

Chapter 29

Digital Participation through Mobile Internet Banking and Its Impact on Financial Inclusion: A Study of *Jan Dhan Yojana*

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ABSTRACT

Prime Minister of India Mr. Narendra Modi launched a national government project called “Jan Dhan Yojana”, with the aim of providing banking opportunity and insurance coverage to all the citizens of India including the under privileged section who until now did not open bank accounts or personal insurance. The aim of this project is to attract those people with low incomes, who lack knowledge, who feel they do not need banking service or do not have funds to open an account. The present study attempts to examine the Indian Financial Inclusion in the context of Individual participation, through the case of Pradhan Mantri Jan Dhan Yojana. The paper aims to understand the consumer participation and non-participation and its implications as a financial inclusion strategy. The paper evaluates the impact of digital divide on digital participation of the consumers in the context of internet and mobile banking service users.

INTRODUCTION

In the past few years the emerging new media has significantly transformed not only human interactions but also human behaviour. The digital technology is changing the financial services industry along with the consumption of banking services by its customers. Digital technology with several benefits also comes with the certain social issue. It has started to create a gap between the individuals, known as,

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“digital divide” with regard to the opportunities of attaining communication and information through the application of internet for range of activities, such as social networking, online shopping, and mobile banking among others. These presence of digital divide has created a necessity of financial inclusion of all the members of the society in order to bring a more socially and financially stable country.

The Government of India along with the Reserve Bank of India has been putting great work in order to promote and increase financial inclusion in India as one of the key national agenda (RBI, 2015). The key purpose of financial inclusion strategy is to reach to those sections of the Indian society that has been financially excluded hitherto. According to the 59th round of survey results, 51.4% of farmers in India are not financially included. Out of the entire farmer family unit, only 27% of the farmers have access to any form of formal credit source, whereas almost 1/3rd of the farmers still take a loan from the informal sources. And therefore, in total 73% of the farmers have no access to any kind of formal credit source. According the census report of 2011 there are only 58.7% households that avail banking services in India (RBI, 2015; Sarkar, 2013a; Sarkar, 2013b). In this context Prime Minister Narendra Modi launched a national project called Pradhan Mantri Jan Dhan Yojana, with the aim of providing banking opportunity and insurance coverage to all the citizens of India including the poor sections of the society. According to the Finance Ministry, till September 2014, 40 million bank accounts were opened with zero balance. In order to attract those with low incomes, who either feel that they do not need banking service or they do not have enough funds to create an account and avail certain benefits, the banks developed services such as low-cost payment system, technology determined products, micro ATMs, pre-paid cards, online banking, internet kiosks and mobile banking through smart phones (SBI, 2015).

In July 2014, there were about 886 million active mobile subscribers in India (“Mobile and Internet in India 2014”, 2014). The mobile penetration in India is estimated to reach 72% by the end of 2016, according to Gartner (2012). With the growing smart phone penetration not only in the urban areas but also in the rural areas, there are over 173 million mobile internet users in India as of December 2014 (Internet & Mobile Association of India (IAMAI) and IMRB International, 2015). It is estimated that the mobile internet users in rural India will reach 53 million by June 2015, and 160 million mobile internet users in urban India by June 2015 (“India to have 213 m mobile internet users by June, 2015”). Various activities are done on the mobile phones with internet and without internet access such as accessing social media sites, playing videos on mobile, playing games, doing online shopping and using banking and financial apps, only 7% of the total population use banking or finance app on their mobile phone (“Mobile and Internet in India 2014”, 2014). However, in the Indian context it is crucial to understand that although the number of mobile phone users is increasing in rural India, the number of smart phone users and internet on mobile phone users in rural area is low in comparison with the urban users. The difference could be attributed to high cost of internet data package, low connectivity of mobile services and easily available audio and video content does not motivate the consumers to use their mobile phones for purposes such as online shopping, instant messaging and mobile banking.

The present study attempts to examine the Indian Financial Inclusion in the context of Individual participation, through the case study of Pradhan Mantri Jan Dhan Yojana. The paper aims to understand the consumer participation and non-participation and its implications as a financial inclusion strategy of the government. The paper would also evaluate the impact of digital divide on digital participation of the consumers in the context of internet users and mobile users.

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