Bank Group plays a critical role in advancing digitalization in the world since it can leverage its financial sector expertise, country engagement and dialogue, financing and risk-sharing instruments, unique datasets and research capacity, and influence with standard-setting bodies and the G20.

Our work on digitalisation also underpins the institution's efforts in other development areas, including shifting social transfer payments from cash to digital, support to SMEs and agriculture.

To be successful in achieving financial inclusion, it's essential for a country to have a strong political commitment and coordination across relevant public and private stakeholders, and be able to create an enabling environment and wide-reaching policies that promote responsible financial access, financial capability, innovative products and delivery mechanisms, and high quality data to inform policy-making.

We have two institution-wide specific initiatives to promote financial access and inclusion:

Universal Financial Access (UFA) by 2020: In 2015, the World Bank Group committed to extending access to financial services to 1 billion adults through the Universal Financial Access 2020 initiative, which envisions that adults worldwide will be able to have access to a transaction account to store money, send or receive payments. While the UFA2020 initiative focuses on 25 countries where 73% of all financially excluded people live, we are working with some 80 countries to advance financial access and inclusion. Our advisory, technical assistance, and financing operations will help reach 656 million new account holders by 2020 (toward our 1 billion goal), as of December 2016. Track progress toward UFA.

Financial Sector Assessment Programs (FSAPs): As governments and standard-setting bodies started prioritizing financial access, financial inclusion topics have become prevalent in FSAPs, which are assessments the World Bank and the IMF developed to help strengthen countries' overall financial systems and cover a range financial sector issues.

We have developed an integrated and unified approach in our work to help countries achieve financial access and responsible financial inclusion, which focuses on 9 intertwined areas:

National financial inclusion strategies (NFIS): offer governments technical assistance to design and implement

national or subnational roadmaps and action plans to achieve their financial inclusion objectives.

Modernize retail payment systems and government payments: help countries design strategies to promote the use of electronic payments, instead of cash and paper-based instruments. Many countries are successfully digitizing government payments by shifting all government-to-person payments into accounts, which typically lowers costs and increases financial access. It also leads to significant cost savings in the

Digitalization for Rural India: Creating Awareness and Access through Common Service Centers (CSCs), 2 lakhs Common Service Centers (CSCs) to provide capacity building, Awareness access for digital payments methods to around 1 core rural citizens and 25 lakhs merchants across India. Each CSC would reach out to 40 households in the catchment area, covering one person from each household. It also targets 10 Merchants per panchayat (for getting POS machines or digital payment mechanism.):

Digital payments are likely to cost more if the National Democratic Alliance (NDA) government decides to impose a token 'security fee' or cess on each online payment.

According to several media reports, the government is contemplating imposing a cybersecurity cess on e-payments companies.

This 'security fee' or cess like the Swachh Bharat cess, could be used to create better infrastructure for secure digital transactions

Analysis and interpretation on digitization in India

India telecommunications market is currently the second largest in the world due to largest number of users. A recent report by World Bank revealed that over 41% of the world's population is connected through the use of the Internet. Year after year, India is steadily rising in terms of internet user base whereby its digital population is estimated to reach 636 million by 2021. Currently, internet penetration rate in India has risen from 7.5 % in 2010 to 29.55% in 2016. This is attributable to increase in smartphone penetration and installation of Wi-Fi hotspots. According to report by Statista.com (2018), Indian mobile services market share touched US\$37 billion in 2018, registering a compound annual growth rate (CAGR) of 5.2% between 2014 and 2018. The government of India has installed Wi-Fi hotspot in most hotels, railway station and airports to create digital cities. Through this initiative, citizens have been able to get tickets online thus reducing queuing time. Furthermore, higher education institutions have been enquired with fiber optic networks which are fast in browsing and sharing of information. Internet coverage in remote areas has enabled entrepreneurs to search market trends in terms of prices thus enabling them to sell their products when market rates are favorable. As result, they are able to improve sales revenue leading to better living standards. Internet coverage has resulted to e-commerce where businesses have started to operate through websites and social media. Through online platforms, jobs are created such as online support representatives and administrators. As result, individuals are able to secure employment leading to high gross domestic product as well as per capita income. This further leads to economic growth and development.

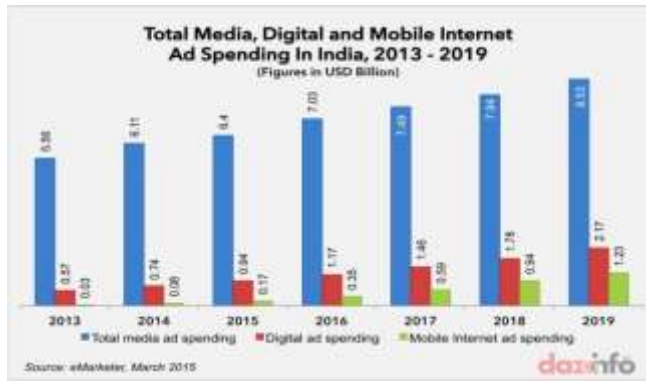


Fig 1

Digital India by numbers

Table 1

Initiatives	Statistics
Digital Identity(AADHAR)	1.2 billion
Internet users	450 million
Mobile phone users	1.18 billion
Smartphone users	468 million connections
Social media users	250 million
Ration cards	100% digitized

Source: digitalindia.gov.in (Ministry of Electronics & Information Technology, Government of India)

Importance of digitization

Convenience: It is very convenient in dealing with digital transfer of cash as cash will get transfer from one account to account,

Discounts: If we go for online shopping many discount we are going to get if we use debit card and credit cards, the main intention of having this is to encourage the digitization

Tracking spends: Through online we do the transaction

Budget discipline

Lower risk

Small Gains

Drawback of digital Economy

Higher risk of identity theft

Losing phone

Difficult for tech-unsavy

Overspending

Conclusion

A cashless economy is secure, it is clean. We have a leadership role to play in taking India towards an increasingly “digital economy”. Thus, as citizens and youths of India it is in our hands to promote this magnificent India encouraged by our PM Mr. Narendra Modi who has a bright vision towards the upcoming of future India. Big success and it will help to attain vision of “DIGITAL INDIA”

Technological advancement is necessary for developing nations. India is aspiring to be a leader in different global technology platforms in order to fulfil that it is vital for digital technologies to be used to improve public services, deliver financial inclusion,etc. India has understood this secret and they have embraced digital India campaign to enhance effective communication between citizen and government while providing essential services with easiness. So far, digital India campaign is successful since it has assisted India dramatically by creation of job

opportunities, improving literacy rates, eliminating corruption, technological advancements as well as boosting gross domestic product. It also improved the social and economic condition of people living in rural areas through development of non-agricultural economic activities apart from providing access to education, health and financial services. This further triggers economic development since finances to support social amenities and other public

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