

## 9. Government Schemes for Digital Financial Inclusion in India

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### **Abstract:**

*The chapter examines the changing context of digital financial inclusion in India back to the state-led efforts at reducing the urban-rural divide. It is presumed that digital literacy and the capability to access technology are prerequisites for facilitating equitable financial participation at and across socio-economic demographic levels. Different schemes are examined that have improved access to finance or financial empowerment in areas considered neglected. Some of the initiatives result in, or increase, digital transactional activity of financial services as well as progressing and achieving goals or aims such as women's empowerment, welfare support and inclusive development. There is also a discussion of the current state of the digital lending ecosystem to express the considered state-led effort towards secure, transparent, and consent-based financial systems. A critique of the policy environments and implementation processes provides some insights into strengthening digital financial inclusion in a heterogeneous and dynamic economy during a transition to a highly regulated financial economy.*

### **Keywords:**

*Digital Finance Inclusion, Government schemes, Digital Literacy, Rural Empowerment, Financial Access.*

### **9.1 Overview:**

India's rural population makes up 63.4% of the nation's total population. These days, digital platforms are used for financial transactions. The way we save, invest, and pay has changed as a result of digital finance. Accessing and comprehending these services is still a problem in rural India. Lack of knowledge, poor digital literacy, fraud fear, and restricted access to banking and internet services are the primary challenges. The government has developed an initiative to address these challenges that combines DISHA (Digital Saksharta Abhiyan) with the establishment of Common Service Centers.

**About DISHA (Digital Saksharta Abhiyan):** This program was started as part of the Digital India Program to give rural and unreserved non- IT literate citizens such as ration card holders, ASHA employees, and Anganwadi workers access to digital payments, online banking, and other online resources. When citizens have access to digital financial tools like mobile banking, UPI, and Aadhar-enabled payments, the digital divide between urban and

rural areas will be closed, digital literacy will rise, and reliance on cash payments will decline. After completing the training and evaluation, recipients are given a certificate.

## **9.2 Digital Finance for Rural India: Creating Awareness and Access Through CSCs' Under the Digital Saksharta Abhiyan (DISHA) Scheme:**

### **Introduction:**

The addition of a new element to the "Digital Saksharta Abhiyan (DISHA)" program, "Digital Finance for Rural India: Creating Awareness and Access through CSCs," was approved by the Ministry of Electronics and Information Technology.

Through the hosting of awareness sessions on government policies and digital finance options for rural residents, as well as the facilitation of digital financial services, this new component seeks to empower CSCs to become Digital Financial Hubs.

At a cost of Rs. 65.625 crore, which will be covered by the Scheme's expected savings, the new component aims to reach about 1 crore rural residents and 2.5 lakh merchants throughout India.

### **9.2.1 Plan Implementation:**

- Identifying Operational CSCs: To establish 200,000 CSCs from 29 States and 7 Union Territories that are accessible and well-distributed geographically.
- Master Training Program: To provide a standardized Master Training Program that provides volunteers (VLEs) that work at these CSCs the competences and skills necessary to capacity-build and educate the community where they are based. Information, education and communication materials, e.g. handbooks, banners, e-content to support effective knowledge transfer.
- Online Monitoring Application (OMA): To provide online monitoring that will guarantee community engagement, ongoing progress monitoring on trainee engagement and success of the overall scheme.
- Community Mobilization: introduced to facilitate engagement with local panchayat representatives to go beyond training-centric engagement and conduct beneficiaries' identification and training logistics facilitation.
- Regular Impact Assessment: To provide ongoing evaluations of participant engagement and program activities to examine and refine the program.

### **9.2.2 Public Benefits:**

- More Financially Included: Needing to serve customers increased inclusion of individuals from the rural, semi-urban, or informal economy via an established formal relationship between rural residents and formal finance institutions for services such as banking services in the form of bank accounts, loans, and the ability to credit.
- Increased Economic Activity/ Growth - enhancing the economic activity intermediated by digital transactions will work to stimulate economic activity, development of the

local economy, and stimulate entrepreneurship for both small traders and traders.

- **Community Enablement** - The program has provided work with individuals from marginalized groups that were been able to increase their socio-economic status via provision of skills and support with digital finance etc.
- **Increased Civic Engagement** - In order to provide an understanding of digital finance solutions and their usage, the program is working with members of the community and thereby created awareness amongst citizens to more fully participate in the democratic process.
- **Improved Digital Literacy**- Improved educational engagement of potential digital services and their financial capabilities will best prepare our population for the growing digital economy, leading to improved digital literacy.
- **More Cash-less Transactions** - More digital payments on average lead to less cash payments and support overall government objectives in creating a cash-less economy.

### **9.3 Digi Pay Sakhi – Empowering Rural Women Through Digital Finance:**

**Introduction:** In this age of rapidly increasing digitization, financial inclusion is a must, not a goal. The Government of India acknowledges this, and, in this effort to build financial empowerment, it has initiated critiques gold digital programmatic initiatives that build digital solutions for all citizens especially for women in rural India. Digi Pay Sakhi is one of the more potent initiatives to emerge from these efforts and is designed to empower women in rural India. Digi Pay Sakhi, part of Mission Shakti's mandate, was introduced with the assistance of the Ministry of Women and Child Development and launched through Self-Help Groups (SHGs). In this under-valued initiative, family women will be trained to become banking- correspondents and use a biometric based digital payment system to facilitate banking services for people in their communities.

#### **9.3.1 Plan Implementation:**

- **Selection and Training of Self-Help Group Members:** The first step in implementing the Digi Pay Sakhi initiative consisted of identifying capable women from the Self-Help Groups (SHGs) within rural communities. The only criteria were simple: basic literacy, the amount of trust which that person held in their village, and a willingness to learn and serve. After identifying candidates, the selected women went through a very intensive training program that offered information and learning about financial products, digital transactions and customer service. Training consisted of theoretical classroom training, but also provided many opportunities for practical application with the Digi Pay app, biometric authentication, and Aadhaar system enabled payment systems. They trained women on how to create awareness of financial products and to assist villagers in availing of government schemes. The lesson plan also facilitated a creativity process that instilled confidence in working independently and empowered the women in their role.
- **Technology:** The Digi Pay Sakhi program has an efficient technology backbone on which the program can operate effectively. Digi Pay is the application, and the program supports a digital screen at the soles of the program. Digi Pay is provided by CSC e-Governance Services India Ltd who developed the Digi Pay application on the Aadhaar Enabled Payment System (Ae PS) to facilitate monetary transactions for customers.

Each Digi Pay Sakhi has a mobile device and a biometric fingerprint scanner to protect end users and process transactions as they occur. The ability for the system to connect to many banks and government data bases helps promote access to financial services in areas that enjoy little access to financial services. Technology helps make transactions whether an internet connection is stable and can support updates to the system software system. Making sure technology remains functional is critical. The DigiPay system offers service users speed, transparency, and trust.

- **Services Provided by Digi Pay Sakhis:** Once trained and endowed, Digi Pay Sakhis offer a multitude of key financial services to rural customers. Services include cash withdrawal (essentially through bank transfer), cash deposit, money transfers, checking account balance and others. Digi Pay Sakhis also assist with opening bank account and enrolling clients in social security schemes such as various Pradhan Mantri schemes like Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY), Suraksha Bima Yojana (PMSBY), and Atal Pension Yojana (APY). Digital payments enable them to help villagers recharge for utilities like mobile phones and DTH services or help villagers access information about government welfare schemes. The services of Digi Pay Sakhis promote financial access delivered right at a villager's doorstep, making financial access simple, easy, convenient, effective and inclusive.

### **9.3.2 Public Benefits:**

- **Banking services brought to your door:** DigiPay Sakhis make banking accessible to rural citizens with essential banking services such as cash withdrawal, cash deposit, and fund transfer at your doorstep, saving time from travelling to the bank or ATM. This is immensely beneficial in remote villages and also helps the elderly or persons with disabilities. It allows for the most backward and marginal districts and locations to finally access formal financial systems.
- **Women Empowerment and Livelihood:** The above enclosure empowers rural women by enabling them to be banking correspondents. The women earn a commission for every transaction, be economically independent, develop their knowledge and experience, and work independently. Once the women receive the required training and support, they automatically become leaders of their communities. In many cases these women become role models, inspiring everyone around them to enter the digital and entrepreneurial economy.
- **Advancement of Digital Literacy:** Whether villagers receive financial services from a Digi Pay Sakhi as part of a tailored service layout or based on a remote model, villagers will see the benefits of technology, including biometrics and mobile-based services, and become more accustomed to using the technology, and encouraged to explore and use the technologies and digital financial platforms responsibly.
- **Transparent and Efficient Welfare Delivery:** Full employment of a number of the functions of Digi Pay Sakhis' roles in ensuring that the government benefits at the community level bases achieved under a number of government provision programs
- e.g. Direct Benefit Transfers - DBT police - Middleman that is employed to ensure that pensions, subsidies and welfare payments are delivered on time, reduced or eliminated. The opportunity for manipulation, corruption or delays as a result of a middleman getting in the way of service delivery is removed.
- **A Critical Function During Emergencies:** During an emergency situation, such as the

COVID-19 lockdown, Digi Pay Sakhis acted in an essential role as frontline workers to distribute relief funds and cash assistance to families in villages and rural areas safely. When banks closed and public transport was not accessible to people, Digi Pay Sakhis enabled families to get cash and assistance, despite quarantine lockdowns and continuing to operate in a health-conscious manner to effect relief.

- Encouraging Financial Discipline: Digi Pay Sakhis offer regular financial services in every village, which facilitates saving, spending tracking, and other aspirational inclusions to safe and secure financial products such as pension and insurance that would help ensure proper money management and stability for households.

#### **9.4 Unified Lending Interface (ULI):**

**Introduction:** The Unified Lending Interface (ULI) is a new conceptual component of the ULI lending ecosystem launched by the Reserve Bank of India (RBI) in 2024, still in pilot testing. The digital lending infrastructure is designed to streamline and standardize the credit process by bringing the essential typical borrower information to one Medium. The vision of ULI is to develop credit access to be consent-based, collateral-free, and frictionless, targeting rural India and underserved people. ULI is in line with India's vision of achieving digital and financial inclusion. Therefore, in a semantic space, ULI aims to make credit and formalization access achievable regardless of documentation or collateral provisions.

##### **9.4.1 Plan Implementation:**

- Most Borrower Data is Aggregated: ULI aggregates a wide number of data sources including Aadhaar based e-KYC, land ownership database; pan, and financial identifiers etc. This aggregate access allows lenders to establish identity and creditworthiness of borrowers without paperwork or physical evidence.
- Consent Based Architecture: ULI is consent-based which, in essence, allows borrower data to be interrogated only with the explicit consent of the borrower. This allows for data privacy to remain intact while creating transparency and building trust in digital lending.
- Digital Lending Ecosystem: ULI has given lenders the option to connect to banks and NBFCs and fintech which allows for access to confirmed borrower data access in real time, with standardized APIs across the board. This, at the end of the day causes reduced delay and transaction costs and allows for more small lenders to participate in rural lending.
- Pilot rollout and testing: ULI managing multiple financial institutions across different regions, while simultaneously testing the product at the original pilot stage of rollout. The pilot stage is the most critical in assessing the platform's performance, testing the limits and confronting the challenges facing the ULI before full rollout across the country.

##### **9.4.2 Public Benefits:**

The Unified Lending Interface has the potential to fundamentally change access to credit in India for millions of Indians, specifically small and marginal farmers, micro-entrepreneurs, and rural families.

By eliminating collateral requirements and much of the paperwork, ULI provides borrowers with much faster and easier access to money, which they can use to invest in agriculture, small businesses, education and health care.

ULI has the added benefit of encouraging financial inclusion of marginalised groups by providing a mechanism to bring them into ULI's formal credit-based economic support system, while also allowing for the digitisation of land records which converts traditional land records like papers and registers, into credible, verifiable, digital rights assets that could be used for lending purposes and is a big step toward building a foundational step to promote rural financial credit.

Lastly, Consent is a mechanism to foster trust and protect data, establishing a mechanism to ensure the borrower controls their personal information, aids in the reduction of fraud, improves efficiency, and may even reduce costs, allowing lending institutions to provide credit in a more responsible and sustainable way.

In conclusion, ULI is a great step to a digitally enabled, credit available, inclusive growth, and self-reliant India.

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