2016 Narayanan Oration – *The New Economics of Financial Inclusion in India*

The K R Narayanan Oration series is one of the major annual public lectures at the ANU. It is organized by Australia South Asia Research Centre (ASARC) at the Arndt-Corden Department of Economics (ACDE) in memory of Dr K R Narayanan, former President of India who launched ASARC in 1994. The 2016 Oration, the 18th in the series, was delivered on 31st March by Arun Jaitley, Hon'ble Minister for Finance, Information and Broadcasting, Government of India. The theme of this lecture was "The new economics of financial inclusion in India." The following is a gist of Mr Jaitley's speech.

In 2014 only 58 % of Indian households had bank accounts – a figure that was lower than that for low and middle income countries. Thus 42 % of Indian households had no access to formal financial institutions and attendant benefits such as formal avenues for investment, insurance and credit. The new government of India recognized this as a major obstacle for inclusive growth in the country.

It set about trying to rectify this situation through an aggressive policy of bank account mobilization and linked this expansion to better targeting of subsidies, enhanced insurance and pension facilities. First, through the Janadhana accounts individuals have been encouraged to open bank accounts, even with zero balance. To operate these accounts they have been given ATM cards. Each account is linked to the person's Aadhaar card which is a unique identification number provided to all residents of India. Further, these accounts can be operated through mobile technology thus ensuring ease of use. This is the so-called JAM (Jandhana, Aadhaar, Mobile) model of financial inclusion in India. As a result of this policy 218.7 million new bank accounts have been opened in which more than US$581 million have been deposited in the past two years.

The bank accounts have been used to facilitate a new Direct Benefits Transfer Scheme (DBT) whereby subsidies to individuals are directly deposited in these accounts, thus bypassing the intermediaries through whom these subsidies used to be channeled. This has eliminated vast amounts of corruption, enhanced efficiency of transfers and permitted better targeting of these subsidies. The DBT scheme is now being extended to producer subsidies.

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The new economics of financial inclusion in India

By The Hon Mr Arun Jaitely, MP
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The Chancellor of the University, Vice-Chancellor, High Commissioner, Professor Jha, ladies and gentlemen, many thanks to the Australian National University for having invited 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 produced. He came from a background which reflected the historically disadvantaged groups in India. He grew up amidst all odds and turned out to be one of the extremely brilliant diplomats that India produced and, eventually, went on to become President of India.

On a personal note, I happened to work closely with him when he was the 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 the President quite regularly. An extremely sharp mind, a strict constitutionalist, giving the rules of good governance, good principles – that is the memory of Dr K. R. Narayanan that we all have and I am indeed privileged to join the list of some very eminent people who, in the past, had delivered this annual oration.

When we speak in terms of reform and growth in India, a lot seems to have happened in the last two and a half decades. ANU 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 3rd 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 remember having read Steve Waugh's Autobiography. When he first made his debut in international cricket, he came to India in 1987 to play in the World Cup. From Mumbai, he mentions in his autobiography, 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 onto what we used to call the 'trunkcall' queue. We have come a long way since then as well!

21 years ago (in 1995) India's tele density was 0.8% - less than 1% of Indians had a telephone. Today, India has over one billion phones. This is only one illustration of how India has moved on from an economy which was essentially an economy of shortages. To give you another illustration I remember 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, e.g. 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, the former 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 MPs 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, it brought down poverty levels.

Last week, I had an 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 amongst the 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 two to three percent every year. The world would sarcastically refer to this two to three percent 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, in order to improve the lot of people. Post 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 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 pile 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, China, South Africa and India they observed that there was a possibility of the 'I' in the BRICs. i.e., India, being knocked off. However, today, the rapid changes in the global economic order which have taken place thankfully have not made that analysis 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, comfortable price situation, low current account deficit, highest ever foreign exchange reserve and 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 International Monetary Fund (IMF) 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 on-going economic reforms takes root. India's long run potential growth rate is still around 8-10 % and achieving this potential would be best way for India to achieve its varied socio-economic objectives. High growth is necessary to help the poor to get out of the scourge of poverty, generate employment opportunities for the unemployed youth, create more irrigation facilities for the farmers, and generate more resources for development in a fiscally sustainable manner.

One important aspect of the economic debate has been whether reforms have helped economically and socially deprived sections of society. In the initial years, whereas it was for the then governments a little more difficult and challenging to conduct market reforms, because the argument was that this had helped businesses and had helped the private sector to grow. However, the reforms had not significantly impacted the lives of those who had been used to living in adverse circumstances. This includes a very large section of the population, e.g., Scheduled Castes and Scheduled Tribes who are historically disadvantaged groups. Amongst the backward castes, we have the most backward communities, which did not have many sources of employment. There is a significant section of the population - at one stage it was more than 52-60 % who lived below the poverty line - and still a sizable section still lives in poverty. We have some groups of minorities and others who have not prospered economically. Hence, the question remains as to how the reforms have impacted upon them.

Sectorally, if we see the growth of Indian economy, our services sector seems to be the best performing. Even with an otherwise global slow-down, our services sector, even today, grows at about 9-10 % a year. Our manufacturing sector can do better, but it is our agriculture which is the real challenge. Almost 55 % of India's population, even today, is dependent on agriculture whereas the share of agriculture has shrunk to almost below 15 % of India's GDP. This indicates that 55-per-cent-plus of the population depends on this 15 % 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 which was made in the pre-liberalisation era, particularly in the 1960s and '70s, 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 hadn't been distributed fairly. Against this background governments in India have now converged upon an economic model which entails opening out, allowing investment, and allowing the market to dominate so that our economy can grow faster.

Hence, the pertinent question was: is the pullup effect or the trickledown effect – whatever you call it - adequate to take care of those who live below the poverty line in India? The answer was unhesitatingly 'no'. The pullup 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 a large number 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. As the financial year in India ends today (31st March) we hope to finish this financial year at about 7.6 % growth rate. Last year, our growth rate was 7.2 %. 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. Wholesale price index inflation has been negative for some time. Consumer price index inflation has been in the range of about 4-5 % at the highest. 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, which was able to maintain its value against the US Dollar, but post the devaluation in China, the Rupee also got somewhat adversely impacted.

With the basic parameters of Indian economy doing well, where do we feel we can do better? Four variables are key here. The first variable are the 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 and, therefore, in terms of values exports have shrunk. Even if volumes remain the same, in value term 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 monsoons in a row. With relatively good monsoons we have not had a food crisis recently in India. In fact the surplus of food that we have impacts on the purchasing part of the rural population which, therefore, has a spiralling impact on industry, on manufacturing and on market demand generally.

Third, of course, is our ability to continue with the reform process and adding to its base. The fourth, which is something which 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 particularly the fall of the oil prices, and 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 India post the 1990s is a much better country to live in and is performing much better than it was prior to 1991. Hence, there is a larger political consensus both at the centre and the states about continuing with reforms. Reforms unleash India's energies and allow 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 reform 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 one year, foreign direct investment itself has increased by 40 %.

In addition to this, we had a bad reputation for not being the best place to do business in. 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. We have rationalised our direct tax system and we are trying to bring down taxes to a global level. I was speaking to my counterparts in Australia. Our taxes are more reasonable than the ones you pay here. In indirect tax, of course, you have been a decade and a half ahead of us. We are now trying to implement the Goods and Services Tax 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 itself.

Our main concentration, in terms of expenditure, now 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 where public investment is going. Our infrastructure, almost every part of it, whether it is the railways, the rural roads, the national highways, the ports, the airports, the power sector, are experiencing huge amount of activity and growth taking place these days. These require a lot of investment and I quite candidly concede that that this magnitude of investment is not available in India. Therefore, we have been reaching out to investors, pension funds, superannuation funds, to come and invest in India. By maintaining this entire reform momentum we intend to add to India's growth story.

Now, one aspect of financial inclusion relevant to the rural areas, is to give the benefit of the increased growth to sections which had so far not 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 road. The roads program for villages in India is one of the most successful programs. It is a program in which every Member of Parliament is involved because he knows that he has to visit the villages in his constituency where people would demand answers if they do not have access. Hence, everybody is involved in this process. 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 given a call 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 electrification of all villages, road access to all villages, the Prime Minister's call for the 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 in which the government is involved, the World Bank is also partly helping us in the finance, corporate India is putting a lot of CSR (corporate social responsibility) money into this campaign. The goal is to enable every home in every village to have a toilet and, where this is not possible for every home, to make clean collective community toilets available to villagers in rural areas itself. Housing for all is a very tall order. Provision of regular, pucca houses in rural areas is another on-going 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 the farmer.

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 these unemployed people get as a part of the Rural Employment Guarantee Scheme are directly transferred to people's bank accounts, rather than the monies first going from the central, to the state, from the state to the district, from the district to the panchayat, and then being billed forward, before it reaches the farmer itself. We have thus removed a number of intermediaries.

Various avenues of funding and empowering rural India are on-going. What is it that specifically the financial inclusion campaign envisioned? Two years ago, we realised that only 58 % of the families in India had bank accounts - 42 % 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 these 42 % 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 conceptualized the Pradhan Mantri Jan Dhan Yojana, which is our National Mission for Financial Inclusion, we were aware that in the past too some attempts had been made in this space. For us, however, the ambition was much larger. For instance, instead of reaching out to geographically larger villages, we targeted reaching out to every household and providing them with the facility of a bank account. Secondly, we leveraged technology to our advantage. We opened all bank accounts on the online Core Banking platform, so that all new customers could be provided with the facility of a Debit Card. This was something which wasn't thought before, since it was felt that the poor could not use these cards. Third, we combined all aspects of financial services like savings, credit, insurance and pensions with this Mission. And finally we adopted a Mission mode with very tough timelines 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 of the international agencies in the financial inclusion space had 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 % 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 on account of subsidies. These subsidies originate from various government schemes e.g. scholarships, widow 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 % 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 which have been opened so far, less than 28% are dormant. Our new customers have deposited more than 348 billion rupees, approximately 5 billion USD. As we talk, there is a Mission team back home in India which is monitoring these accounts to ensure that the zero balance accounts decrease to less than 20%.

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

a) Providing social security to the people and
b) Providing affordable credit to the entrepreneurs
c) Plugging the leakage in our subsidy disbursements

In order to provide social security, we launched three schemes last year. The first scheme provided a life cover of Rs. 200,000, the second provided an accident insurance cover of Rs. 200,000 and the third provided a Pension scheme for the youth in the age group of 18 to 40 years. The beauty of the insurance schemes was that not only were these schemes being offered at very nominal premium, they were also linked to the bank accounts opened by the people. This linking with accounts 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. The JAM Trinity is that 'J' is the Jan Dhan Yojana Account, i.e., these bank accounts, 'A' is an Aadhaar card, which I will just explain, and 'M' stands for the one billion mobile telephone connections.

We created - and now, it has got a legislative support in Parliament - an Aadhaar Number, which is a unique identity number, which every Indian resident has. Already about one billion people have been allotted this. The percentage of adults is about 98 %, though amongst minor children, it is still lagging behind at about 67 %. 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. The challenge with the regard to these subsidies was that there were unquantified amounts which were given to an unidentified section of people.

The problem of leakages in Government subsidy had been affecting the nation for sometime. We have started linking the accounts opened under Jan dhan scheme with Aadhar and with mobile numbers. The database of 1.2 billion bank accounts when linked with 1 billion mobile phones and about a billion Aadhar numbers would ensure that the subsidy flow happens only to those who actually need it. The Direct Benefits Transfer schemes of our country have therefore become the largest in the world. So far, our estimates show that about 170 billion INR of subsidy 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, were getting the benefit of, say, a cooking gas subsidy. Cooking gas attracts a subsidy ceiling of about 25 %, which is a considerable amount. Any money released from this subsidy can be utilised for helping various people. We have added this as a part of the social security campaign. Now, there is no reason why this subsidy should have been made available to people like I, so we started a campaign for removing those who do not deserve the subsidy. This parallel campaign, called Give It Up asked people to voluntarily give up their LPG 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 accounts. 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 4 months.

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

The third thing that we did was to use these accounts to offer pensions. India outside the government is an unpensioned society. Most Indians do not get a pension and there are pension plans with 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, the well-intentioned run, failed in a certain section, 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 Rupees accident insurance each. 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 only 1 Rupee a month.

Similarly, we brought in a normal life insurance policy. This also provides a reasonably low cost pension scheme. The two insurance policies have been a runaway success. 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 from the pattern that you have in countries like Australia, in the United States, in Europe we probably could insist on people compulsorily contributing - at least a large section of those who can afford it - toward 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 the large body of people many of whom cannot get a job either in the government or in the private sector?

Across the world, the provision of credit to the 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 a million Indian rupees to the entrepreneurs without any collateral. We encouraged the 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 the defaults can be taken care of. Our larger view is that the self-employed and the 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 been a runaway success. So far, 29.8 million customers have benefitted under the scheme with total loans of 1180 billion rupees. 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 ATM machines are opened 24 hours a day whereby the entrepreneurs would save on interest cost for even one day by making this deposit by 12:00 midnight.

This has become a massive program of financial inclusion, so from bank accounts, to state support, to insurances, to nudging them to go in for pension programs, to now making funds available to them through the banking. It is quite heartening to note that in this sector, like in most microfinance schemes which the banks do themselves or through various microfinance agencies, the bad debt is almost negligible. These are people who want to actually 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 now slated to gift 50 million (5 crore) female headed households cooking gas connections. Otherwise, these households would use the conventional chulhas. Medical studies have shown that a conventional chulha can do as much damage to the health of the lady who cooks as in a single day as much as smoking 400 cigarettes a day. We picked up the poorest 5 crore families in India for this scheme. Hence, the saving we have been able to make by keeping the wealthier people out and excluding duplicate connections has gone to the poor.

Second, for the Indian farmer, we have now come up with a very low cost crop insurance scheme. When crops fail farmers suffer and some have even be pushed to committing suicide because they are unable to repay the loans taken against the harvest. This new insurance scheme would 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 % of the premium is to be paid by the farmer, 25 % by the state government, 50 % by the central government. Any farmer who wants his crop to be insured can get the benefit of this insurance.

The third part of this scheme is a health scheme financed by the monies saved. 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 an additional cover of about 30,000 rupees. This is an annual insurance policy.

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

The net object of this exercise has been that when we grow faster, the state gets more revenue – the state is enriched and, therefore. However, in addition to the natural advantage of jobs being created and so on, one is able to use this additional resource to pump into the areas which need to be supported.

The last scheme, which, as I go back to India, 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 requested to support one entrepreneur from the Scheduled Caste, Scheduled Tribe groups and one woman entrepreneur.

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 this support to the social sector as part of the financial inclusions schemes of this government.

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 the 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. Deregulation of diesel prices, new fertilizer policy and introduction of PAHAL for transfer of cooking gas subsidy have rationalized subsidy expenditure. The deployment of

JAM trinity of Jan Dhan Yojana, Aadhar, and mobile telephones is a hugely innovative intervention to carry this forward and place government finances at prudent levels.

Govt is also bringing about several reform measures for 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 in financial inclusion as it would be ensured that each eligible account holder under PMJDY may be provided access to the digital financial services in addition to the 'RuPay Card'. In this regard, 'PayGov India' will be developed as a "single unified portal" across central, state governments and their public sector undertakings for collection purposes. Wherever needed, the Departments/ Ministries shall make modifications in the Rules and Regulations that may have been issued, so that appropriate change is incorporated to allow payments / receipts by using cards/ digital means also. Mobile banking will be promoted to leverage upon the huge infrastructure available at lower cost. This will also bring efficiency in payments system and ensure that merchants/ consumers can leverage their credit history to access instant, low-cost micro-credit through digital means and create necessary linkages between payments transaction history and credit information. The efficiency gained and the reduction in transaction costs will consequently benefit all including the poorer sections of society.

Government's quest to extend financial inclusion to the most deprived sections of the society would be made possible by another of our government's initiatives: the Digital India. As stated by the Prime Minister Shri Narendra Modi, it was not enough for India to say that it is an ancient civilization, and a country of 1.25 billion people enjoying demographic dividend. 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 where all important government services, including financial services, are available on the 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 a 1% commission on the amounts transferred under Direct benefits Transfer particularly for those schemes which are rural oriented. This effectively compensates them for the costs that 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 recognized and appreciated across the world. While others have talked about it, we have demonstrated to the world that indeed 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 has been done in India. Hopefully, in the years to come, as government earns more resources, additional benefits will continue to accrue to these sections of society. That is all I have to say and thank you very much.