

TECHNOLOGY PAVING WAY FOR FINANCIAL INCLUSION IN INDIA-A REALITY CHECK

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ABSTRACT

The current study was taken up to explore and analyze the role played by information, communication, and technology in expanding the financial outreach, among the un-served and under-served in the society. The study divulged the efforts made by the Government of India and the initiatives taken by the Reserve Bank of India, to create an efficient ecosystem for the technology companies and banking organizations, to leverage the high mobile density in the country, for enlarging their market penetration and outreach. The research also disclosed that though in recent years the electronic payments and transfers increased manifold times, yet the untapped potential is unbelievable.

Keywords: JAM trinity, e-KYC, M-Wallet, Micro ATM, Point of Sale.

INTRODUCTION

India is home to twenty-one percent of the world's unbanked adults. India has been using the bank-led model to achieve financial inclusion. The main obstacles faced by the traditional banks in reaching out to the underprivileged population were the heavy capital expenditure required to establish the brick and mortar branches and the high operating cost. As Indian economy moves into the digital era, there are growing evidence of usage of technology to increase financial inclusion in the country. As the mobile industry in India becomes one of the country's biggest success stories, Information, Communication, and Technology (ICT) holds key to expansion of financial outreach among the un-served and under-served in the society. ICT encompasses technology beyond mobile phone technology and users numerous benefits to the clients: access to basic banking services, fast processing of transactions, reduction in transaction costs, better-quality information, enlarged outreach, reduction in operational costs, enhanced customer experience and increase customer satisfaction. As the market has been exposed to innovative digital-based services that are disruptive in nature, e-commerce, mobile wallet, contactless payments, there has been observed a shift in client preferences from discounted prices to convenience and service. Today the focus is on using revolutionary technological disruptions to provide the wide-ranging customized bank products and services at affordable cost to the people living at the grass root level, who are majorly either unbanked or under-banked.

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GOVERNMENT INITIATIVES

Government initiatives, regulatory support and active participation of private technology players are proving to be vital levers for facilitating a successful transition to a financially inclusive economy. **Government-led initiatives** like (i) ‘Pradhan Mantri Jan Dhan Yojana’ (PMJDY) any India citizen above the age of 10 years, living below the poverty line, and does not have a bank account, could open a bank account with zero balance. The services offered under the scheme included deposit facility, remittance, and credit. (ii) The ‘Pradhan Mantri Jan Suraksha Bima Yojana’ provides a death benefit of INR Two Hundred Thousand against a premium payment of INR 12 per annum. (iii) The ‘Pradhan Mantri Jeevan Jyoti Bima Yojana’ provides a renewable life insurance cover of INR Two Hundred Thousand with just a mere premium of INR 330 per annum. (iv) ‘Pradhan Mantri’ Micro Units Development and Refinance Agency Ltd (‘MUDRA Bank’) was launched to provide credit to the entrepreneurs at bottom of the pyramid and (v) Technology-leveraged ‘Aadhar’ programme are proving to be big disruptor in financial inclusion and have assisted in broad-basing the access and acceptance by financially excluded segments. In addition, the ‘Aadhar’ Enabled Payment System (AEPS), allows online interoperable small value transactions through the Micro ATMs, Points of Sale (PoS) and Business Correspondents (BC). ‘Aadhar’ data is also expected to provide a huge opportunity for leveraging analytics for customizing offerings. The Direct Benefits Transfer (DBT) scheme was initiated to facilitate disbursements of government entitlements under National Rural Employee Guarantee Act (NREGA), a pension scheme for social security, a pension scheme for the disabled old age, transfer of subsidies and other such benefits using ‘Aadhar’. There have been noteworthy achievement in all these schemes, until April 2016, under the ‘Pradhan Mantri Jan Dhan Yojana’ 132.7 million rural accounts and 83.4 million urban accounts were opened; 94.2 million policies have been issued under ‘Pradhan Mantri Jeevan Suraksha Bima’ scheme and 29.6 million policies have been issued under ‘Pradhan Mantri Jeevan Jyoti Bima’. Over 880 million ‘Aadhar’ cards were issued until July 2015 and the program aims to achieve 100 percent coverage by the end of the year 2016. Amount sanctioned under Pradhan Mantri Mudra Yojna had reached about INR 1 trillion to over 25 million borrowers by early February 2016. Government’s “Digital India” Scheme envisions to establish a nationwide fibre-optic net, provide Wi-Fi services to cities having a populace of more than 1 million and also in the key tourist places, digital lockers, development of 100 smart cities, widespread mobile and internet connectivity and an enabled use of private space on a public cloud model in order to empower citizens digitally. This e-Kranti is expected to further speed up the process of financial inclusion. The Jan Dhan Yojna – Aadhar – Mobile-based technology i.e. JAM trinity, has already unleashed enormous scope for the exploitation of technological route to serve the unbanked and under-banked groups in the country and continues to have potential for financial revolution.

RESERVE BANK INDIA INITIATIVES

Some of the major regulatory reforms and initiatives by Reserve Bank of India under the National Mission on Financial Inclusion comprise of: (i) Permission to mobile network operators to offer mobile banking and Mobile Wallet. With India having 977 million mobiles and amongst them approximately a quarter of the mobile users being residents of small towns and villages, this will surely unleash new opportunities for the unbanked and underbanked. (ii) e-KYC, was introduced, to scale up the opening of accounts. (iii) Immediate Payment Service (IMPS) by National Payments Corporation of India (NPCI) provides round the clock

interbank electronic fund transfer via ATMs, internet banking, and mobile phones. (iv) Micro-ATM, a device based on mobile phone and provided to the banking correspondents, acts as a low-cost platform for payment. (v) National Unified Unstructured Supplementary Service Data Platform (NUUP) allows numerous banking services to the customers through any mobile phone on GSM network. (vi) National Payments Corporation of India launched RuPay Debit Cards with high acceptance across different platforms. (vii) Aadhar Payments Bridge System (APBS) allows payments and transfers to Aadhar-enabled accounts at post offices and banks.

DISCUSSION

India, a late entrant in the mobile technology space, has been experiencing an enormous expansion in the mobile market in the recent times. The research has shown that in June 2015 India had about 920 million mobile subscribers, 185 million smartphone users, and 354 million internet users. There are over 200 million were first-time users and rural internet access was grew at a rate of 58 percent annually. The studies reveal that there has been a remarkable boost in the mobile banking in India in the recent past. There were 4.72 million mobile banking transactions in 2012 which increased to 27.11 million in 2015 registering a growth of approximately five hundred percent. It has been observed that during 2004- 2014 there has been a record increase in the online transaction and electronic payments via Electronic Clearing Services (ECS), Pre-paid Payment System (PPI) it also includes m-wallets, National Electronic Fund Transfer (NEFT), Point of Sale (POS) Terminals. The statistics show that the total number of retail electronic payments which were 167 million increased to 2,268 million, while the volume grew from INR 500 billion to INR 50,000 billion, about 100 times. RuPay cards were issued to the 188.6 million new bank accounts holder under PMJDY (mid-October 2015) to encourage the usage of bank accounts. The convergence of these encouraging facts unveils the untapped potential and sea of opportunities which the technology companies and banks can exploit by leveraging their strengths.

RBI expressed its concern about the penetration of mobile banking transaction in public sector banks. In its report in 2015 RBI said that out of the INR 270 billion mobile banking transactions during 2015, public sector banks accounted for 14% share, private sector banks for 84% share and balance belonged to foreign, green and cooperative banks and that only top five banks accounted for almost 90% of transactions. The report also stated that the users largely belonged to Tier I and Tier II cities, which already had access to formal financial services. All this suggests that there exists incredible scope for the service providers to grow, both in terms of share in the pie and also in the individual context. Multiple business models and strategic alliances should be forged between banks, mobile network operators, and technology companies, to leverage the high mobile density in the country, for enlarging their market penetration and outreach.

CONCLUSION

It is worth noting that despite huge potential, multiple challenges still need to be addressed to make 'Digital Financial Inclusion' sustainable. Banks need to develop compelling products that proliferate active customer adoption. There is a need for players to adopt a holistic approach to going digital and integrating business strategy with their operating model ecosystem, to create a mark. Given the limitations of resources and inner competence, market players may need to make strategic choices around the digital model as well as the transition path they may need to take.

LIMITATIONS AND FUTURE RESEARCH

The current study only reviewed the existing policy measures and the reports by the various departments of the Government of India and the various research organizations. Better insight could have been captured, if the data and statistics would have been collected region wise. Future research can be taken up to map the magnitude of the digital financial inclusion and analyze the impact of the initiatives taken by the Government of India and the Reserve Bank of India on increasing the purchasing power and the employment level of the people living at the grass root level. The study can also be taken up to measure the impact of the technology initiatives on the country's economic growth and development, human well-being, and social development.

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