Digital divide in India

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20% of Indian households access internet for internet banking. But the adoption of digital payments still has a long way to go.

A world without the internet is no longer imaginable. It is no surprise then that the government of India is on a mission to turn the country digital to propel the next phase of growth. There are several challenges in connecting remote areas/villages via high-speed internet and these need to be explored to figure out a way forward. It would perhaps be relevant to take a closer look at the data from the "Household Survey on India's Citizen Environment & Consumer Economy" ICE 360° survey (2016), which gives insights into economic and social well-being of households, provides normative measures of social, political and financial inclusion, and a degree of access to public goods, infrastructure and welfare measures. The particular section on digital networking deep dives into the internet usage, its patterns, mode and purpose of their access. ICE 360° survey (2016), which covered 60,360 households (after putting together a household listing of 3,00,000), reveals that 10% (27 million) households reported having internet connection at their home but there were 22% (62 million) of Indian households where at least one member was accessing the internet (either at work or home or elsewhere, and either through a computer or mobile).

On the issue of digital divide, it is interesting to note that while every tenth under-developed rural households—including those in districts such as Kalahandi (Odisha) and Bastar (Chhattisgarh)—have access to internet, in the metros every second household has internet access. Level of education and internet access are highly correlated.

For instance, every second graduate household has at least one member who accesses the internet versus every hundredth in the case of illiterate household. The digital divide becomes more palpable between rich and poor. Nearly 47% of rich households (top quintile) have at least one member with access to internet in contrast to only 4% of poor households (bottom quintile).

ICE 360 survey (2016) reveals that 88% of Indian households own a mobile phone which contributes a major way in accessing the internet and this is more relevant in the case of under-developed localities. For example, more households in under-developed rural areas (94%) access the internet through mobile phones than the metros (77%). Similarly, more illiterate (87%) households and graduates (78%) access the internet via mobile phones.

There are various purposes for which people use the internet. It is obvious that social networking is one of the foremost reason; however 20% of Indian households also access it for internet banking. Looking at

the evolution of internet usage in India, there is no doubt that it has progressed remarkably in a short span of time. However, the adoption of digital payments, especially internet banking, has a long way to go. While there are a few studies focused on Indian consumers and merchants, they had little focus towards holistic understanding of the digital landscape.

In this context, PRICE with its strategic partner CATALYST is currently undertaking an "Impact Assessment Study on Digital Payment Adoption" which aims to build digital payment labs in Jaipur, based on interventions that can positively impact merchant and consumer payments behaviour. In order to gain a deeper understanding of how an effective digital ecosystem can be set up, the PRICE-CATALYST partnership includes the digital needs of both consumers and merchants. The categories of merchants include fixed store merchants, street vendors (roaming and stationary), individual service providers and home-based businesses.

The PRICE-CATALYST ongoing research on digital payment adoption is aimed at playing a key role in bridging the knowledge gap towards understanding ground realities, and the barriers and challenges in making the transition.

In this context, it is interesting to note some of the findings of the Sixth Economic Census (2012-13) of the Central Statistical Organisation, which provides a complete enumeration of all establishments engaged in production and/or distribution of goods and services, not solely for the purpose of consumption. Of a total of 33 districts in Rajasthan, Jaipur has the highest number of establishments (9.7%).

Of these, a majority constitute own account establishments—run by one person—followed by outfits with at least one hired worker and big establishments (workers greater than and equal to 10), respectively. Among all establishments in Jaipur city, 4.2% are government-owned and 85.8% are privately-owned (86.8% proprietors). Nearly three-fourth of establishments in Jaipur city are commercial establishments and rest are establishments inside households and mobile merchants. Among all establishments in Jaipur city, 85.1% are self-financed, 5.2% are financed through government sources, 1.8% are financed through loans from formal financial institutions and 7.9% have used finances availed from other sources.

Similarly, ICE 360 survey (2016) of PRICE also collected primary data on some of the related issues for Jaipur city which might also be interesting to look at as a precursor to the study. Jaipur city consists of 24% rich households (top quintile) versus 16% poor households (bottom quintile). Bottom 80% of the households hold 61% of Jaipur's total household income, while top 20% of households constitute 66% of the total surplus income of the city. From a different perspective, if Jaipur city saves at the scale of 100, bottom 40% dis-saves, while the top 20% saves three times that of total Jaipur city. Casual wage labour, grade-4 employees (peon, driver, carpenter etc) and shop owners are the three key occupational categories that represent 80% of households in the city.

About a fourth of Jaipur's households are graduate and little more than half of the households are primary and below educated. Similarly, 60% of the poor households (bottom quintile) are below primary educated against 31% of rich households (top quintile). Looking at the occupation-wise educational status, around 70% of the labour is below primary educated while 100% officers are graduate and above educated.

A significant feature is that 98% of Jaipur households possess bank accounts and 84% of the bank accounts are linked to Aadhaar as well. Nearly 95% of Jaipur households own mobile phones and 22% of households had at least one member who has access to internet. Majority of the households in Jaipur also prefer to stay online through mobile phones because their most important usage of internet is social networking. Despite all this, a key aspect that has emerged is that cash is the preferred choice for transactions. Clearly, cash is king in Jaipur city.

Digital environment and payment systems possess spillover positive effect on Indian economy, which is mostly informal, consumption-based and currently ruled by cash. Nevertheless, looking at the current state of necessary infrastructure, mindset and the lifestyle, it is a hurricane task, but is indeed achievable. In this context, understanding the fundamental existing ecosystem through well-thought primary data-based research will be beneficial to provide critical inputs to all stakeholders ranging from policymakers to consumers.

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