

Social revolution in a JAM

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In a post on Facebook made on the third anniversary of the Pradhan Mantri Jan Dhan Yojana (PMJDY) last week, the Finance Minister reportedly said: “Just as GST (goods and services tax) created one tax, one market, one India, the PMJDY and the JAM revolution can link all Indians into one common financial, economic, and digital space. No Indian will be outside the mainstream.” The suggestion of equality as a criterion of governance that is conveyed by this is to be welcomed. JAM, deriving from Jan Dhan, Aadhaar and Mobile, combines bank accounts for the poor, who barely had the money to deposit in them, direct transfer of benefits into these accounts and the facility of making financial payments through mobile phones. Aadhaar is the pivot here, allowing the government to ensure that benefits reach the poor and enabling them to make payments through ordinary mobile phones. For furthering the latter the government has devised the Bharat Interface for Money (BHIM) app. The Minister spoke of these developments as a “social revolution”, perhaps alluding to the feature that the poor are the most direct beneficiaries.

There is no doubt that eliminating leakage in the transfer of welfare payments and enabling the poor to have bank accounts are worthy objectives, and when achieved should be considered significant. Indeed, it is damning that a largely nationalised banking sector had done very little to extend banking services to the poor till recently, and credit goes to this government that it made this a priority. But claims of having achieved inclusion by operationalising the JAM trinity appear somewhat exaggerated. A financial inclusion, in the sense of everyone having a bank account and access to reliable and free electronic payments system, is not the same as economic inclusion. At its most basic level, inclusion from the economic point of view would entail equal access to opportunities for earning a livelihood. This in turn implies employment opportunities. As the demand for labour is a derived demand, in the sense that it exists only when there is demand for goods and services, a significant element in ensuring inclusion is to maintain, directly or indirectly, the level of demand in the economy. Next, even when the demand for labour exists, potential workers must be endowed with the capabilities to take advantage of the opportunity offered. The potential of the JAM trinity for bringing about either of these conditions for economic inclusion is limited. This is so because JAM functions in the digital space while much of our life is lived in the brick and mortar world. In the latter space we have seen very little improvement, not just recently but since economic reforms were launched over 25 years ago.

The economic reforms of 1991 were largely in the nature of liberalisation of the policy regime, meant to make it easier for firms to produce while at the same time exposing them to international competition with a view to increasing efficiency in the economy. What a strategy based exclusively on liberalisation overlooks is that an ecosystem of production is constituted not only by the laws and regulations determining the ease of doing business, but also the access that firms have to producer services ranging from water supply to waste management. These producer services require large capital outlay, often deterring private firms. When private entities do provide these producers services they tend to be expensive, deterring their off-take. It is for this reason that globally they are generally provided by governments. In India the case for public provision of producer services, and there is no reason to provide them free of charge, is particularly high as the overwhelming part of employment is in the form of self-employment. These units are scraping the barrel as it is. Even when producer units employ workers they are poorly capitalised, making it almost impossible for them to generate producer services themselves. Thus the public provision of producer services should be an essential part of public policy. Empowerment in the brick and mortar space would require public infrastructure on a gigantic scale compared to what we have now.

Moving from production to being, JAM cannot even claim equalisation, leave alone empowerment. Amartya Sen effectively settled a longstanding debate on the question of the metric to be used to gauge equality when he proposed that it should be human capabilities. These are the endowments that allow individuals to undertake functionings they value. We would have achieved a social revolution when we have equipped all individuals with the essential capabilities. This happens when a society has, at a minimum, universal health and education infrastructure accessible to all.

We have in recent weeks witnessed governance failure on a major scale in many parts of the country. In U.P.'s Gorakhpur district children have died due to systemic failure that meant that a district's only hospital is not able to maintain a steady supply of oxygen. Later a heavy downpour in Mumbai led to a complete shutdown, widespread loss of livelihood and some of life. And most recently, in Delhi's suburb of Ghazipur a garbage mountain came crashing down, again causing death and disruption. But we would need to turn to Bengaluru to recognise the limits to information technology in solving problems of living. Lakes that are toxic when they haven't been gobbled up by the real estate mafia, traffic snarls and inadequate sewerage make life less than easy in this IT hub aspiring to play first cousin to Silicon Valley.

Given the extraordinary challenges faced by India in the provision of public infrastructure ranging from health and education to drainage and sewerage, the claim made for JAM is breathtaking in its simplicity. JAM ensures seamless transfer of welfare payments and facilitates the making payments in real time. Once again, these are worthy objectives, but fall well short of the social revolution the honourable minister claims for them. Our social revolution will arrive when all Indians are empowered through an equality of capabilities. This would require committing resources to building the requisite social and physical infrastructure and investing time to govern its functioning. JAM may have achieved equality in the digital space but is far from having empowered Indians in spheres in which they are severely deprived at present, an empowerment that they clearly value. The government has leveraged IT smartly in operationalising JAM but the possibility of replicating this to transform the ecosystem of production for firms and the ecosystem of living for individuals is limited. The widespread disempowerment faced by the people of this country predates the arrival of Narendra Modi, but his government appears to give false comfort through its claims.

In a market economy one of the markers of what the public think of the government's policies is the response of private investors. Private investment in India has declined steadily over the past few years. Overall growth had however been maintained, partly through the demand generating impact of public investment. But now even growth appears to be stalling. The latest GDP figures from the Central Statistics Office show growth in the first quarter of the current financial year to be lower than the average for 2016-17. Data actually point to a steadily slowing economy with growth having been successively lower in the past five quarters. There appears to be a mismatch between the government's own assessment of its policies and the private sector's valuation of their worth. The jubilation over JAM is an instance of this.

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