



THE IMPACT OF DIGITAL TECHNOLOGY IN POVERTY ALLEVIATION IN INDIA

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Abstract

Poverty and inequality are the most crucial problems, against which, the country has been waging war since independence. Though the undeterred efforts taken by the government has reduced the rate of poverty, it is yet to be completely eradicated from India. Poverty is a multi-dimensional concept which includes financial deprivation, illiteracy, vulnerability, powerlessness, gender inequality and social exclusion. The last two decades of technological advancement has increased the access to information, knowledge, opportunity and finance to the poor. The digitalization of Indian economy has enhanced the financial transparency and improved the tax income of the economy, and thereby reduced the income inequality. The government schemes such as Prime Minister Jan Dhan Yojana, Kisan Credit Card, Micro Finance, eNAM have resulted in the financial inclusion of the poor and thereby helping to combat poverty. The present study makes an attempt to evaluate the impact of technological advancement in poverty alleviation through the dissemination of information, knowledge, opportunity and finance, on the basis of data retrieved from secondary sources.

Introduction

Technological development can augment production, increase income distribution and thereby narrow down poverty. Development in digital technology reduces information asymmetry and strengthens the social and human capital formation. Since the last decade, the government of India has been investing generously in digitizing the economy, in the hope of bringing equitable development across the country. Cashless transaction, JAM, DBT, Kisan Credit Card, eNam, Micro finance etc., are a few such moves taken by the government in this direction. Digital finance enhances financial inclusion of the poor, reduces the cost of financial intermediaries, and provides credit access to small, medium and large businesses. As knowledge in handling a smartphone is sufficient to use digital finance and other services provided by the government, financial inclusion is growing at a faster pace. Financial inclusion means the provision of financial services to the marginalized sections of the society. India, being the world's most populous country, has emerged as one of the world's fastest growing economies, with a large pool of skilled employees. Digitization, for low income households can enhance financial resilience, diversify funding sources and reduce poverty through boosting economic stability.

Objectives of the Study

- To analyze the digital, technological services provided in India
- To examine the extent of services provided
- To find out the loop holes and suggest suitable measures for the successful implementation of these services.

Methodology

This study is based upon secondary data retrieved from various journals and government websites. The details of services provided for a period of 10 years i.e. from 2013 to 2023 have been analyzed.

Concepts of technological services

- **Pradhan Mantri Jan Dhan Yojana(PMJDY)**

The PMJDY was introduced by the government of India on 28th August 2014, to ensure the financial inclusion of all households in the country. Some additional features such as minor above 10 years can open an account, RuPay debit card issued to withdrawal, deposits and payment purposes, accident insurance of one lakh(now enhanced to RS.2 lakhs) and life insurance of Rs.30,000 provided without premium. The account holder can avail Rs.10,000 overdraft facility after the satisfactory transaction of the account for six months. PMJDY accounts are eligible for Direct Benefit Transfer(DBT), Pradhan Mantri Jeevan Jyoti Bima Yojana(PMJJB), Pradhan Mantri Suraksha Bima Yojana(PMSBY), Atal Pension Yojana(APY), Micro Units Development & Refinance Agency Bank(MUDRA) scheme.

- **JAM** which stands for the interlinking of Jan Dhan Yojana, Aadhar and mobile number, was implemented by the government to make direct subsidy transfer to the poor.

Review of Literature

Simontinti Das Amrita Chatterjee(2021), in their working paper made a detailed analysis of the role of Information and Communication Technology in boosting economic growth and in alleviating poverty through knowledge and financial distribution. At the same time they also pointed out the possibility of aggravation of poverty and inequality through digital divide. They expressed their fear that the technological illiteracy among the poor may become a hurdle in their development in the digital economy.

Rahul Singh Gautam, Jagjeevan Kanoujiya, Venkata Mrudula Bhimavarapu, Shailesh Rastogi(2021) did their analysis on the secondary data of 22 states in India between 2018 and 2020. They insisted that financial inclusion and financial technology such as Kisan Credit Cards, UPI and ATM can pave a long way in eliminating poverty. Panel data analysis was used to prove their hypothesis. They concluded that increasing the breadth and depth of KCC and ATM may have a synergistic impact on poverty alleviation in India.

Sanjay Chopra(2019) in his work has elaborated the significance of Information and communication technology in winning the battle against poverty and inequality. He quoted the example of DBT in combating poverty during pandemic. Though he agrees that the cost and accessibility will certainly come in the way, especially for the poorest of the poor of India, ICT, if handled deftly can go a long way in the eradication of poverty in India.

Dr. Rajeshwari M. Shettar(2016) studied the efficacy of Pradhan Mantri Jan Dhan Yojana in combating poverty. Their study, which was based on secondary data, analysed the number of accounts opened in various public sector, private sector and regional rural banks and the amount disbursed through these accounts. They appreciated that this scheme was successful in bringing 'Non Bankable under banking regime. They further suggested that it is necessary to ensure the continuous operation of bank account opened under PMJDY, in order to fulfill the aim of the scheme.

Poverty in India

Poverty is a multi-dimensional concept which includes financial deprivation, illiteracy, vulnerability, powerlessness, gender inequality and social exclusion. Poverty in India, in early days was measured in terms of calories intake. Later, in order to simplify the process, income has been taken as a measuring

rod. The government of India has introduced concept of Below Poverty Line, in order to identify the financially weaker people and households, who are in immediate need of government help.

The most significant causes of poverty in India are i) Population explosion ii) Low agricultural productivity and iii) Unemployment and Underemployment. For the past 45 years, India has been adding 17 million people each year to its country's population, causing a setback in the government's efforts towards development. Fragmented land holdings, lack of capital, ignorance about latest technologies in farming are the few causes for poverty in rural India. However, the untiring effort of the government has yielded result by way of fall in the rate of poverty for the past ten years, except in 2019, due to the pandemic. The rate of poverty in India was reduced from 55.1% in 2005-06 to 16.4% in 2022.

Direct Benefit Transfer

The government of India has been implementing a number of social welfare schemes to alleviate poverty. And recently, the Direct Benefit Transfer (DBT) method has played a vital role in making the benefits of welfare schemes reach the poor and needy at right time and at a lower cost. Recently, International Monetary Fund (IMF) lauded this scheme as a 'logistical marvel' that has reached hundreds of millions of people and specifically benefitted women, the elderly and farmers.

The Direct Benefit Transfer scheme was launched by the government in 2013 to minimize costs and plug leakages in the disbursement of government benefits. The following table shows the role of DBT in poverty alleviation.

Role of DBT in Poverty Alleviation

	2013-14	2016-17	2018-19	2019-20	2020-21	2021-22	2022-23 (till 5 th January 2023)
No. of DBT schemes	28	142	440	426	316	313	310
Total Funds Transferred (in Rs. Crores)	7,368	74,689	3,29,796	3,81,632	5,52,527	6,30,265	3,80,380
Cash schemes	7,368	74,689	2,14,092	2,39,729	2,96,578	2,68,139	1,71,842
In-kind schemes			1,51,704	1,41,902	2,55,950	3,62,126	2,08,538
Eligible beneficiaries [no n unique] (in crore)	10.8	35.7	129.2	144.7	179.9	178.9	159.5

Source: Data as reported by Ministries / Departments to DBT Mission, Cabinet Secretariat

The above table reveals that during 2013 fund transfer was made through DBT for around 28 schemes. The number of schemes was increased to 142 during 2016-17 and 440 during 2018-19. During this year, up to 5th January 2023, a sum of Rs. 3, 80,380 crores were transferred through DBT. This scheme was a

real boon during pandemic to combat poverty through fund transfer. The following table estimates the savings made due to DBT of government reforms during 2020-21.

Estimated Savings due to Direct Bank Transfer in Government Reforms during 2020-21

Government schemes	Expenditure on the scheme 2020-21(in crores)	Estimated savings 2020-21(in crores)	Savings as a percentage of Expenditure
MGNREGS	1,11,170	7,803	7%
NSAP	42,617	6.4	0.02%
PAHAL	35,195	1,609	5%
PDS	5,41,330	34,700	6.4%

Source: DBT website, Union Budget Documents, PRS India

The above table revealed that use of DBT in welfare schemes for one year could save around 44,118.4 crores of rupees through minimizing and time. Financial assistance at the right time will help the poor to combat poverty, and minimize its negative impacts.

Conclusion

The study reveals that digital inclusive finance exerts a poverty reduction effect by increasing income, creating opportunities for education and contributing to healthcare. The various welfare schemes implemented with digital technology speeds up poverty alleviation, narrows down income inequality and creates access for development. However, steps must be taken to eliminate the possibility of digital divide due to the insufficient technical knowledge of the poor. Any effort taken by the government on this direction could eliminate poverty and improve the status of India in the world economy.

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