Task Force 2:
Our Common Digital Future: Affordable, Accessible and Inclusive Digital Public Infrastructure

TECHNOLOGY AS CONDUIT OF SOCIAL PROTECTION: LESSONS FROM INDIA

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Abstract

Socio-economic instabilities have created challenges for development and reinforced the need for provision of welfare to large populations. The G20 Leaders' Declaration in Rome (2021) emphasised the need for stronger social protection using a 'human-centric' approach. Technology can play a crucial role in ensuring effective welfare delivery in tandem with the United Nations (UN) Sustainable Development Goals (SDGs). India has a robust social security framework that caters to millions of people which has further strengthened in the last decade through digital technology-based initiatives; *Jan Dhan Yojna* is one such significant policy initiative. The G20, under India's presidency, is an appropriate forum for devising coordinated efforts to make better use of digital technology to strengthen social protection. This Policy Brief evaluates India's digitally driven welfare architecture and outlines lessons that G20 members can possibly emulate; it offers recommendations for more efficient social welfare initiatives.

The Challenge

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roviding welfare is a fundamental responsibility of modern nation-states. Such an obligation is more strongly manifested in democratic political systems due to the dynamics of electoral mobilisation and popular support.[1] Since the end of the Second World War, the dwindling of the laissez-faire state and the emergence of the welfare state in the West transformed the social contract between the state and the people in crucial ways. The post-colonial states adopted the welfare model of governance, strengthening the legitimacy of the welfarist state and making it nearly ubiquitous.[2] Ensuring the provision of welfare goods to citizens became a central policy of developmental governance for states. This policy strengthened further with the advent of globalisation, as economic inequality engulfed large populations across geographies.[3]

To be sure, the evolution, consolidation and nature of the welfare state vary across countries.[4] The growth of democracies also made the expansion of the welfarist dimension of the nation-state an imperative. As democratic systems draw electoral legitimacy from the majority, the political elites have had to ensure their well-being, amongst which sizeable sections are economically vulnerable, especially in the developing world.[5]

Digitisation of Welfare

A phenomenon that has transformed the welfare regimes of the nation-states is the advent of digital technology. The gradual digitisation of the planning and implementation of welfare policies have altered the dynamics of welfare globally.[6] It has enabled welfare delivery to become more efficient, and targeted to the eligible beneficiaries, maximising the benefits of welfare policies for the most disadvantaged sections. The digital intervention in welfare delivery has three broad advantages. *First*, it has facilitated a more efficient mode of transferring welfare goods from the benefactor i.e., the state or government to the beneficiary i.e., the citizens. Developing countries face the problem of deep-rooted corruption in the conventional mode of welfare delivery. A dense network of political functionaries, bureaucracies and middlemen often siphon off massive sections of welfare funds or goods perpetually impeding welfare delivery.

Digital platforms have brought a systemic change as they enable Direct Benefits Transfer (DBT) under which cash transfers are directly made to the beneficiaries. It also ensures better monitoring provisions of the delivery of welfare goods that increases transparency in the process of disbursement and delivery of such welfare commodities or provisions.[7] *Second*, the process of welfare delivery for the most vulnerable sections has historically suffered from the challenges of dubious inclusion and exclusion of beneficiaries, often due to lack of robust recording and filtering mechanisms that can identify the deserving and eligible beneficiaries.[8] This has led to deserving vulnerable sections being deprived of welfare benefits. The digital revolution has made it more convenient to identify and register the genuine beneficiaries of welfare policies.[9]

Third, the digital technology has made the process of welfare delivery remarkably faster and targeted especially in times of crisis. During the COVID-19 pandemic, the timely and direct transfer of funds under various welfare schemes by governments across the world using digital platforms mitigated the economic hardships of millions of vulnerable people.[10] However, such initiatives have also revealed evolving challenges and impediments that require concerted effort to redress.

This brief highlights India's *Jan Dhan Yojna* as an initiative of digitally driven financial inclusion and outlines its socio-economic achievements. It draws insights from other G20 countries to provide recommendations to address common challenges and strengthen the digitised social welfare regime across G20 and beyond.

THE CHALLENGE

The G20's Role

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The G20, as a potential collaborative forum with enormous transformative potential, has consistently recognised the need for digital technology in delivering better governance and welfare. The grouping's ministerial declaration of 2017 reaffirmed "the principle in the G20 Digital Economy Development and Cooperation Initiative commitment to a multistakeholder approach to Internet governance, which includes full and active participation by governments, private sector, civil society, the technical community, and international organizations, in their respective roles and responsibilities." The forum also pledged to "have multistakeholder processes and initiatives which are inclusive, transparent and accountable to all stakeholders in achieving the digitally connected world."[11] The G20 Leaders' Declaration in Rome in 2021 also harped on the need for better social protection using a human-centric approach especially towards the working population and labour market.

The forum recognises the crucial role of technology in ensuring effective welfare delivery and financial inclusion in tandem with the UN SDGs. In this context, G20 has emphasised the need for a special thrust of financial inclusion using digital technology. A 2022 report by the Asian Development Bank Institute (ADBI) on digital financial inclusion by G20 members highlights that the G20 high-level policy guidelines (HLPGs) for digital financial inclusion, i.e., HLPG1, HLPG5, HLPG7, and HLPG8, focus on providing an "enabling environment, a robust digital infrastructure, and payment systems that would play a pivotal role in enhancing inclusivity, literacy, and education; and as well as in protecting the interests of consumers."[12] BRICS member countries have also initiated notable policy innovations in tune with select G20 HLPGs to "strengthen and spread financial services and literacy and also make them inclusive of youth, women, people with disabilities, rural areas, low-income households, and small enterprises."[13]

In the 2022 Digital Economy Ministers Meeting, there was a concerted effort to "emphasize the need to foster international cooperation for a more inclusive, empowering, sustainable, resilient, and innovation-driven digital transformation which will help to achieve post-COVID-19 recovery and contribute to the achievement of the SDGs."[14] The

G20's resolve towards people-centred digital connectivity is in line with strengthening the use of technology in fostering a stronger, more efficient and expansive social welfare regime in the member countries. G20 as a deliberative platform has scope to learn from the achievements and challenges faced by the member countries in the use of technology for improving social welfare benefits.

India's digitally driven social protection

India has an expansive, multi-layered and effective social welfare regime that is further strengthening itself with the increased use of digital technology.[15] One of the pioneering schemes in which large-scale digital technology-driven financial inclusion has taken place is Pradhan Mantri Jan Dhan Yojana (PMJDY) launched nationally in 2014 by the government.[16] The scheme, riding on digital intervention, has made a multi-dimensional impact on social protection and inclusion in three fundamental ways. *First,* it made banking activities accessible to the poor entitling them to several credit, loans and savings facilities. Such financial inclusion provokes a sense of dignity as it helps populations escape exploitation at the hands of moneylenders. *Second*, the scheme has facilitated the economic empowerment and agency of underprivileged women by providing access to banking facilities. *Third*, the Jan Dhan Accounts, using digital financial services are being used to transfer funds to the needy beneficiaries under many social welfare schemes, making welfare timebound and relatively more leak-proof. Under the scheme, financial inclusion coverage of houses has consistently increased from INR 17.9 crores (218,289.12 USD) in August 2015 to INR 46.25 crores (56,40,589.88 USD) in August 2022. The scheme involved opening of no-frill accounts for the people of all sections in the country especially enabling the poor and marginalised to utilise banking facilities. These Jan Dhan Accounts of especially the lower-income groups have witnessed an increase in deposits from INR 22,900 crores (279.19 crore USD) in August 2015 to INR 73 lakh crores (0.89 Lakh Crore USD) in August 2022.[17] The lower-income daily wage earners and unorganised sector workers have been brought into the formal financial services. The scheme has renewed its focus on giving bank account access to every adult in the country.

The scheme has also paved the way for greater economic empowerment of socially marginalised women with their proportion in overall account-holders rising from 15 percent in 2015 to over 56 percent in 2022.[18] The scheme, using digital technology, has helped deliver micro-credit to women-led Self-Help Groups. Entrepreneurial Mudra loans have also boosted women-led innovation in the field of business at the grassroots level. Some 67 percent of the Jan Dhan accounts have been opened in rural and semi-urban areas in India.[19] The appointment of 'bank Mitras' (agents facilitating people in banking related services) has increased banking touchpoints in the remote areas.[20] The biometric identification system for all citizens (Aadhar Card) and linking it with Jan Dhan Accounts and with mobile number (JAM Trinity) also called 'Aadhaar-seeding' has ensured identity verification of all beneficiaries. This technological innovation has enabled the central and state governments to deliver cash under other social welfare schemes.

Grant payments under schemes like Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA) wages (employment guarantee scheme

in rural India), pension and ex-gratia payments are done directly into the bank accounts of beneficiaries in a relatively leakage-free manner. Such direct and time-bound transfer of payments was instrumental in providing economic assistance to the vulnerable sections in India during COVID-19. The deep penetration of Jan Dhan accounts has acted as a catalyst behind India's enthusiastic adoption of digital payment platforms such as the UPI (Unified Payments Interface) and debit cards, with 31 crore RuPay cards being issued as of 2022.[21]

Other G20 members in focus

Other G20 countries have also initiated digital-driven initiatives for financial inclusion, such as Central Bank of Brazil's Pix digital platform, Brazilian Open Banking Project.[22] Russia has the Faster Payment System and Unified Biometric System with special initiatives for elderly, people with disability and low mobility groups.[23] South Africa's initiatives of risk-based "know-your-client" and microinsurance are noteworthy. In Argentina, the National Registry of Individuals has developed the Digital Identity System.[24] Indonesia has launched a digital payments system,

Quick Response Code Indonesia Standard, for MSMEs.[25]

However, the low-income beneficiaries who have limited education and low digital literacy are highly likely to get excluded from the digitally operated registration and enrolment procedure for receiving social welfare benefits. G20 needs to strengthen and expand such initiatives for optimising their potential, reach and impact given that they face structural and procedural challenges. Other obstacles are lack of internet access and digital literacy, and inadequate data.

Recommendations to the G20

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The G20 countries can cover a lot of ground in better utilising digital technology for consolidating the much-needed social welfare mechanisms:

1. **Greater Inclusion.** The threat of exclusion of the deserving beneficiaries needs adequate redressal.[26] Therefore, governments must take concrete steps so that the enrolment procedure is sensitive to the needs of these vulnerable sections of people who would benefit the most from such welfare services. The pandemic has exposed that large sections of vulnerable populations in several countries have remained outside the welfare protection net. This is largely because these marginalised sections are often excluded from the digitally driven registration process due to their lack of digital literacy and access to technology.[27] Governments need to deploy Special Ground Assistance Officers at the local level to digitally enrol vulnerable households with adequate documentation and spread awareness of welfare schemes and ways to avail them.

2. **Balancing Privacy with Transparency.** A strength of the digitally driven social welfare delivery is its ability to ensure transparency in the process that can enable the benefits to reach the genuine beneficiaries by reducing corruption. However, often, data transparency could imperil citizen's privacy.[28] Therefore, strong and effective legislative regulation for data protection should be mandatory as more digitally driven welfare models expand in the foreseeable future.

3. **Data Access and Literacy.** An imperative of ensuring symmetric expansion of digitally-driven welfare regime is to facilitate the increase in technology and internet access across all sections and regions. Though India and other developing countries have remarkably improved data literacy, skills must be further expanded to the marginalised and vulnerable sections so that they can make better use of technology to avail welfare services.[29] Targeted and focused policy frameworks must be initiated to identify the vulnerable sections, taking steps

to not only provide internet access by improving infrastructure but also impart skills to use it through organising awareness campaigns at the grassroots.

4. **Efficient delivery of welfare goods for all.** Efficient monitoring facilities should be in place in order to ensure that digitally-driven procedures is in fact helping all sections to effectively receive welfare goods targeted for them. Digitally-driven welfare initiatives can centralise the welfare delivery mechanism which can in turn weaken the localised delivery capacities and "reduce the ways in which marginalised sections can interact with the government."[30] The inclusiveness and reach of the welfare measures needs regular on-ground assessment by the local administration across countries and proper policy intervention needs to be done accordingly to make it more inclusive.

5. **Decentralisation and data sharing.** Data on welfare beneficiaries should be decentralised by providing access to the lower levels of government administration so that local-level monitoring of the delivery of welfare to the genuine beneficiaries is ensured by the local government, preventing centralisation of information and administrative logjam. Particularly in the federal systems, central government can share this data based on mutual trust to ensure judicious and time-bound distribution of the welfare goods that would facilitate efficiency in welfare delivery and prevent misuse of resources.[31]

6. **Ensuring gender parity in accessing technology.** In many parts of the globe, especially in the developing countries, women lag behind in accessing digital technology.[32] Digital illiteracy is also high amongst women. Dedicated policy intervention for ensuring adequate measures to provide digital technology and skills to avail them is a policy imperative to enable women to avail digitally-driven welfare policies.[33]

7. **Empowering the economically vulnerable through technology.** The unorganised sector and the migrant workers, mostly in the developing countries, suffer from

extreme economic and social vulnerabilities often outside the social welfare protection regime due to their constant mobility for work. Special policy initiatives to bring them within the fold of digital welfare delivery are crucial to make it more inclusive.[34]

8. **Creating a collaborative framework.** The G20 as a deliberative forum with a focus on digitalisation of welfare can envisage a collaborative framework for discussing the varied best practises, strategies and ensuing challenges faced by different members in digitising financial inclusion endeavours and welfare delivery at large. Such an endeavour will strengthen G20's focus on the issue of digitisation of welfare and provide an opportunity to its member for shared learning from each other's experiences in this regard.

Digital technology has enormous potential to revolutionise and transform the social welfare regime across G20 countries and beyond. However, adequate protection measures in order to plug technological loopholes that can jeopardise privacy, data security and lead to exclusion of the vulnerable sections from the social protection net, need to be carefully undertaken.

Governments, civil society collaborations and transnational initiatives can utilise the efficiency, speed and accuracy of digital technology to maximise, strengthen and transform the social welfare regimes. However, the challenges of digital divide, lack of digital awareness and skills, and opaqueness of digital complexities for the marginalised, can squander its constructive potential for human development and empowerment. The crucial task for the G20 members in particular, and nation-states in general, is to collaboratively overcome these challenges to expand digitally-driven social welfare regimes.

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