

Role Of Technology In Fostering Financial Inclusion In India

Rupam Vijay

Abstract: Financial Inclusion is attaining symbolic role all over due to its potential to bestow to inclusive growth. Its conception is to provide financial services to the under banked and unbanked sections of society. United Nations identified 'Financial Inclusion' as an enabler for seven of the 17 Sustainable Development Goals and World Bank Group committed for 'Universal Financial Access' by 2020. In the present scenario, Technology is considered as a major facilitator in attaining financial Inclusion in a time bound manner. Therefore, the Indian Government launched Pradhan Mantri Jan Dhan Yojana (PMJDY) – biggest global financial inclusion initiative in 2014 and proposed significant role to technology for its successful implementation. It is in this context, the current study has been conducted in Panchkula district of Haryana state with the aim to study the role of technology in providing socio-economic benefits viz. rupay debit card, life insurance, accidental insurance, overdraft facility, etc. offered under the scheme. The data was collected from both primary and secondary sources. A total sample of 100 beneficiaries was proportionately drawn from both rural and urban areas of select district. The study has found that, there was inadequate expansion of technology based products (such as micro-ATMs, mobile banking and internet banking), higher connectivity issues in rural areas, inconvenient use of technology, etc. Thus, the financial institutions need to adopt branchless banking services, promote technological literacy and invest in technology based solutions for achieving comprehensive financial inclusion.

Index Terms: Business Correspondents, Financial Inclusion, Financial Literacy, PMJDY, Technology based products.

1 INTRODUCTION

Financial Inclusion is attaining symbolic role all over due to its potential to bestow to inclusive growth and Sustainable Development. As per the RBI definition of Financial Inclusion (FI), "Financial Inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream Institutional players". Its conception is to provide financial services to the under banked and unbanked sections of society. FI is a broader term which not only includes access to bank accounts but other financial services such as, micro-credit, access to digital money, insurance, pension and remittances. The main aim of FI is to promote savings and formal credit avenues among the disadvantaged sections of the society and thus give boosts to economy. In the present scenario, Technology is considered as a major facilitator in attaining financial Inclusion in a time bound manner. Various latest technological products like e-KYC, mobile banking, internet banking, etc can prove to be major game changer in providing banking facilities to the vast populace. The essence of technology lies in providing cost-effective, convenient and quick services to the far-flung rims of the country. Therefore, the Indian Government launched Pradhan Mantri Jan Dhan Yojana (PMJDY) – biggest global financial inclusion initiative in 2014 and proposed significant role to technology for its successful implementation. It is in this context, the current study has been conducted in Panchkula district of Haryana state with the aim to study the role of technology in providing socio-economic benefits viz. rupay debit card, life insurance, accidental insurance, overdraft facility, etc. offered under the scheme.

2 GLOBAL SCENARIO

United Nations identified 'Financial Inclusion' as an enabler for seven of the 17 Sustainable Development Goals and World Bank Group committed for 'Universal Financial Access' by 2020. This led to the adoption of national financial inclusion strategies by numerous countries globally. According to Global Findex database 2017, "India (190 million) has world's second largest unbanked population after China (225 million). As per the data, 3.8 billion people in the world (i.e. 69 percent of adults) now have an account at a bank or mobile money provider, which is surged from 62 percent in 2014. Between 2014 and 2017, the share of account owners sending or receiving payments digitally rose from 67 percent to 76 percent globally and in the developing world from 57 percent to 70 percent". Thus Digital technology can do wonders in improving the pace of financial inclusion world-wide.

3 EFFORTS TOWARDS FINANCIAL INCLUSION IN INDIA

Provision of formal banking services and products to all sectors of economy, especially to the low income groups has always been the primary goals of financial sector policy-makers. Government of India along with RBI has made tremendous efforts for greater FI and time and again formed various policies and schemes to direct the concerns of exclusion in the country since Independence. Before the introduction of the term 'Financial inclusion' for the first time in RBI's Annual Policy Statement in 2005-2006, varied initiatives were taken in the form of nationalization of banks, lead bank scheme, setting up of National Bank for Agriculture and Rural Development (NABARD), SHG bank linkage programme, etc., to expand banking facilities. In 2006, banks offered 'no frills account', i.e. zero balance accounts and Know your customer (KYC) were simplified. Business Correspondents Model (BC Model) was also launched in 2006 for providing access to financial services in the unbanked areas. Financial Literacy drives were pushed up to enhance the financial decision among the rural masses. 'Swabhimaan Campaign' was started by government of India in 2011 to provide banking amenities to about 74,000 villages with population more than 2,000. RBI pitched a large number of technology based products such as, smart cards, ATMs, mobile banking, internet banking, aadhaar

• Rupam Vijay is currently pursuing Ph.D in Department of Public Administration from Panjab University (PU), Chandigarh, India. E-mail: allyvijay@gmail.com

enabled payment systems, electronic direct benefit transfers (E-DBT) etc, to promote financial inclusion. Besides, all of the above financial inclusion measures, the recent Prime Minister Jan Dhan Yojana (PMJDY) launched in 2014 is the most comprehensive approach towards universal banking facilities in both rural and urban areas of the country. It not only equips people with diverse socio-economic benefits but also assign important role to technology in attaining 100 percent financial inclusion among all the Indian households.

3.1 PRIME MINISTER JAN DHAN YOJANA (PMJDY)

PMJDY has emerged as one of the most momentous endeavor of government of India in the way it promises diverse socio-economic benefits to stimulate the process of financial inclusion. This flagship programme was launched on 15th August, 2014, encompassing the wholesome financial inclusion of all the households in the country. As on August 2018, 32.41 crores accounts were opened under Jan Dhan Yojana, of which 19.12 crore were opened in rural and semi-urban bank branches and 13.29 crores were opened in urban bank branches.

Benefits of PMJDY

- 1) It is a zero balance savings account.
- 2) Every account holder is to get RuPay Debit card (which is India's domestic debit card) included in the welcome kit and can also be used for e Commerce transactions.
- 3) Person is also liable to get Aadhar number on the spot.
- 4) Family of account holder will get accident insurance cover of Rs. 1,00,000.
- 5) Life cover of Rs. 30,000 will be provided to those opening the account by 26 January, 2015.
- 6) Overdraft (loan) facility of Rs. 5000 is provided once account holder completes 6 months and has kept account active.
- 7) In order to avoid overdraft frauds, only Aadhar linked accounts are eligible for overdraft facility.
- 8) Customers can access mobile banking facility with ease.
- 9) Account holder also gets interest on deposit and access to pension and insurance products.
- 10) Account can be transferred from one branch to another as all the accounts opened are under core banking solution.

Although various innovative technological products were launched from time and again to facilitate financial inclusion, but PMJDY utilized technology based products (rupay debit cards, aadhaar linked bank accounts, core banking solution, mobile banking, electronic payment transfers, etc.) in more extensive way.

3.2 ROLE OF TECHNOLOGY BASED PRODUCTS IN FINANCIAL INCLUSION

Technology and Financial Inclusion are closely linked with each other and are mutually inter-dependent. Technology innovations have the ability to bolster the pace of FI and FI policies can lead to technological up gradations. Technology can make the banking facilities more affordable and reachable to the people. There are a lot of technology operated products which are playing crucial role in promoting FI. They are as follows:

- 1) Core Banking Solution (CBS): It is an intensifying step towards customer convenience in the way it promotes

Any-Where, Anytime Banking. Now accounts can be transferred from one branch to another. The acceptance of CBS led to adoption of various technological offshoots such as, NEFT, RTGS mobile banking, internet banking, etc.

- 2) Electronically Know Your Customer (E-KYC): It is a paperless mechanism for KYC services. It helps in mitigating the risk of identity fraud and documentary falsification. Under this process, after the permission from the customer, his/her biometric authentication is stored in UIDAI database along with basic data comprising name, age, gender and photograph can be shared electronically with Authorised users like Banks.
- 3) Mobile Banking: Mobile-Phones have the ability to bring banking revolution in terms of reach and transaction. Even a common man in village has mobile phone today. It's time to exploit the coverage of mobile phones for extending financial services to the excluded sections.
- 4) Immediate Payment System (IMPS): IMPS was launched in 2010 by NPCI and offers an instant 24X7, interbank electronic fund transfer service through mobile phones as well as internet banking & ATMs.
- 5) Micro-ATMs: They are biometric authentication facilitated hand-held device to instantly deposit or withdraw funds regardless of the bank associated with a particular Bank Mitra/ Business Correspondent.
- 6) Rupay Debit Cards: Rupay Debit Card is India's domestic card payment scheme that will allow all Indian financial institutions to participate in electronic payments.
- 7) Aadhaar Enabled Payment System (AEPS): AEPS is a banking product which allows online interoperable financial inclusion transaction at POS or kiosk banking through the business correspondent of any bank using the Aadhaar authentication. It requires two inputs i.e. IIN (identifying the bank to which customer is associated) & Aadhaar number are required.

Internet Banking: Internet banking, also known as online banking is an electronic payment system that allows customers of a bank or other financial institution to carry diverse financial transactions through the website of the bank.

4 OBJECTIVES OF THE STUDY

The study attempts to understand and gauge the problems of usage of technology in promoting financial inclusion in both rural and urban areas of Panchkula district of Haryana.

The objectives of the study are as follows:

- To study the role of technology in providing socio-economic benefits offered under the PMJDY scheme.
- To identify the problems in using the technology based products for boosting the pace of financial inclusion

5 METHODOLOGY OF THE STUDY

In the proposed study, data will be collected from both primary and secondary sources. The study will be conducted in both rural and urban areas of Panchkula district, Haryana. The intention of this study is to focus on the role of technology in fostering the level of financial inclusion in not only rural areas but also urban areas. This is because even in the urban areas many people hesitate to use technology designed products and the condition is even worse in rural areas. For the purpose of collecting data from the primary sources, a questionnaire was administered to the respondents of 100 randomly

selected households spread in both towns and villages of Panchkula. Therefore, a sample of 25 beneficiaries was selected from each of Panchkula Municipal council and Chandi Mandir Census town representing the urban region of the select district. Also, a sample of 25 beneficiaries was drawn from each Barwala and Bataur Villages of Panchkula district reflecting the rural region. This study has collected information on number of bank accounts linked with aadhaar, mobile number seeded with bank accounts, role of technology in providing socio-economic benefits, and problems faced in using the technology. Data collected will be analyzed using Descriptive Statistical tools. For the purpose of collecting data from the secondary sources various books, journals, internet, official documents; documents like reports of Government of India, Haryana Government, Ministry of Finance, Reserve Bank of India, etc. were referred.

FINDINGS OF THE STUDY

- 1) Of all the respondents, only 29 percent opened their accounts online, i.e. 35 percent in urban areas and 23 percent in rural areas. People mostly prefer to go to banks for opening their accounts. Very few people in rural areas manage to open online accounts and that too through Banking Correspondents.
- 2) Rupay Debit Cards were issued to 83 percent of the respondents (90 percent in urban areas and 75 in rural areas), but were used by only 55 percent of them (62 percent in urban areas and 48 percent in rural areas). Many of them used Rupay debit cards in urban areas for withdrawing money and undertaking electronic payments but rural people mostly use these cards to withdraw overdraft facility offered under the scheme.
- 3) Out of 100 respondents, 91 percent of the accounts are linked with aadhaar, i.e., 94 percent in urban areas and 87 percent in rural areas. Such good number of aadhaar linked accounts will help in identifying overdraft frauds.
- 4) 82 percent of all the respondents (94 percent in urban areas and 82 percent in rural areas) have seeded their mobile number with their bank accounts. Only 65 percent use ATM for making transactions, which is 88 percent in urban areas and 42 percent in rural areas. Even a large sample in rural areas does not have ATM or Cheque book.
- 5) Close to 58 percent of respondents make use of mobile banking for making transactions, which is 77 percent in urban areas and 39 percent in rural areas. Although every respondent had a mobile phone with them but they were mostly used for making calls and not for undertaking even basic banking transactions. People are not aware of basic mobile banking activities.

Only 48 percent of the respondents (73 percent in urban areas and 23 percent in rural areas) make use of internet banking for making transactions. This is because majority of them think that financial transactions through internet are not considered safe. Some of them face frequent connectivity issues which restricts them from using internet. And a few sample respondents especially in rural areas do not find technology products to be user friendly.

6 RECOMMENDATIONS

Technology if harnessed effectively can improve its reach to targeted beneficiaries and can make its cost affordable to all.

Various suggestions are made to revise the role of technology in fostering the pace of financial inclusion. They are as follows:

- 1) Not only Financial Literacy Centers but Technology Literacy should be propagated among the masses by setting up various tech centers at block as well as village level. People should be made aware regarding the benefits and usage of technology based products.
- 2) Faster and Cheaper internet facilities can pave the way for mobile banking and internet banking in a more competent manner. Telecom companies should devise better and cheaper broadband plans to expand technology to all the nook and corners of the country. Also connectivity issues need to be reduced to the minimum.
- 3) There is compelling need to design people friendly technology products so that people in both rural and urban areas utilize technology without any hesitation for making their financial transactions. It should be easy to use and simple to understand.

Banking Correspondents and banking staff should be well equipped in handling the technology through continuous technology up gradation sessions.

7 CONCLUSION

Despite endless policy actions and continuous efforts of RBI, attaining universal financial inclusion is far from reality. Although Technology has immense potential to strengthen the financial inclusion drive, people face several problems in harnessing it effectively. The study reveals that the technology failed to play a satisfactory role in bringing large number of people into the range of formal financial system. People are not able to utilize the various socio-economic benefits of PMJDY scheme due to under use of technology. However, Technology products can foster the level of financial inclusion by observing above useful recommendations.

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