

## JAM: Jan Dhan-Aadhaar-mobile penetration driving India's digitisation

By: FE Bureau | New Delhi | Published: June 28, 2018 3:16 AM



Jan Dhan-Aadhaar-mobile penetration driving India's digitisation

Morgan Stanley's India's Digital Leap: The Social Revolution, released on June 24, discusses how the major reforms the country adopted in recent years—GST and Jan Dhan-Aadhaar-mobile penetration (JAM)—will impact the quality of life of its citizens, and the country's financial inclusion objectives and agricultural productivity. While India's per capita annual income is likely to increase from \$1,700 today to \$4,135 by 2027, the social impact of the 'digital leap' will be broadly felt in the aforementioned areas. More income available to each household means each family's purchasing power increases, reducing food's preponderance in the consumption basket while increasing outgo on other heads.

Driving this change in consumption patterns is the changed benefit transfer ecosystem; earlier, it was based on physical transfers, but now—because of JAM—it has transformed into an inclusive demand-driving mechanism with direct cash payments to beneficiaries. Physical transfers lead to massive leakages. However, biometric-based Aadhaar identification and its linking with the 300 million accounts opened under

Jan Dhan since 2014 have enabled the Centre to save `90,000 crore using the direct benefit transfer (DBT) initiative. More such savings for the government resulted from the removal of 38 million fake LPG connections, 27.5 million fake ration cards, and 10% costs on the government wage bill.

Jan Dhan has not only provided funds for further investment and income generation, but has also resulted in an increase in banking penetration—with 85% of Indian citizens now having a bank account, compared to 45% in 2014. The total bank balance has amplified manifold, with `4,200 crore exponentially increasing to `78,500 crore in four years. These funds and greater access to them by financial institutions have resulted in, and can lead to, greater securitisation in the form of investment in insurance, debt, equity, commodities and deposit markets. Aadhaar-based identity verification has facilitated the rise in bank accounts and their opening by making the KYC process easier and simpler. In fact, e-KYC results in 90% cost saving in a deposit account opening process. The e-KYC and DBT implementation in fertilisers will yield to greater agricultural productivity as soil health cards, allocated to each plot of land, will determine the appropriate nutritional needs of a particular landholding.

GST is estimated to bring in `1 lakh crore per month during FY19; it has also led to a rising tax-to-GDP ratio for India, as well as greater loan penetration for MSMEs, which make up 80% of the employed labour force of the country. Although doubts persist related to Aadhaar implementation and privacy, as well as the viability of newly-opened Jan Dhan accounts given these are mostly used for high-cost, small-ticket transactions—the World Bank reported that 48% of bank accounts in India have been inactive over the past year—India looks set to benefit further from increasing digitisation.