


# Chapter 19


## Digital Financial Inclusion and Economic Empowerment of Farmers in India

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### ABSTRACT

*A contemporary product of technology is digitalization. The process of digitalization is rapidly gaining momentum; in fact, it can be attributed to the Industrial Revolution 4.0. Though the concept of financial inclusion was initially presented by the RBI in 2005, it was popularized by the Indian Prime Minister in 2014. The objective was to render financial services accessible to all strata of society, particularly the underprivileged and the economically weaker sections. Digital financial inclusion refers to the availability of various financial services in the digital mode, providing access to receive or make payments, transfer, and store value in the electronic mode with any financial institution. India predominantly remains an agrarian economy; hence, the objective is to examine how digital financial services/schemes would empower farmers. Financial institutions play a major role in financial inclusion. The prime focus of financial inclusion is to educate farmers to open bank accounts, and this is apparent in one of the financial inclusion schemes Jhan Dhan Yojana. Digital financial and technology schemes will help the farmers to improve their agricultural productivity through the use of higher yielding varieties of seeds, reduce water wastage, and improve sustainability. The present study attempts to identify and analyze the impact of digital financial schemes that would benefit the farmers in earning better remuneration and in improving agricultural productivity. The study is conceptual in nature and is based on secondary data. The India Digital Ecosystem of Agriculture (IDEA) framework has been introduced by the Indian Government, whereby the farmers' database will be provided to avail benefits and link them with digitalized land records. There are other schemes namely National e-Governance Plan in Agriculture (NeGP-A), National Agriculture Market (e-NAM), and Agriculture Infrastructure Fund (AIF) which relate to digital connectivity. The theoretical framework applicable to the study is the 'Public Good*

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*Theory of Financial Inclusion' which states that there ought to be an unhindered access to finance for all. Furthermore, finance must be considered as a common good which is meant to benefit everyone. Another theory is the 'Loanable Funds Theory', which relates to the demand for and supply of loanable funds that can be made available to farmers in the form of micro credit. This can be done by setting up micro-finance institutions. One of the expected benefits of digital agriculture is that it improves the socio-economic status of farmers, increased agricultural productivity, low cost of production, efficient use of soil and water resources. Furthermore, farmers can purchase modern agricultural equipment and machines through the provision of subsidies by the government.*

## **1. INTRODUCTION**

There has been phenomenal progress in the field of digital revolution in recent times. So most of the industries, including the financial service sectors have been immensely influenced. The arrival of new technology generally leads to innovation in the industry. Irrespective of the sector, new technology renders tasks easier and more efficient and financial sector is no exception. Evolutions and progress such as ATMs and credit cards have basically transformed the process of banking and finance.

Digital revolution is all set to become a major business opportunity in the ensuing decade. Known as the internet economy, it is estimated to create new market growth prospects. Digital banking provides effective services at nominal costs to the unbanked Indian population. The internet revolution is a universal phenomenon and by the indication of the current statistics of growth, India expects an increase in the internet penetration in the ensuing years specially in the domain of electronic commerce. With the advent of the smartphones, the modest mobile evolved from a basic communication device to a complete device that facilitates payment. In fact, the demonetization in India created a setting for extensive acceptance of digital payments (United States Agency for International Development or the United States Government (USAID),2019). The new technologies are assisting the economy to attain the anticipated result by providing value added services at reasonable costs.

### **1.1 Meaning of Digitization and Digital Financial inclusion**

Digitization may be described as a process converting information into an alphanumeric or digital structure wherein the data is organized into well-defined units of data or bits. The concept of digital financial inclusion may be described as the digital entry or access made available to the underserved strata of society to the use of financial services. New technologies and transformative business models have made financial services easily accessible such as e-money accounts with debit and credit cards, opening new bank accounts particularly for the low income groups of people (Jim Yong Kim,2020).

## **2. LITERATURE REVIEW**

Digital finance infrastructure has the potential to strengthen digitalization objectives in India. Digital finance infrastructure can be offered as a public good and helps in delivery of banking services effectively (Derryl D'Silva, etal.,2019) The authorS examined the need for the development of a legal framework so that individuals' data can be secured and they can get access to their online transactions. It was found

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