Oration 18:
2016 K.R. Narayanan Oration

Message from the President of the Republic of India

I am happy to learn that the Australia South Asia Research Centre (ASARC) at The Australian National University (ANU) is organising the 18th K.R. Narayanan Oration on the theme 'The New Economics of Financial Inclusion in India' by Shri Arun Jaitley, Honourable Union Minister for Finance, Corporate Affairs and Information and Broadcasting, at The Australian National University on 31 March 2016.

While the Indian economy has made considerable progress in accelerating economic growth and poverty reduction, more work remains to be done to involve a larger proportion of the population in the formal financial sector. World Bank data for 2014 show that the proportion of Indians aged 15 and over with bank accounts was lower than that for a number of other countries. The proportion of women and of the relatively poor with bank accounts was even lower.

A rapid increase in financial inclusion would help mobilise savings, create new opportunities for credit off-take and facilitate increasing prosperity for our citizens. The new Jan Dhan Yojana is a significant step in this direction. Further, the use of biometric based Aadhaar Cards for Direct Benefit Transfers to bank accounts is an efficient method of removing intermediaries in the process of administering government subsidies and welfare payments. The fact that most of these operations can be done through technology embedded in mobile phones should further improve the efficiency of the financial sector and lead to a quantum jump in financial inclusion.

The focus on financial inclusion is timely and I wish the event all success.

Pranab Mukherjee
New Delhi
30 March 2016

The New Economics of Financial Inclusion in India

Arun Jaitely

The Chancellor of the University, Vice-Chancellor, High Commissioner, Professor Jha, ladies and gentlemen, many thanks to The Australian National University for inviting me to deliver this year's K.R. Narayanan Oration. K.R. Narayanan was one of the most distinguished diplomats and civil servants that India has produced. He came from a background that reflected the historically disadvantaged groups in India. He grew up in poverty and turned out to be an extremely brilliant diplomat and, eventually, president of India.

On a personal note, I happened to work closely with him when he was president, because I was sworn in as a minister by him for the first time and, as a law minister in the government at that time, I had to deal with him quite regularly. An extremely sharp mind, a strict constitutionalist, someone dedicated to the rules of good governance and good principles — that is the memory of Dr K.R. Narayanan that we all have. I am indeed privileged to join the list of some very eminent people who, in the past, have delivered this annual oration.

When we speak in terms of reforms and growth in India, a lot seems to have happened in the last two and a half decades. The Chancellor was mentioning that, in his various capacities as a former foreign minister and in any other ways, he had travelled extensively in India, and his initial memories seem to be of a ride in an Indian train in 1968, travelling in what was then called a third class compartment. We have come a long way since then.

The Chancellor also mentioned my fondness for cricket and, if I go back to where India was in those decades, I can recall incidents described in the Australian cricketer Steve Waugh's autobiography. Steve Waugh came to India in 1987 to play in the World Cup. From Mumbai, he would regularly telephone his girlfriend. The Indian telephone system at that time was that he had to sit next to the telephone the whole night, because he would be added to what we used to call the 'trunk call' queue. We have come a long way since then as well!

Twenty-one years ago (in 1995), India's telephone density was 0.8 per cent — less than 1 per cent of Indians had a telephone. Today, India has over 1 billion phones. This is only one illustration of how India has progressed from an economy that was essentially one of shortages. To give you another illustration: when I first became a member of parliament, this transformation was still taking place and each one of us used to be given a discretion. This discretion used to be that we could dole out special favours: for example, allocating cooking gas connections and telephone connections to people out of turn. Suddenly, within a year or two, I found that nobody would come to me to ask for this favour, because we were slowly turning from an economy of shortages to one of surpluses.

My then leader, Prime Minister Mr Vajpayee, said that we were only distributing telephones and gas connections. He said that he recollected that, in his earlier days as a member of parliament, he also had a discretion to allocate HMT watches. All members of parliament were allowed two HMT watches every year to allocate to people out of turn. That is the manner in which India's regulated economy worked. But I must say that the direction we followed from 1991 onwards has indeed served us well. It improved upon our growth rates and it brought down poverty levels.

Last week, I had the opportunity to deliver an annual lecture at the National Minorities Commission. I was extremely pleasantly surprised with the research I did for that lecture, which revealed that the maximum drop in poverty rates, even among minority communities, took place post-1991, so, as India grew, the economy improved.

Prior to 1991, we were quite happy and satisfied with an economy with a smaller base, growing at about 2–3 per cent every year. The world would sarcastically refer to this 2–3 per cent growth as the 'Hindu' rate of growth. Such growth was incapable of either significantly depleting poverty levels in India or giving enough resources to the state to improve the lot of the people. After opening out in 1991, successive governments did their little bit and the present government seems to be taking that to its logical conclusion.

The trend growth rate of the Indian economy has increased significantly. However, two to three years back, it was struggling with lower economic growth, unacceptably high inflation, high levels of current account deficit and fiscal deficit, huge piles of stalled infrastructure projects, drying employment opportunities and industrial weakness. Just two and a half years ago economists conducted an important analysis on the BRICS economies. After comparing Brazil, Russia, India, China and South Africa, they observed that there was a possibility of the 'I' in BRICS (i.e. India) being knocked off. However, today, as a result of rapid changes in the global economic order, thankfully this analysis has not come true, and the 'I' seems to stand for a faster growth rate.

Now, a gradual, but far-reaching transformation is taking place and our macroeconomic situation is characterised by strong economic growth, a comfortable price situation, low current account deficit, the highest ever foreign exchange reserve and a contracting fiscal deficit to GDP ratio. Investors have come to view India as a haven of stability and an outpost of opportunity for investments. Multilateral organisations, like the International Monetary Fund and World Bank refer to India as the 'bright spot' in the global economy and project a higher economic growth in 2016 as compared to 2015. Overall, the economy is moving in the right direction and is expected to perform better and gather momentum in the coming years, once the impact of the ongoing economic reforms takes root. India's long-run potential growth rate is still around 8–10 per cent, and achieving this potential would be the best way for India to achieve its varied socioeconomic objectives. High growth is necessary to help the poor to get out of the scourge of poverty, generate employment opportunities for unemployed youth, create more irrigation facilities for farmers and generate more resources for development in a fiscally sustainable manner.

One important aspect of economic debate has been whether reforms have helped economically and socially deprived sections of society. Initially, it was difficult and challenging for governments to conduct market reforms: it was argued that such reforms helped businesses and the private sector to grow, but did not significantly improve peoples' lives. A very large section of India's population live in adverse circumstances (e.g. Scheduled Castes and Scheduled Tribes) and these historically disadvantaged groups lack sources of employment. Many people live below the poverty line — at one stage it was more than 52–60 per cent — and we have some groups of minorities and others who have not prospered economically. Hence, the question: how have the reforms affected them?

Sectorally, if we look at the growth of the Indian economy, our services sector seems to be the best performing. Even with a global slowdown, our services sector grows at about 9–10 per cent per year. Our manufacturing sector can do better, but it is our agriculture sector that is the real challenge. Almost 55 per cent of India's population, even today, is dependent on agriculture, whereas the share of agriculture has shrunk to almost below 15 per cent of India's GDP. This indicates that more than 55 per cent of the population depends on this 15 per cent of national income. Therefore, this community is economically disadvantaged. This is the hard reality to be kept in mind.

What has been the Indian model of dealing with this? In my view, one of the mistakes that was made in the pre-liberalisation era, particularly in the 1960s and 1970s, was that we concentrated on distributive justice (i.e. distribution of the existing resources) and did not concentrate on increasing productivity. Both were necessary and that is why the 1960s and the 1970s, from the point of view of the Indian economy, virtually became a wasted period.

Post-liberalisation, the criticism was that we were growing faster, but this advantage of faster growth was not distributed fairly. Against this background, governments in India converged upon an economic model that entailed opening out, allowing investment and allowing the market to dominate so that our economy could grow faster.

Hence, we must ask: is the pull-up effect or the trickle-down effect — whatever you call it — adequate to take care of those who live below the poverty line in India? Unhesitatingly, the answer is 'no'. The pull-up effect does take place, but is inadequate, whence, with higher growth rates you need higher levels of revenue and resources to be made available for the government to give a boost to the economy and finance large numbers of poverty alleviation schemes.

The Indian model in that sense is now more that of a market economy, but with a social conscience, so that the resources earned by the state can also be used to service the less well-off sections of the population to expedite their exit out of poverty. That is the model, in larger or lesser measure, successive governments in India have been following.

Before I come to the subject of financial inclusion, where do we stand today? In terms of growth rate, it is a challenging situation globally for the whole world. The entire global economy is facing one of its most acute challenges in recent history. I think the new norm itself is unpredictability, not stability.

We are not sure how long this phase is going to last. Oil and commodity prices have hit rock bottom and growth rates across the world have been impacted. Are we in India satisfied with this? Compared to how the rest of the world is doing, I think we are rated as the fastest growing major economy in the world. But, if we assess this by our own standards, we believe we can do better. The financial year in India ends today (31 March), and we hope to finish this financial year at about 7.6 per cent growth rate. Last year, our growth rate was 7.2 per cent. So our basic parameters seem to be doing well. Hopefully, we will be able to maintain or even improve upon this figure, depending on the evolution of certain variables in the next year.

Our current account deficit is well under control. Inflation in India has been well under control for the last 16 consecutive months, and wholesale price index inflation has been negative for some time. Consumer price index inflation has been in the range of about 4–5 per cent at the highest, and interest rates are slowly coming down. Foreign exchange reserves are the highest ever. Until about August last year, the rupee was the only currency, other than the Swiss franc, that was able to maintain its value against the US dollar; however, following the devaluation in China, the rupee was also somewhat adversely affected.

With the basic parameters of the Indian economy doing well, where do we feel we can do better? Four variables are key here. The first variable is global headwinds. Today, the global situation is obstructive to very high rates of growth. For one, our exports are significantly impacted because global trade itself has shrunk; therefore, in terms of value, our exports have shrunk. Even if volumes remain the same, in value terms, our exports have shrunk because of falling commodity prices.

Second, we have had two years of bad monsoons. Fortunately, in Indian history, we have never had three bad monsoon seasons in a row. With relatively good monsoons, we have not had a food crisis recently in India. In fact, our surplus of food impacts on the purchasing power of the rural population, which in turn has a spiralling effect on industry, manufacturing and market demand generally.

Third, of course, is our ability to continue with the reforms process and to add to its base. The fourth point, which is something that has not helped the rest of the world but has helped us, are the low oil and commodity prices and their impact on our import bill. We are net buyers and have, therefore, been able to save a lot of money on account of lower oil prices, and to divert that resource into more useful areas of operation.

How do I see the reforms continuing in India? I think India still has a great appetite for reforms. In India there is a clear realisation that, post the 1990s, the country is a much better place to live and is performing much better than it was prior to 1991. Hence, there is a larger political consensus, both at the centre and with the states, about continuing with reforms. Reforms unleash India's energies and allow the free flow of capital into the country. They remove many forms of restrictions, whence, with the strength of entrepreneurship, the economy itself is able to grow faster.

As a part of the reforms process, we have opened up the economy significantly. Almost all sectors are open to foreign direct investment. In green field investment, we have the largest inflow anywhere in the world. In the last year alone, foreign direct investment has increased by 40 per cent.

In addition to this, formerly we had a bad reputation for not being the best place to conduct business. However, considerable work has now been done in this area, both by the central and the state governments. We have now moved up the global rankings.

We had a fairly aggressive taxation system. Now, we have rationalised our direct tax system and are trying to bring down taxes to a global level. In speaking to my counterparts in Australia, I have discovered that our taxes are more reasonable than the ones you pay here. In indirect tax, of course, you are a decade and a half ahead of us. We are now trying to implement a goods and services tax (GST) and economists still feel that, if we are able to implement it over the next few years, a successful GST is capable of adding to India's growth story.

Our main concentration, in terms of expenditure, is inflow into rural India, since one of the objectives of public finance is to fill up the gaps in private investment wherever you find them and create physical infrastructure. These are two very important areas to which public investment is going. Our infrastructure — almost every part of it, whether it is railways, rural roads, national highways, ports, airports or the power sector — is experiencing huge amounts of activity and growth. These require considerable investment and I quite candidly concede that this magnitude of investment is not available in India. Therefore, we have been reaching out to investors, pension funds and superannuation funds to come and invest in India. By maintaining this reform momentum, we intend to add to India's growth story.

Now, one aspect of financial inclusion relevant to rural areas is to give the benefit of increased growth to sections that have not yet received adequate benefits. What is our long-term planning about rural India? President Narayanan's successor, President Abdul Kalam's favourite subject for discussion used to be that India must end up giving urban-like facilities to rural areas. That may be a great vision, but it is also very challenging.

Let us examine what has recently been happening with regard to inclusive growth in rural areas. We have nearly 700,000 villages in India and, by 2019, we intend each village to be connected by a regular *pucca* (solid/permanent) road. The roads program for villages in India is one of the government's most successful programs. It involves every member of parliament, because every member knows that they have to visit the villages in their constituencies, and that their constituents will demand answers if they do not have access to improved roads. Between central and state governments, we will almost triple the allocation for rural roads this year.

A second point: out of the 700,000 villages, we found that 18,000 of them were not electrified. The Prime Minister has decreed that, in the next 1,000 days, all 18,000 villages have to be individually targeted for electrification. We do not want a single non-electrified village in India. As I speak to you today, last week we had electrified 5,000 out of these 18,000, and the indications are that we may be able to achieve this target ahead of time.

Apart from the electrification of all villages and road access to all villages, the Prime Minister's call for a clean India — the Swachh Bharat Abhiyan campaign — now speaks in terms of a toilet in every home. Last year, we envisaged that every school in every village must have a toilet, so that lakhs and lakhs of toilets had to be constructed. We have completely achieved this target. This is a huge campaign: as well as the government, the World Bank is also partly helping to finance the project and corporate India is putting a lot of CSR (corporate social responsibility) money into the campaign. The goal is to enable every home in every village to have a toilet and, where this is not possible, to make clean collective community toilets available to villagers in rural areas. Housing for all is a very tall order: the provision of regular, *pucca* houses in rural areas is another ongoing program.

The interest component of repayments on loans taken out by farmers for purposes of cultivation is now being subsidised partly by the central government and partly by state governments. Hence, the net interest rates on such loans has been substantially reduced. This is another avenue for helping farmers.

The previous government had started the Rural Employment Guarantee Scheme. I have added to it and amended it, so that it can also result in some asset creation in villages. The amounts now being earmarked for this scheme are much larger. Starting from tomorrow, a campaign is being launched to ensure that the payments that unemployed people get as part of the Rural Employment Guarantee Scheme are directly transferred to people's bank accounts (rather than the monies going from the central government to state governments, from state governments to the district, from the district to the *panchayat* (village council) and then being billed forward before reaching the farmer). We have thus removed a number of intermediaries.

Various avenues of funding for empowering rural India are ongoing. What is it that the financial inclusion campaign specifically envisioned? Two years ago, we realised that only 58 per cent of families in India had bank accounts — 42 per cent were completely outside the banking network. One of the first programs of the government was to make sure that every family is connected to a bank, even if there was no balance to deposit in the bank. The banks hired employees, called business correspondents, who went from house to house and reached each one of the 42 per cent who were outside the banking system. Those who were opening bank accounts were incentivised by telling them that they would get a debit card and a facility for an overdraft if they operated that account.

When we conceptualised the Pradhan Mantri Jan Dhan Yojana (PMJDY), which is our National Mission for Financial Inclusion, we were aware that some attempts had been made in this space in the past. However, our ambition was much larger. For instance, instead of reaching out to geographically larger villages, we targeted every household and provided them with the facility of a bank account. Second, we leveraged technology to our advantage. We opened all bank accounts using a core banking platform, so that all new customers could be provided with the facility of a debit card. This was something that had not been considered before, as it was felt that the poor could not use such cards. Third, we combined all aspects of financial services, like savings, credit, insurance and pensions, with this overall mission. And, finally, we adopted a mission mode with very tough time lines and completed the herculean task of opening 125 million bank accounts in less than 150 days.

For us, these bank accounts were not an end in themselves but the gateway to something bigger. In the past, many international agencies in the financial inclusion space held the view that India had the dubious distinction of having the largest number of zero balance accounts. Indeed, poverty levels are such that almost 73 per cent of these accounts did not have a single rupee in them. In order to transfer money into these accounts, the government introduced a system of direct cash transfers for certain subsidies. These subsidies originate from various government schemes, for example, scholarships, widows pensions, old-age pensions and minorities scholarships. The recipient's cash subsidy is directly transmitted to the account of every beneficiary. These transfers have become operational and, in a period of about two years, today about 75 per cent of these accounts are actually operational. There is money in them, people operate them and use the debit cards given to them. Indeed, this has turned out to be one of the most successful programs.

We have ensured that, out of the 213 million accounts that have been opened so far, less than 28 per cent are dormant. Our new customers have deposited more than Rs 348 billion, approximately US$5 billion. As we talk, there is a mission team back home in India that is monitoring these accounts to ensure that the zero balance accounts decrease to less than 20 per cent.

Financial inclusion is at the core of our development philosophy. We therefore immediately started utilising these new accounts for:

1. providing social security to people
2. providing affordable credit to entrepreneurs
3. plugging the leakage in our subsidy disbursements.

In order to provide social security, we launched three schemes last year. The first provides life cover of Rs 200,000, the second provides accident insurance cover of Rs 200,000 and the third is a pension scheme for people aged between 18 and 40 years. The beauty of these schemes is not only that they are being offered at very nominal premium, but also that they are linked to the bank accounts opened by the people. This linking ensures that the auto-debit takes place from the accounts and the customers only need to be aware that they need to have sufficient balance in their accounts. More than 130 million customers have joined the two insurance schemes so far. We ensured that social security coverage was paid for by the people themselves, by ensuring that the rates were the lowest so far in the industry.

Now, building on this, we have a database of what is called the JAM trinity, whereby 'J' is the Jan Dhan Yojana account (i.e. the bank accounts), 'A' is an Aadhaar card (which I will explain below) and 'M' stands for 1 billion mobile telephone connections.

We created — and now it has legislative support in parliament — an Aadhaar number, which is a unique identity number that every Indian resident has. Already, about 1 billion people have been allotted this: 98 per cent of adults and 67 per cent of children. We are adding about five to seven lakh people per day to this identity scheme. This unique identity has some particular features of the individual and so every individual is now identified by this number.

This enables us to identify those who need support. There are a large number of subsidies in India: petrol is subsidised, diesel is subsidised, cooking gas is subsidised, food for poor people is subsidised, fertiliser for farmers is subsidised. All state governments support these subsidies. Formerly, the challenge was that unquantified amounts of subsides were given to unidentified sections of people.

The problem of leakages in government subsidies had been affecting the nation for some time. To fix this, we started linking accounts opened under the Jan Dhan scheme with the Aadhar card and with mobile numbers. A database of 1.2 billion bank accounts, when linked with 1 billion mobile phone numbers and about a billion Aadhar numbers, would ensure that subsidies only flowed to those who needed them. India's direct benefits transfer schemes have become the largest in the world. So far, our estimates show that about Rs 170 billion in subsidies has been saved in cooking gas alone. Parliament's approval of statutory status for Aadhar will further accelerate Aadhar seeding in bank accounts.

When the scheme started, each one of us, including me, was getting the benefit of, say, a cooking gas subsidy. Cooking gas attracts a subsidy ceiling of about 25 per cent, which is a considerable amount. Any money released from this subsidy can be utilised for helping various people. We have added this as part of the social security campaign. Now, there is no reason why this subsidy should have been made available to people like me, so we started a campaign to remove those who did not deserve the subsidy. This parallel campaign, called 'Give It Up', asked people to voluntarily give up their LPG (liquefied petroleum gas) subsidy. Fortunately for us, oil prices fell, so we were able to link petrol and diesel prices to the market. The cooking gas subsidy now reaches 210 million (21 crore) accounts through the Jan Dhan. The cooking gas subsidy now goes to the account of 140 million people each month, so do the scholarships and the other pensions in various forms, so these people have some operational balances always available to them. All this was accomplished in about four months.

Now that Aadhaar has legislative backing, we intend to use it for the fertiliser subsidy in the first instance and then the food subsidy. We will implement it wherever we deem this possible.

The third thing we did was to use these accounts to offer pensions. Outside the government, India is an unpensioned society. Most Indians do not get a pension and most pension plans have very few subscribers. It is only government or quasi-government employers who get pensions.

There is thus a need to make India into a pension society. Some of my proposals, despite being well-intentioned, failed because people did not realise the consequences of ageing and having nothing to fall back on. Subsequently, we started offering extremely low-cost insurance policies. For instance, we have about 130 million poor people opting for 2 lakh rupee accident insurance. So, if a bread earner dies, his family gets at least some assistance. The total amount of premium that is required to be paid out of these Jan Dhan accounts is 1 rupee per month.

Similarly, we brought in a normal life insurance policy. This also provides a reasonably low-cost pension scheme. These two insurance policies have been runaway successes. The pension scheme is still taking time to register, because people have not realised the benefits of having a pension program for themselves. I think one day, hopefully, following the pattern in Australia, the US and Europe, we could insist on people compulsorily contributing — at least those who can afford it — towards a pension.

In short, bank accounts have been opened, money has been put into these bank accounts, and insurance facilities have been made available. However, what do we do with the large body of people who cannot get a job either in the government or in the private sector? Across the world, the provision of credit to entrepreneurs is the need of the hour. For this purpose, we launched the MUDRA scheme, which provides credit, at bank rates of interest, of up to Rs 1 million to entrepreneurs without any collateral. We encouraged entrepreneurs to set up businesses and small establishments on their own. The banks were naturally worried about the prospect of any such credit turning bad. Hence, we created a credit guarantee mechanism for the banks so that defaults could be taken care of. Our larger view is that the self-employed and small entrepreneur sector in India is the largest employment provider. According to our surveys, there are 57.7 million small business units in the country, which employ 120 million people and are mostly outside the formal banking system. Hence, we want to strengthen this sector. The MUDRA scheme has also been a runaway success. So far, 29.8 million customers have benefited under the scheme with total loans of Rs 1,180 billion. As the financial year expires today, I will have the final figures for this year in the next two days.

Each such borrower is given a credit card and can use ATM machines. They can withdraw money up to their credit limit. Each one of these small entrepreneurs tries to deposit money into their account because these ATMs are open 24 hours a day and they wish to save on interest costs by making deposits by 12.00 pm.

This has become a massive program of financial inclusion: from bank accounts, to state support, to insurance, to pension programs, to making funds available through banking. It is quite heartening to note that, in this sector, like in most micro-finance schemes that the banks arrange themselves or through various micro-finance agencies, bad debt is almost negligible. These are people who want to do business and set up small enterprises.

What are we doing with the savings that we are making out of these subsidy programs? This year, I will announce three schemes. One is entirely state supported. The entire benefit we got from rationalising the cooking gas subsidy is slated to gift 50 million (5 crore) female-headed households with cooking gas connections. Otherwise, these households would use the conventional *chulhas* (earthen or brick stove). Medical studies have shown that, in a single day, a conventional *chulha* can do as much damage to the health of the lady who cooks as smoking 400 cigarettes. We picked up the poorest 5 crore families in India for this scheme. Hence, the savings we have made by keeping wealthy people from receiving subsidies and excluding duplicate connections has gone to the poor.

Second, for the Indian farmer, we have come up with a very low-cost crop insurance scheme. When crops fail, farmers suffer, and some have even be pushed to commit suicide because they are unable to repay the loans taken against the harvest. This new insurance scheme will enable farmers to repay the loans, so that they can get back at least part of their investment, even if there is a crop failure. In this insurance scheme, 25 per cent of the premium is to be paid by the farmer, 25 per cent by the state government and 50 per cent by the central government. Any farmer who wants his crop to be insured can get the benefit of this insurance.

The third initiative financed by the monies saved is a health scheme. This is in two parts. One-third of India's population — the poorest one-third — will get, at state expense, health insurance, which covers hospital charges up to a limit of 1 lakh rupees. Anybody who is a senior citizen in that category will get additional cover of about Rs 30,000. This is an annual insurance policy.

Therefore, we have initiated crop insurance, health insurance, crop insurance subsidised substantially by the state, health insurance subsidised entirely by the state, and a cooking gas facility provided entirely by the state. These are the directions in which we have been taking India's financial inclusion.

The net object of this exercise is that, when we grow faster, the state gets more revenue. However, in addition to the natural advantage of jobs being created and so on, one is able to use this additional resource to provide help in areas that need support.

The last scheme, which we are launching in the coming week, is something called Stand Up India. Stand Up India is addressed to three sections of Indian society: Scheduled Castes, Scheduled Tribes and women. Every bank branch in India, public or private, has been asked to support one entrepreneur from either the Scheduled Castes, Scheduled Tribes or who is a woman.

The banks will lend up to 1 crore (10 million) rupees and create, in the first instance, about 2 lakhs (50,000) new entrepreneurs coming from these sections. There have not been too many entrepreneurs coming up from these groups. This is a scheme we intend to launch as a part of our support to the social sector and as part of this government's financial inclusions schemes.

As can be seen from our journey so far, we have largely adopted a self-funding model for financial inclusion. We have been successful in telling people that certain services need to be paid for and certain subsidies are meant only for the poor and downtrodden and not for the middle class. The deregulation of diesel prices, a new fertiliser policy and the introduction of the PAHAL scheme for the transfer of the cooking gas subsidy have rationalised India's subsidy expenditure. The deployment of the JAM trinity is a hugely innovative intervention to carry this forward and place government finances at prudent levels.

Meanwhile, the government is also bringing about several measures for the promotion of payments through cards and digital means. The goal of the proposed policy changes is to replace the use of cash — either in government transactions or in regular commerce — by providing the necessary incentives to use digital financial transactions over a period of time through policy intervention. These measures will further strengthen our efforts at financial inclusion, as they will help to ensure that each eligible account holder under PMJDY is provided access to digital financial services in addition to the 'RuPay Card'. In this regard, 'PayGov India' will be developed as a 'single unified portal' across central and state governments and their public sector undertakings for collection purposes. Wherever needed, the departments and ministries shall make modifications in the rules and regulations that may have been issued, so that appropriate changes are incorporated to allow payments and receipts by using cards or other digital means. Mobile banking will be promoted to leverage upon the huge infrastructure available at lower cost. This will also bring efficiency in payments systems and ensure that merchants and consumers can leverage their credit histories to access instant, low-cost micro-credit through digital means, and also create necessary linkages between payment transaction histories and credit information. The efficiencies gained, and the reduction in transaction costs, will benefit all, including the poorer sections of society.

The current government's quest to extend financial inclusion to the most deprived sections of society will be made possible by another of its initiatives: Digital India. As stated by Prime Minister Shri Narendra Modi, it is not enough for India to say that it is an ancient civilisation, and a country of 1.25 billion people enjoying demographic dividends. Modern technology should also be blended with these strengths. Our prime minister has reiterated our government's resolve to not allow the digital divide to become a barrier between people. Our vision of e-governance and mobile governance is one in which all important government services, including financial services, are available on mobile instruments. Our prime minister has resolved, and I quote: 'I dream of a digital India where High-speed Digital Highways unite the Nation; 1.2 billion connected Indians drive innovation; technology ensures the citizen-government interface is incorruptible.'

From a commercial viewpoint, banks get 1 per cent commission on the amounts transferred under direct benefits transfers, particularly for those schemes that are rural oriented. This effectively compensates them for the costs they incur in extending the last mile reach of the Bank Mitras, which are our channels of branchless banking in the villages.

The Indian model of financial inclusion has been recognised and appreciated across the world. While others have talked about it, we have demonstrated that there is fortune at the bottom of the pyramid. I would like to conclude by saying that a clear political will combined with effective monitoring structures can accomplish such great financial inclusion milestones as have been achieved in India. Hopefully, in the years to come, as our government earns more resources, additional benefits will continue to accrue to the poorest sections of society. That is all I have to say and thank you very much.

This text is taken from *Twenty K.R. Narayanan Orations: Essays by Eminent Persons on the Rapidly Transforming Indian Economy*, edited by Raghbendra Jha, published 2021 by ANU Press, The Australian National University, Canberra, Australia.

doi.org/10.22459/TKRNO.2021.18