e-ISSN : 2347 - 9671, p- ISSN : 2349 - 0187
EPRA International Journal of Economic and Business Review | Vol - 3, Issue- 9, September 2015
Inno Space (SJIF) Impact Factor : 4.618(Morocco) ISI Impact Factor : 1.259 (Dubai, UAE)

2015: A BIG YEAR FOR DIGITAL FINANCIAL INCLUSION IN INDIA

Dr. Anjana Bedi[1]

[1]*Assistant Professor,
Department of Commerce,
BBK DAV College for Women,
Amritsar
Punjab, India.*

ABSTRACT

Digital financial inclusion is providing digital access to and use of formal financial services by excluded and disadvantaged populations at affordable cost. Report of RBI, write ups of eminent authors and websites have been used to study digital financial inclusion in India. The article also compares its growth with other countries surveyed in Financial Inclusion Program by Intermedia supported by the Bill & Melinda Gates Foundation. The article concludes that nobile money use should be encouraged as it is least in India among countries surveyed inspite of highest account ownership and mobile ownership. The issue of gender based financial inclusion should be tackled seriously to have universal financial inclusion.

KEYWORDS: *Digital financial inclusion, Communication Technologies, Financial Instruments.*

INTRODUCTION

Financial inclusion became the buzzword in world. It features amongst the most important agendas of United Nations Development Programme. Globally, more than 2 billion adults do not have a formal bank account, most of them in developing economies. (ITU-T Focus Group, 2014) India is poised to lead the world in connecting the poor to bank accounts.

Financial inclusion is defined as access to financial services at the most affordable costs to the weakest and most disadvantaged people in the society. Indian financial services landscape is undergoing a tectonic shift. Despite of efforts of RBI and Government of India to provide banking services to low income rural residents, a variety of entities such as mobile phone companies, retailers and co-operatives have entered the financial services market in India. Banks and non-banks have started offering digital financial services for financially excluded and undeserved population to expand the reach to billions of new customers. "Digital financial inclusion" can be defined as digital access to and use of formal financial services by disadvantaged section of society. Such services should be according to customers needs and delivered responsibly, at a cost both affordable to customers and sustainable for providers. Innovative digital services involving use of mobile phones have been launched in more than 80 countries (GSMA 2014).

SIGNIFICANCE

Many of the problems of poor like saving, sending money to family, borrowing in emergency etc can be fixed by digital accounts. They also make it easy to exchange payments with electricity companies, government agencies and other basic service providers. As these transactions leave a digital foot print that functions as a kind o financial history which help the poor to get loans. In a digital system government can give welfare payments directly through accounts reducing leakage through corruption. Digital payments can reduce transactions cost by upto 90 per cent which also leads to saving of Rs. one lakh crore (Nachiket More, 2015).

REVIEW OF LITERATURE

Prof. R. Ramakrishnan (2010) also shared the view in his paper that Information and Communication Technologies (ICT) can be used as a tool for making need based solutions at an affordable cost. Mobile telephony is

India's growth story of the current era.

Kate Lauer (2015) in his article discusses about digital financial inclusion and new risks associated with it. He concludes that policy makers will have to face additional issues as digital financial inclusion expands in reach, scope and scale.

According to Shamikha Ravi and Shruti Gakhar (2015) technology solutions must be encouraged to reduce operating costs of selling small ticket financial instruments and financial Literacy should be galvanized for better utilization of financial instruments.

OBJECTIVE

The aim of this research article is to study digital financial inclusion in India and compare its growth with other neighbour countries undertaken in survey.

METHODOLOGY

The information for this article has been gathered from reports of RBI, write ups of eminent authors and visits to various websites.

THEORETICAL BACKDROP

In a diverse country like India, financial inclusion could be a revolution to contain ever-increasing levels of poverty.

Several measures have been initiated i.e. increasing rural access by opening physical branches, providing basic saving bank account to rural and poor citizens and increasing lending quotas to rural sectors such as agriculture and other allied activities and directly depositing social welfare payments into beneficiaries accounts. Banks have also engaged self help groups and micro-finance institutions to provide financial services to the poor.

In 2006, RBI passed regulation for branchless banking through business correspondents (BC) model to provide range of banking services through technology or distribution partners including mobile phone companies where a physical branch is not available. Mobile network operators acting as BC for banks started offering mobile money products which allows banks to take advantage of their extensive retail networks for access to remote rural areas.

Just about a year ago, RBI renewed its financial inclusion mandate by appointing Nachiket Mor Committee on "Comprehensive Financial Services for small Businesses and Low Income Households" in September 2013. The major recommendations of committee included provision of bank accounts to all citizens, setting up state finance regulatory commissions and creating a new entity in the financial system namely payment banks. Since then RBI has issued two new full bank licenses and in November 2014 released final rules for setting up small banks and payment banks. Small banks will provide both deposits and loans with emphasis on serving small businesses and marginal farmers. Payment banks will be offering a limited set of products, mainly demand deposits, remittances and transfers but not lending services.

Financial, Inclusion Scheme "Pradhan Mantri Jan Dhan Yojana (PMJDY)" complemented these efforts by providing basic zero-balance bank accounts with accident cover of 1 lakh along with an overdraft facility of Rs. 5,000 available for account holders having satisfactory record of six previous months. The scheme would also provide facility of using mobile banking by poor through National Unified USSD Platform (NUUP). The NUUP would also allow customers to access banking services using a single number across all banks irrespective of the telecom provider or mobile hand set being used (Ravi et al., 2015). The last few months have seen noticeable momentum within government to expand financial inclusion.

FACTS AND FIGURES

Improving access to finance for India's poor presents a great challenge both due to its size and diversity. The findings of 2014 Intermedia Financial Inclusion Insight (FII). Survey released in conference on "Financial Access and the Developing World" on May 7th, 2015 states that financial inclusion in India is publically mandated.

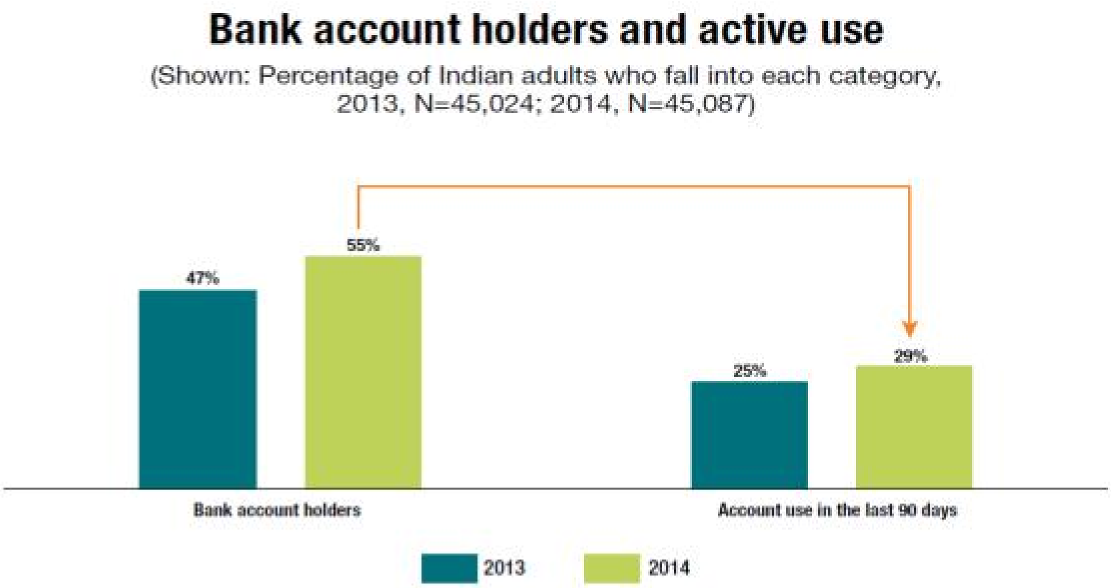
Table 1

INFRASTRUCTURE								
% of country with electricity	55%	75%	94%	23%	48%	91%	15%	15%
Top mobile networks	Grameenphone, Banglalink, Robi, Airtel, Teletalk	Airtel, Vodafone, Idea Cellular, Reliance Communications, BSNL	Telkomsel, XL Axiata, Indosat, 3, Smartfren	Safaricom, Airtel, Orange	MTN, Airtel, Glo Mobile, Etisalat, Multi-Links	Mobilink, Telenor, Ufone, Zong, Warid	Vodacom, Airtel, Tigo, ZANTEL, TTCL	MTN, Airtel, UTL, Africell, Essar, Safaricom in border areas
Number of mobile money providers	2	14	6	4	12	8	4	4
Commercial bank branches per 100,000 adults (2013)	8.2	12.2	10.4	5.6	6	9.3	2.6	2.9

Source: Intermedia FII Tracker Surveys 2014-2015 retrieved from http://finclusion.org

As per table 1 75% of India is having electricity and she has a widespread mobile communications network that extends deep into rural areas and India is also home to highest number of mobile money providers as per survey. She is equipped with the largest bank branch networks in the world. All these assets coupled with world lass identification infrastructure by Unique Identification Authority must be leveraged to achieve universal coverage.

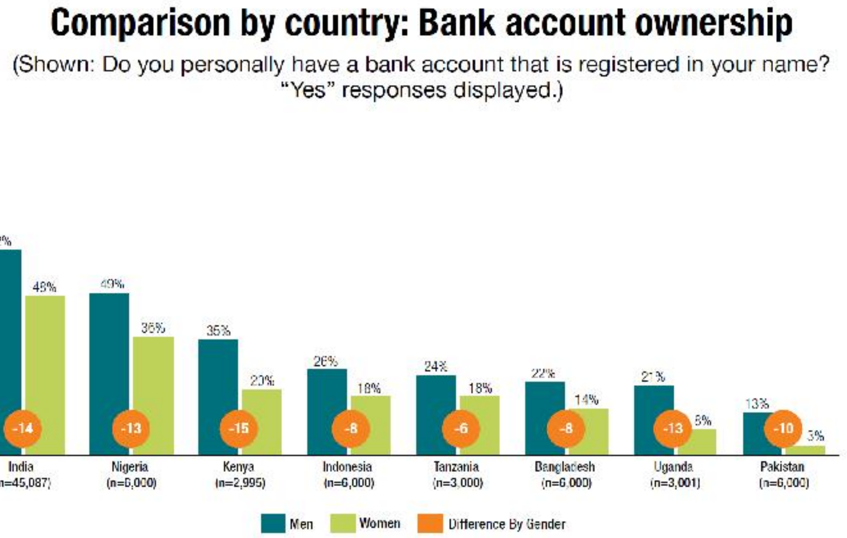
Table 2



Source: Intermedia FII Tracker Surveys 2014-2015 retrieved from http://finclusion.org

Table 2 shows over half of Indian adults i.e. 55% have accounts in 2014 as compared to 47% in 2013 and half of them have been completely dormant for 3 months or more. The real financial inclusion can be achieved only by educating them about benefits of use of bank accounts.

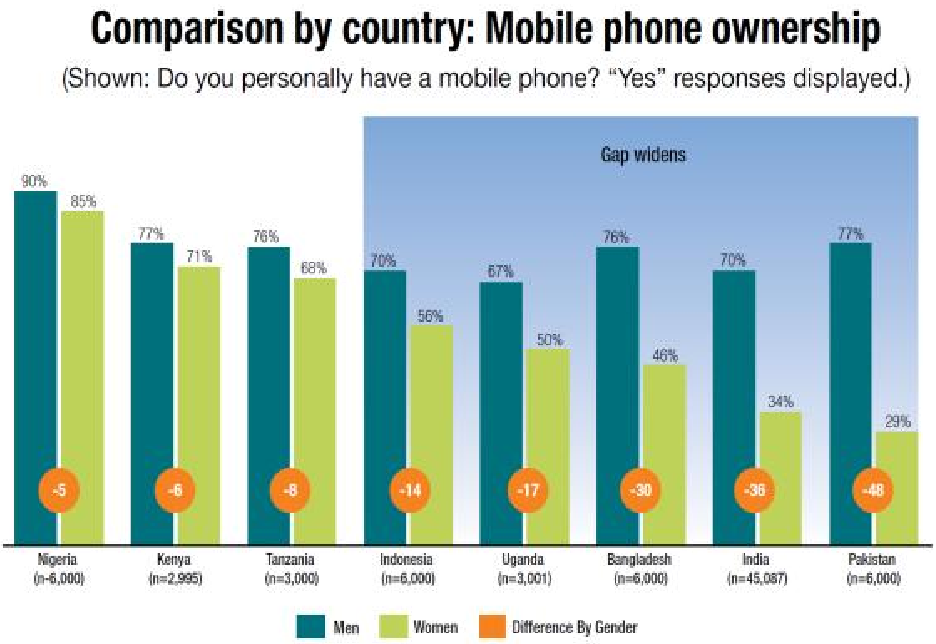
Table 3



Source: Intermedia FII Tracker Surveys 2014-2015 retrieved from http://finclusion.org

Gender based financial exclusion is the most important hindrance in the way of universal financial inclusion. There is a collection of barriers i.e. information deficit, mobile phone deficit, identification deficit and cultural limitations which need to addressed. Table 3 analyses that in every developing country men are having more bank account ownership as compared to woman. Gender gap in case of India is at number two after Kenya so far as bank account ownership is concerned.

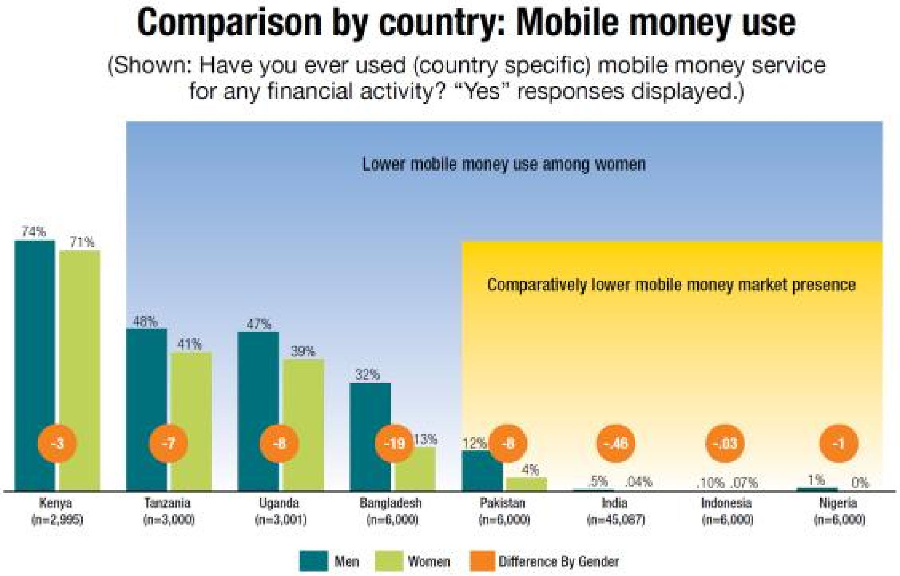
Table 4



Source: Intermedia FII Tracker Surveys 2014-2015 retrieved from http://finclusion.org

Table 4 shows that women lag the most in Pakistan followed by India in mobile phone ownership while it is at par in Nigeria, Kenya and Tanzania.

Table 5



Source: Intermedia FII Tracker Surveys 2014-2015 retrieved from http://finclusion.org

Table 5 depicts mobile money use is also less in women as compared to men. This gap is highest in case of India.

Table 6

TECHNOLOGICAL LITERACY Shown: Able to easily send text messages. (a major factor)	28%	31%	85%	75%	80%	48%	59%	51%

Source: Intermedia FII Tracker Surveys 2014-2015 retrieved from http://finclusion.org

The analysis of Table 6 provides that India is far behind so far as technological literacy is concerned.

CONCLUSION

The financial inclusion and efficiency gains associated with ubiquitous access to digital payments are very high. It can be concluded from the analysis in the article that India has well equipped infrastructure and highest bank account ownership among countries surveyed. Mobile phone ownership is also present inspite of gender gap but mobile money use is least in India. The account enrollment coupled with knowledge transfer to the customers particularly rural and poor populations is need of the hour. Gender based financial exclusion must tackled seriously to have universal financial exclusion. There is also need to promote technological literacy.

BIBLIOGRAPHY

1. *Kate Lauer, Timothly Lyman (2015), "Digital Financial Inclusion" March 10th 2015 retrieved from http://www.cgap.org/publications/digital-financial-inclusion.*
2. *Ramakrishnan, Prof. R. (2010), "BFSI-Best Practies in Financial Inclusion" 22nd SKOCH Summit Available at SSRN http://ssrn.com/abstract=1751020.*
3. *Ravi, Shamika and Gakhar, Shruti. (2015), "Advancing Financial Inclusion in India beyond Jan Dhan Yojana" Brooking India Impact Series January retrieved from www.brookings.in.*
4. *Nachiket More Committee (2013), "Report of Nachiket Mor Committee on Comprehensive financial services for small Businesses and low income Households, Government of India.*
5. *Nachiket Mor (2015) "The Important Role of Digital Payments in Reaching India's Financial Inclusion Objectives" Retrieved from http://www.developmentoutlook.org/2014/05/the-important-role-of-digital-payments.html.*

WEBSITES

1. *http://www.itu.int/en/ITU-T/focusgroups/dfs/pages/default.aspx.*
2. *http://finclusion.org/country-pages/india-country-page/digital-financial-inclusion-in-india/*
3. *http://www.cgap.org/publications/digital-financial-inclusion.*
4. *http://www.livemint.com/opinion/Ha083BSaofSxxpvi452SIN/Bill-Gates-Inclusion-through-technology.html*

THE AUTHOR

Dr. Anjana Bedi (b.1968) did her M.Com. in the year 1991 and Ph.D. in 2001 from Guru Nanak Dev University, Amritsar. She worked as Junior Research Fellow in the Department of Commerce and Business Management at Guru Nanak Dev University, Amritsar for three years. She is a keen researcher in area of finance. She has taught for about sixteen years in different colleges and Guru Nanak Dev University. She has attended various seminars, conferences, workshops and faculty development courses. She is life member of Indian Commerce Associations. She has authored a book titled "Capital Budgeting". Presently she is teaching in BBK DAV College for Women, Amritsar