

**TECHNOLOGY WAY FORWARD TO FINANCIAL INCLUSION: A
STUDY ON THE ROLE OF TECHNOLOGY**

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Abstract

The country progresses not only of growth of income but it is dependent on the sustainable growth of the economy. For the sustainable growth depends largely upon the inclusion of all the sections of including the underprivileged and marginalised sections of the populations into the mainstream of the society. One of the way in which these can be brought to the mainstream is the easy accessibility of financial products and services. Their small savings can be a great contributor to the capital growth thereby it can be channelized credit requirement very same marginalised groups. The central and state government are taking joint effort with the financial institutions to bring these financial excluded groups into the mainstream of the society. But the success rate is not much encouraging, it is evident from the fact that there great divide between urban and rural population in availing the financial products and services. There is great urgent need to bring these sections of the population to the organised financial inclusion programme. In this direction the technology can be a great asset to bring them within the formal banking and financial channels. The formal banking and financial institution will leverage on the cost reduction and at same time more and more customers, whereas the general public will gain by having easier accessibility for their credit requirement. The society will benefit with greater human development. Therefore this paper has made an attempt to study the contribution of the technology towards

the financial inclusion in the country. The paper also examined the different technological advancement in the banking and financial institutions. The paper found that if the technology used in the desired direction it can definitely bring the marginalised groups into mainstream society which in turn lead to better society and the human development of the country will also enhanced

Key words: Sustainable development, Corporate Social Responsibility, Third Sector, Inclusive growth.

Introduction

The government of India recently in its policy statements highlighting the inclusive growth and recent budget speeches of finance ministries stress on the inclusive growth. In this direction government of India recently started “Janadhan”, “Prime minister’s insurance scheme. It clearly encourages the people to have financial products at an affordable cost including the marginalised groups. This will promote the sustainable development and inclusive growth. The vast majority of the population do not have access to the financial products and services and they are excluded from the process of development. The main aim of the financial inclusion is to provide fair, transparent and equitable financial services and products to the unserved sections of the population. There is urgent need to develop efficient financial system for the marginalised groups so that their saving are channelized properly. There is also gap between the urban and rural poor in accessing the financial services. The financial illiteracy may be one major reason for this wide gap urban and rural poor. Along with ease of access of the financial services will be the major concern area in reaching the rural poor. The technology in financial system can transform financially excluded into financially included. The technology can bring reduction of cost to both consumer and service provider. The Reserve Bank of India has taken lot of measures to service the financial products to the marginalised groups and trust is on the use technology. The technology can transform to a great extent in bringing all sections of the population to the mainstream of the society.

Objectives of the Study

The objectives of the study are two-fold and they are:

- (i) To discuss the need for financial inclusion activities to achieve inclusive growth and
- (ii) To suggest the ways in which financial institutions can achieve financial inclusion.

1.6 Research Methodology

The present research paper keeping in mind the objectives set for the study employs research design of descriptive type of study. It is because to have greater accuracy and in depth analysis of the research study. The secondary data was widely used for the study. The researcher draws the required data through secondary source. Different news articles, books and e-resources are used and recorded. Website of the different financial institution visited to know the present level of financial inclusion activities carried by these enterprises.

Need for Technology in Financial Inclusion

There are two main problems in the achievement of financial inclusion, one is from the side of financial excluded section and the other is from financial service provider. The excluded section of the society suffers from lack of financial literary and basic education; as a result leading to limited access to financial services. They find informal system of credit and money lenders more convenient and user friendly in comparison to formal financial system which they find very complex in nature. These moneylenders put poor people into debt trap and they struggle to come out of this vicious circle of debt. Moreover, banks are struggling with the cost of services and provision of account at reasonable maintenance cost due to remote location. We can overcome the aforementioned barriers with the usage of technology, which gives as a viable option to reduce our transaction cost significantly and create a platform which is user friendly and more convenient to use.

Technology will act as a bridge between last mile customers and service providers. Technology helps banks to reduce their front-end and back-end cost significantly. Reduced costs lower the transaction and maintenance costs, which can lower lending cost, and thereby increases the viability of financial inclusion in rural area. The ATMs plays a key role in reducing the front-end cost, and has revolutionized the banking deliver chain. Going beyond

ATM, online banking transaction are having negligible transaction cost in comparison to physical cash transaction where handling cost is too high. The banks are trying to extend online banking services as a preferred mode of transaction for SMEs along with large co-operations. Banks are also using Rural Internet Kiosks in rural areas to carry out such transactions.

Use of Technology in Financial Inclusion

In India with a population of 1.2 billion people, only 200 million people have access to a bank account while 811 million have a mobile phone that translates into 68 per cent having a mobile phone and only 17 per cent having a bank account. It is very clear from the fact that mobile phone is the key, when it comes to reaching the financial excluded and extending financial inclusion for the larger population. Mobile banking comes as a very handy tool due to lack of infrastructure cost for the banks, while no additional investment is required for the customers. The cost of services via mobile banking is also lowest among other mode of services such as branch banking and internet banking. Financial service provider can take advantage of this and can offer wide range of mobile banking services and mobile payment services to the large un-banked section of the country.

Technology is significantly leveraged by the Business correspondents (BCs), which are engaged by the banks for providing banking services to the excluded section of the society especially to the rural areas. BCs are widely using rural internet kiosks and mobile banking network for acquiring customer and back end support. Technology can play an important role in controlling bad debt by combining it with

citizen unique ID and credit rating information. Credit reporting can be done electronically by recording all the transactions and sharing this with credit bureaus. Lender can use this information of past credit history for identifying appropriate borrowers and will be able to reduce provision of bad debt significantly. The Rangarajan committee on financial inclusion recommended the nationwide electronic financial inclusion system (NEFIS) that links bank accounts and allows govt. funds to be transferred into them electronically. The funds of Govt. subsidy, scholarships and schemes such as MGNREGS which is focused towards rural areas, can be directly transferred into bank accounts which is linked with national unique ID of the people under govt. direct benefit transfer scheme (DBT). This measure will help in reducing the burden of administration, cost and risk of misuse of public policy. By NEFIS, we would also be able to extend the access of formal financial system to the under privileged and financial excluded section of the society. Banks are taking technology initiatives such as Geographical information system (GIS), Global positioning System (GPS), GPRS (General Packet Radio Services). GPS and GPRS are mobile based technology, with the combination these two banks can monitor the location of their BCs and direct them accordingly. GIS is web based technology having all details of existing branches, ATMs, business correspondent, state co-operatives. This helps banks to identify the financially excluded region, where expansion of services needs to be carried out.

Banks have adopted Core banking solution (CBS), which links all the branches of the banks with each other. It helps customer to operate from any branch regardless of their account in any other branch. It works on principle of anywhere, any-time banking and thus caters to customer's convenience. National electronic fund transfer (NEFT) and Real time gross settlement (RTGS) are two centralized payment systems provided by the banks. These two are very significant and convenient payment channels. NEFT allows the customer to transfer funds electronically from any bank branch to customer having an account with any other bank branch in the country.

While RTGS allows us to transfer the funds at real time i.e. processing the instruction at the time they receive. RRBs and state co-operate are also providing these services to their rural customers via themselves or by taking sub-membership from public sector banks and thereby increasing the financial viability of the rural population.

Financial literacy becomes an important part for promoting financial inclusion and ultimately financial stability. RBI has adopted an integrated approach for achieving financial inclusion through financial literacy. RBI has introduced the project 'Project financial literacy' with an objective of disseminating the information regarding banking concept to the different target group's especially rural and urban poor. RBI also launched the financial education website for teaching basics of finance and banking to the people. Different banks with govt. organization like NABARD initiated various measures for creating awareness among the people. Indian overseas bank has introduced rural training center and financial literacy cum credit counseling center with an objective of creating awareness, educating them about various product and services available for them. They also assist illiterate people in their problem and create a positive environment for availing banking services.

Conclusion

The majority of people in the country do not have access to the banking and financial services and as a result they remain excluded from the horizon of economic development of the country. The main reason for slow inclusion is the absence of appropriate delivery model and products which satisfy the financial need of low income families. There is a requirement of uncomplicated and affordable product by the banks which help them in mobilizing their savings and bring them in the formal financial system. Govt. plan of linking banks accounts with National Unique identification will act as a game changer in achieving financial inclusion. Govt., RBI and banks sectors are making tremendous effort to bring every excluded section of the country into the mainstream financial system. Still, there exists a significant gap

between the growth expectations and the ground realities in context of ‘mobilization and utilization of funds’ that support inclusive growth of the country. There is a need of effective tools or mechanism to bridge the gap, while bring in more and more people from all parts whether rural or urban to take part in the mainstream financial activities and this would be possible through the usage of information and communication technology. Modern Information and communication technology can act as a tool to develop a platform which helps us to extend the financial services in remote areas. Technology acts as driving force for achieving more sustainable and inclusive economic structure. It will strengthen our back end operation and also makes front end operation user friendly. The RBI and other commercial banks have taken several initiatives since last several years to improve financial inclusion in rural areas with the help of technology. Mobile banking and ATM are two promising options for achieving financial inclusion. These technologies are adding new avenues in providing banking services to the unbanked population. Even though, till now we are not able to utilize these technologies up to their potential especially in rural areas.

Financial inclusion in true sense would mean not only to make people aware but encourage them to buy the financial products and services. The institutions must foresee the challenges lying ahead and take necessary steps to support the policies of inclusive growth. Technology may act as a tool to overcome those challenges and provides us a platform to reach customer directly. Technology not only helps as to bring down the cost of transaction significantly but also provide as a competitive medium. Thus, Technology creates the win-win situation for both banks and customers.

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