JAM- Converting Indian Economy into Digital Economy

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A B S T R A C T

The Indian economy is the third-largest economy of the world in terms of purchasing power parity. It is also the fastest-growing major economy surpassing China. Nevertheless, the challenges remain huge. Millions of people still not been able to enjoy the fruits of growth because of various reasons including corruption in the system. The growth has not trickled down to those people. Corruption is another big issue. The solution it .ms is converting the economy into the digital economy and thereby plucking the leakages in government funding especially to poor people. JAM is one initiative through which the government wants to reduces the growing inequality among the masses. The present paper is a modest attempt to explain the JAM initiative and its potential advantages as well as its limitations.

Keywords: JAM, Digital economy, Inequality, Growth, Corruption

1. Introduction

According to the latest International Monetary Fund (IMF) projections, India has emerged as the fastest-growing major economy in the world, maintaining its GDP growth estimate of 7.2 percent for 2017-18. In the fiscal year 2017-18, the Asian Development Bank (ADB) projected the Indian economy to grow at 7.4 percent compared to 7.1 percent the previous year.

India's government has projected a 7.1 percent increase in the Indian economy in FY 2016-17. The Indian economy is expected to grow between 6.75 and 7.5 percent in FY 2017-18 according to the 2016-17 Economic Survey. The improvement in India's economic fundamentals has accelerated in 2015 with the combined effect of strong government reforms, the inflation focus of Reserve Bank of India (RBI) backed by stable world commodity prices.

According to market research firm Nielsen, India's consumer confidence index stood at 136 in the fourth quarter of 2016, topping the global list of countries on the same metric, owing to strong consumer sentiment.

In FY 2017-18, corporate earnings in India are expected to grow by more than 20 percent, supported by profit normalization, especially in sectors such as automobiles and banks, while GDP is expected to grow by 7.5 percent over the same period, according to Bloomberg consensus.

India has maintained its position as the world's third-largest start-up base with more than 4,750 technology start-ups, with about 1,400 new start-ups set up in 2016, according to a report by NASSCOM(A body representing the Indian IT industry).

According to a report by ASSOCHAM and Thought Arbitrage Research Institute, India's labor force is expected to reach 160-170 million by 2020 based on the population growth rate, increased labor force participation, and higher education enrolment among other factors. According to RBI numbers, India's foreign reserves stood at US$ 366,781 billion as of March 17, 2017, compared to US$ 360 billion by the end of March 2016.

Figure 1: Major Sector Performance since 1950 (%)
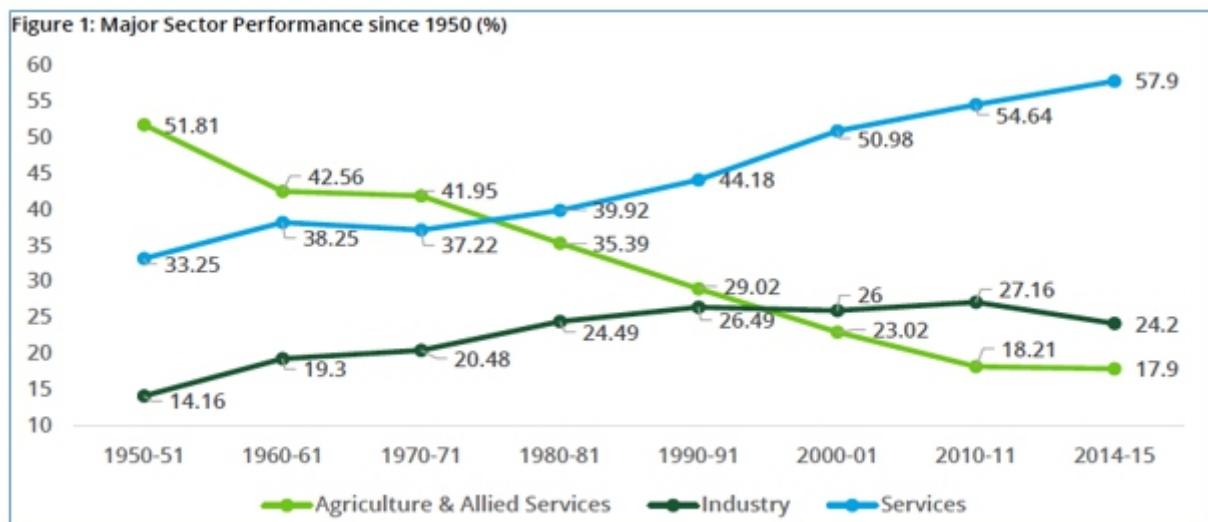
Source: Planning Commission of India

2. JAM Foundation of Digital Economy(Jan Dhan 240M+Aadhaar 1B+ Mobile 1B+):

Despite India showing economic growth rates higher than most developed countries in recent years, a majority of the country's population still does not have basic access to banking infrastructure. Financial inclusion is a relatively new socio-economic concept in India to provide affordable financial services to the underprivileged, who might not otherwise be aware of or able to afford these services. People from weaker sections of the society tend to rely on traditional financial activities such as saving, borrowing and managing day-to-day expenses without any access to banks, savings accounts, debit/credit cards, insurance, etc., and depend on informal means such as cash-on-hand, pawn-brokers, money lenders, etc. Most of the time, these choices are insufficient, risky and expensive.

The JAM Trinity is the consolidation of three critical projects i.e. Jan Dhan, Aadhaar and Mobile connectivity (JAM) expected to drive financial inclusion measures to bring about overall empowerment. It is a key reform to deliver the Direct Benefit Transfers (DBT) scheme along with subsidies2, minimum wage payments, and other government schemes. According to the Economic Survey, about INR 3.78 lakh crore or 4.2% of the GDP, is currently spent on key subsidies.

The inefficient distribution system leads to wastage of resources rather than using for other developmental activities. The JAM Trinity would ensure last man delivery of benefits eliminating multiple mid-channel layers and empower citizens directly using technology.

Pradhan Mantri Jan Dhan Yojana (PMJDY) is a national mission for financial inclusion in India, which encompasses an integrated approach to bring about comprehensive financial inclusion of all the households in the country. It helps the citizens with universal access to banking facilities with at least one basic banking account for every household, financial literacy, access to credit, insurance and pension facility. The government also provides RuPay debit cards to the beneficiaries which have an in-built accident insurance cover of INR 1,00,000. The Jan Dhan Yojana will not only provide financial access but it will also channelize all the government benefits(from Center / State / Local Body) to the beneficiary's accounts. The Direct BenefitTransfer (DBT) will remove multiple layers of intermediaries for a smooth flow of benefits with least leakages and pilferages

Digital Infrastructure as a Core Utility to Every Citizen	Governance and Services on Demand	Digital Empowerment of Citizens
• Availability of high speed internet • Unique digital identity • Mobile phone and bank account • Easy access to common service center • Sharable private space on a public cloud • Safe and secure cyber space	• Seamlessly integrated services across departments / jurisdictions • Real-time services (online / mobile) • All citizen entitlements portable and available on cloud • Digitally transformed services for improving ease of doing business • Cashless financial transaction • Geospatial Information Systems (GIS) for decision support systems & development	• Universal digital literacy • Universally accessible digital resources • Availability of digital resources / services in Indian languages • Collaborative digital platforms for participative governance • Citizens not required to physically submit Govt. documents

The first phase of PMJDY, which was from15 August 2014 to 14 August 2015, improved the financial inclusion in India significantly. Currently, the mission is in its second phase with a healthy progress report (Table 1).

Table 1: Progress report - Jan Dhan Yojana

Bank Type	Rural (million)	Urban (million)	Total (million)	Balance in Accounts (INR crore)	% of Zero Balance-Accounts
Public Sector Banks	108.7	85.3	194	34235.01	24.15%
Regional Rural Banks	35.9	5.8	41.8	7302.35	20.29%
Private Banks	5.2	3.3	8.6	1590.9	36.61%
Total	149.9	94.5	244.4	43128.25	23.93%

3. Aadhaar: Single Identity, Single Window

The Unique Identification Authority of India (UIDAI) is a program started by the central government in 2009 in India with an objective to provide a 12-digit unique identity number called Aadhaar to each citizen. This number is mapped to the citizen's biometrics and demographic data. As of June 2017, the program has issued more than 1 billion-plus Aadhaar cards to the Indian citizens.

Benefits of Aadhaar Card

Listed below are the most important benefits of the Aadhaar card and why it is a must for every Indian moving forward.

1. Aadhaar based Direct Benefit Transfer (LPG Subsidy): The 12 digit individual identification number on Aadhar card is used to get LPG subsidy amount directly in the bank account. This DBTL scheme is named as PAHAL. To get this benefit you need to visit your area's distributor and get Aadhar number linked to the 17 digit LPG consumer number. Although now you can get direct benefit transfer by linking bank account to the LPG number.

2. Jan Dhan Yojana: The Pradhan Mantra Jan Dhan Yojana (PMJDY) which has an objective to bring Indian citizens under the financial inclusion program uses Aadhaar as the only authentication document sufficient to open an account. Aadhaar eases the process of verification and helps in providing RuPay cards, zero balance accounts, and insurance schemes to the citizens.

3. Acquisition of Passport: Aadhaar card now helps citizens to get a passport in 10 days where police verification will be done at a later stage. Aadhaar number is now mandatory to get a passport in India.

4. DigiLocker: The digital locker is a key initiative to provide citizens a shareable private space on a public cloud and making all documents/certificates available on this cloud by linking the 12-digit Aadhaar card number. Self-uploaded documents can be digitally signed using the eSign facility.

5. Digital Life Certificates: The Digital Life Certificate i.e. Jeevan Pramaan is a biometric enabled digital service for pensioners to provide easy, hassle-free seamless experience of getting the life certificates. With this initiative, the pensioner's requirement to be physically present in front of the disbursing agency or the certification authority will become obsolete as their details can be digitally accessed by the agency through their

6.Voter Card Linking: Starting 9th March 2015, Aadhaar card UIDAI number would be linked to the voter ids. This action is taken to eliminate bogus voters. Once an Aadhaar number is linked, it would become impossible for a multiple voter ID cardholders to make it's illegal to use, as registr ation requires the voter cardholder to be physically present and produce Aadhaar card to the polling booth officer for linking.

7. Monthly Pension: All the pensioners from select states will now have to register their Aadhaar card numbers to their respective departments in order to receive a monthly pension. This move was initiated as there have been fraudulent incidents as beneficiaries requesting pension were found to be fake.

8. Provident Fund: Similar to pension, provident fund money will be given to the account holder who've registered their Aadhaar number with employee provident fund organization (EPFO).

9. Opening a new bank account: Aadhaar letter provided by UIDAI is now acceptable by banks as a valid proof to open a bank account. In fact, it can serve as an address proof as well provided address on Aadhaar card and address proof perfectly matches. i.e. no need to produce a bunch of documents to the banks for opening the account. Check out the benefits of linking Aadhaar number and bank account.

10. Income Tax Return: It is now mandatory to submit ITR along with Aadhar number. This step will remove the fraudulent practice of submitting many returns on the basis of other forged documents.

4. Mobile Revolution in India

Mobile has become an integral part of life for almost everyone in the last decade. The evolution in communication technology is not only making life easier for the end-users but also provides millions of opportunities for the government to connect to the citizens and provide better governance. Currently, India is the 2nd largest telecom market in the world with 1.05 billion subscribers out of which 1.03 billion use wireless means to communicate. There is an exponential rise in terms of internet users as well as smartphone users in the country. The lack of banking infrastructure poses a serious problem mostly in rural India for getting money from banks to the last man. Only 27% of the villages have banks within 5 km. To address this banking infrastructure challenge in India, RBI has licensed 23 new banks including 2 universal banks, 11 payments banks and 10 small finance banks. The high penetration of mobile phones provides an appropriate solution to serve the rural population via payments banks. RBI is also pushing mobile banking option for other banks.

4.1 Program

Keeping in mind the successful initiatives of delivering financial services through mobile by many countries, the Government of India constituted an Inter-Ministerial Group (IMG) to create a framework for the delivery of basic financial services using mobile phones in 2009. Mobile banking policies in India aim to enable funds transfer from an account in any bank to any other account in the same or any other bank (inter-operability) on a real-time basis irrespective of the mobile network the customer has subscribed to.

Initiatives

• Mobile-based information: The high mobile penetration in India has provided an opportunity for the government to send information to people directly. The registered mobile number acts as the last-mile delivery to give important information to the end-user. Citizens are able to get subsidy based information directly on their mobile phone rather than visiting a nearby bank. The government is also providing information on various schemes by mobile phones for the highest reachability.

• Mobile-based booking system: Registered mobile numbers are slowly becoming a one-stop solution for different government and private service bookings. Citizens can book LPG gas, pay utility bills (electric bill, water bill, etc.), book train, and bus tickets directly from the mobile phone.

• Transaction security: Mobile phones are being used as authentication devices in case of banking activities, financial

4.2 Activities

Versatile based data: The high portable entrance in India has given a chance to the administration to send data to individuals specifically. The enrolled portable number goes about as the last mile conveyance to give essential data to the end client. Residents can get endowment to construct data specifically with respect to their cell phones as opposed to going to an adjacent bank. The administration is likewise giving the data on different plans by cell phones for most elevated reachability.

Versatile based booking framework: Registered portable numbers are gradually turning into a one-stop answer for various government and private administration bookings. Residents can book LPG gas, pay service charges (electric bill, water charge, and so forth.), book prepare, and transport tickets specifically from the cell phone.

Exchange security: Mobile telephones are being utilized as confirmation gadgets if there should be an occurrence of keeping money exercises, budgetary exchanges like reserve exchange, online installments, and so forth. The OTP benefit confirms the exchange.

Applications empowered by the government: The Digital India activity has built up different simple to-utilize applications to give data to the focused on the portion of the populace. These applications additionally help in a two-manner correspondence as it fills in as a subject grievance framework and takes criticism from general society. For instance, MyGov, mPassport Seva, versatile Seva, Kisan suvidha, and so forth are taking a shot at giving data straightforwardly to the end clients.

4.3 Difficulties

Cell phones give a one-stop answer for last-mile conveyance however the value war in the Indian telecom area and the extreme rivalry conveys new difficulties to the last mile arrangement of JAM trinity.

Client confirmation: Though there are strict principles on foundation check while apportioning a SIM card in India, the vast majority of the provincial and semi-urban ranges don't take after the direction and SIM cards are accessible without earlier confirmation. This will make an issue while confirming a man from the portable number and may expand duplication.

Education: Mobile proficiency is one of the greatest difficulties as the vast majority of the country

populace utilizes cell phones for voice-based calls as it were. To bring versatile as the last mile conveyance stage, the administration needs to instruct individuals on the best way to profit benefits and comprehend the data on cell phones. What's more, the applications and messages ought to be in nearby dialects and straightforward and use for regular man.

5. Recommendations

Even though the Indian economy is one of the fastest economies in the world yet we are still grappling with issues such as corruption, malnutrition, unemployment, and poor literacy rate. They are the biggest barriers to India's potential growth. The other major issue which Indian economy is facing is the increasing inequality. A sustainable long-term growth is not possible when the gap between rich and poor is growing. To achieve sustainable economic growth, the country needs to focus on the socio-economic development of the underprivileged. The JAM trinity is a great initiative that aims to increase the effectiveness of welfare measures by making use of available technology and to reduce income inequality. It is an attempt to improve the subsidy regime by bringing underprivileged citizens into the financial ecosystem. The seamless integration between Jan Dhan, Aadhaar and Mobile will help in direct benefit transfer to the people and remove intermediaries. Nevertheless, this initiative probably will have to look into the following issues in order to make JAM more successful:

Right to privacy: Security and privacy of sensitive data (i.e. Biometrics and Demographics) is a big challenge. The Central ID Repository(CIDR) is the single location where the personal data is stored. With the full-fledged launch, large databases will be created to provide access to different government as well as private organizations such as banks, e-commerce companies, etc. and is prone to falsification, misuse, etc. The government should provide extra efforts to protect this data and take necessary steps to ensure the authenticity of data entered in the CIDR.

Role of financial literacy: The role of financial literacy is equally important as the access to institutional finance empowers a citizen. Financial literacy will create a new knowledge-empowered generation and will encourage citizens to raise their voice against corruption, black marketing, informal lending, etc.

Encourage private participation: Private participation of banks and non-banking sectors will speed up the process of financial inclusion effectively. However, private participation is low in Jan Dhan Yojana due to many dormant and no-frills accounts. The private banks find it difficult to sustain a business model where the return is low and the operating cost is high. The breakeven cost per account is INR 120 and Jan Dhan accounts do not .m to provide much return. Issues with the distribution of territory to open Jan Dhan accounts where there is no penetration of private bank branches is another reason for low participation. There is an urgent need to encourage the private banks for Jan Dhan participation by resolving these issues.

Infrastructure requirement: The lack of infrastructure in the last mile is a big challenge for the success of the JAM. The lack of physical banking infrastructure, electricity, broadband penetration, reliable speed, etc. are some of the key issues before the successful implementation of JAM. Government, banks, payments banks, and mobile operators should make sure that there is enough infrastructure at a place for successful last-mile connectivity.

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