



# NITI Aayog's Report for a Digitally Inclusive Bharat

## Why in News

The [NITI Aayog](#) and **Mastercard** have released a report titled '**Connected Commerce: Creating a Roadmap for a Digitally Inclusive Bharat**'.

- The report identifies challenges in accelerating **Digital Financial Inclusion (DFI)** in India and provides recommendations for making digital services accessible to its 1.3 billion citizens.

## Digital Financial Inclusion

- "Digital financial inclusion (DFI)" can be defined broadly as **digital access to and use of formal financial services by excluded and underserved populations**. Such services should be suited to customers' needs, and delivered responsibly, **at a cost both affordable to customers and sustainable for providers**.

## Key Points

- **Challenges:**
  - **Demand Side Gap:**
    - Lot of effort has been put to attain DFI and **much success on the supply side of DFI** has been seen (**e-governance, the JAM trinity, Goods and Services Tax, Direct Benefit Transfer (DBT) schemes**).
    - However, the break in the digital financial flow comes at the last mile, where **account holders mostly withdraw cash for their end-use**.
  - **Unsuccessful Agri-Techs:**
    - Agriculture, with its allied sectors, provides livelihood to a large section of the Indian population. Over the years, agriculture's contribution to national GDP has declined from 34% in 1983-84 to just 16% in 2018-19.
    - Most agri-techs **have not succeeded in digitizing financial transactions** for farmers or enabling formal credit at lower rates of interest by leveraging transaction data.
  - **Inability of MSMEs to Access Formal Finance:**
    - **Micro, Small and Medium Enterprises (MSMEs)** have been a key growth driver for the Indian economy. According to a 2020 Report, the category employed some 110 million people, or over 40% of India's non-farm workforce.
    - The **lack of proper documentation, bankable collateral, credit history and non-standard financials** force them to access informal credit at interest rates that are double of those from formal lenders.
  - **Trust and Security in Digital Commerce:**

- The surge in digital transactions has increased the **risk for possible security breaches**, both for consumers and businesses.
- A Medici report of June 2020 says **40,000 cyber-attacks targeted the IT infrastructure of the banking sector in India.**
- **Digitally Accessible Transit Systems:**
  - With the onset of the pandemic, there is **an increasing need for transit systems to be further integrated with contactless payments** in India.
  - Globally, the trend is toward **open-loop transit systems**, with interoperable payment solutions allowing travelers to switch between different modes of transport with a connected payments network.
- **Recommendations:**
  - For market players, it is critical to **address the gap on the demand side** by creating user-friendly digital products and services that encourage the behavioral transition from cash to digital.
    - A significantly successful example is that of **FASTag**.
  - **Strengthening the payment infrastructure** to promote a level playing field for [Non-Banking Financial Companies \(NBFCs\)](#) and banks.
  - **Digitizing registration and compliance processes** and diversifying credit sources to enable growth opportunities for **MSMEs**.
  - **Building information sharing systems**, including a 'fraud repository', and ensuring that online digital commerce platforms carry warnings to alert consumers to the risk of frauds.
  - **Enabling agricultural NBFCs to access low-cost capital** and deploy a '**phygital**' (**physical + digital**) model for achieving better long-term digital outcomes. **Digitizing land records** will also provide a major boost to the sector.
  - **To make city transit seamlessly accessible** to all with minimal crowding and queues, leveraging existing smartphones and contactless cards, and aim for an inclusive, interoperable, and fully open system.

## Digital Financial Inclusion Initiatives Taken in India

- **Jan Dhan-Aadhar-Mobile (JAM) Trinity:**
  - The combination of **Aadhaar**, [Pradhan Mantri Jan-Dhan Yojana \(PMJDY\)](#), and a surge in **mobile communication** has reshaped the way citizens access government services.
  - As per the estimates in March 2020, the total number of beneficiaries under Jan Dhan scheme have been more than 380 million.
- **Expansion of Financial Services in Rural and Semi-Urban Areas:**
  - Reserve Bank of India (RBI) and [National Bank for Agriculture and Rural Development \(NABARD\)](#) have taken initiatives to promote financial inclusion in rural areas. These include:
    - Opening of bank branches in remote areas,
    - Issuing Kisan Credit Cards (KCC),
    - Linkage of self-help groups (SHGs) with banks,
    - Increasing the number of Automated Teller Machines (ATMs),
    - Business correspondents model of Banking
    - [Payment Infrastructure Development Fund \(PIDF\) scheme](#), etc.
- **Promotion of Secure Digital Payments:**
  - With the strengthening of the [Unified Payment Interface \(UPI\)](#) by National Payments Corporation of India (NPCI), digital payments have been made secure, compared to the past.
  - The [Aadhar-enabled Payment System \(AEPS\)](#) enables an Aadhar Enabled Bank Account (AEBA) to be used at any place and at any time, using micro ATMs.

- The payment system has been made more accessible due to offline transaction-enabling platforms, like Unstructured Supplementary Service Data (USSD), which makes it possible to use mobile banking services without internet, even on a basic mobile handset.

▪ **Enhancing Financial Literacy:**

- The Reserve Bank of India has undertaken a project titled "**Project Financial Literacy**".
  - The Objective of the project is to disseminate information regarding the central bank and general banking concepts to various target groups, including, school and college going children, women, rural and urban poor, defence personnel and senior citizens.
- **Pocket Money** is a flagship programme of [Securities and Exchange Board of India \(SEBI\)](#) and National Institute of Securities Market (NISM) aimed at increasing financial literacy among school students.

**Source: PIB**

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