Information Technology as an enabler in expansion of Financial Inclusion

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Abstract

Financial Inclusion is considered to be key driver in economic development of developed countries. There seems to be little doubt in this statement with most of the advanced societies having close to 100% inclusion rate. Importance given to Financial Inclusion can be assessed from the fact Prime Minister announced on the Independence Day of 2014 Jan Dhan Yojna being one of the high priority of his government for upliftment of the poor of this country. This article makes an attempt to assess the significance of information technology in rapid expansion of financial inclusion in India.

Keywords: Financial Inclusion, Digitalization, Information Technology, Schemes, Banks, Mobile Applications

Introduction

Information technology plays a vital role in our society today, it is very difficult to remain unaffected by technology in today's economy. Information technology and e-governance started spreading its wings at a rapid speed after its introduction in India in mid-90's. Since then many e-governance programs like computerization of railways, land records etc have been launched by the government and Bengaluru has come to be known as the IT Capital of India often compared to Silicon Valley in United States of America. In 2006 a national level e-governance plan was started covering a wide range of areas like education, police, passport, commercial taxes, courts etc. In the past two decades there has been a huge expansion in the banking industry with the entry of the private banks and technology development has made banking more easily accessible with mobile banking, online money transfers, automated teller machines (ATMs), debits and credit cards etc. With advent of information technology with Aadhar cards, mobiles, internet banking, debit and credit cards, more focus is being thrust upon reaching the remotest people and geographical region of the country with the help of these tools. This study is an effort to measure the impact of digital India schemes.

Digitalization in Banking Sector of India

Digitalization came into picture in the banking sector in India 1988 when a committee was formed by RBI for computerization of banks. Liberalization in early 90s led to computerization of banking along with few foreign banks setting up their branches in India. During this time RBI played a key role in setting up regulations for the new digitalized banking sector. Another major change in banking sector came in with introduction of mobile phones and later smart phone. We have seen a swift growth and change in working of banks in the last 25 years with the development of information technology. Digitalization is of huge benefit for both banks and customers as it not only saves time but also adds to a huge amount of reduction in bank expenses. The cost of a bank transaction at a branch costs between Rupees 70 to Rupees 75, whereas it is Rupees 16 to Rupees 17 at an ATM and Rupees 2 or less in online banking and Rupees 1 or less in mobile banking. [1] Less manual intervention also increases accuracy and reduces frauds.

There were more than 2 lakhs ATMs in 2017 across the country as per the data released by RBI and MOSPI. [2] But is this change only evident in urban cities within the literate and higher income group of the society or it reaches the remotest area of the country affecting everyone irrespective of their income, gender, education levels. We can certainly say that although there has been a rapid growth in formal financial industry it still impacts only a part of our economy with approximately half of the Indian population still excluded from the formal banking system. The objective going forward is not only to increase the financial inclusion rate but also to make maximum number of people to move towards digital banking using internet, mobile applications and other electronic payment methods. Mobile handset has penetrated in the remotest areas of the country and showing a very high growth throughout the rural and urban regions of the country. As of end of 2017, total mobile density is of 90% that is there are 90 connections against every 100 individuals in India. Mobile can be used as an effective tool for making the financial services reach every individual of the country. As per August 2017 data by UDAI overall 87% population of the country has an Aadhar card with 99% of adult population having Aadhar. [3] Aadhar and mobiles have reached remotest corners in the country, these two can be used as an effective tool for penetration of financial inclusion across the country. Close to 30% of the population has broadband connection with most of it being on mobile devices and is showing a positive growth rate year on year.

Highlights of Telecom Subscription Data as on 31st December, 2017

Segment	Broadband subscribers (in million)		Monthly growth rate in the month of Dec-17
	As on 30th November, 2017	As on 31st December, 2017	
Wired subscribers	17.85	17.86	0.02%
Mobile devices users (Phones and dongles)	332.40	344.57	3.66%
Fixed Wireless subscribers (Wi-Fi, Wi-Max, Point-to-Point Radio & VSAT)	0.45	0.44	-2.78%
Total	**350.70**	**362.87**	**3.47%**

Source: Telecom Regulatory Authority of India Press release No.23/2018 16th February 2018

Digital India campaign of Government of India

Government has launched 23 new schemes in July 2015 to promote digitization of the country across industries-education, highway, hospital, electronics, agriculture etc including the financial sector. Some of the schemes pertaining to digitalization of payments are Payment Bank in India Post in which Post Office has introduced its own bank called IPPB, with inauguration of its first branch in January 2017 and has a plan to cover the entire country over a period of time. The initiation for plan of a post office bank was started in 2016 itself and now the bank is finally opened in 2017. IPPB may turn out to be a boon for a large number of population in remote areas with minimal bank branches, who can utilize the services of IPPB for their banking needs. National Rural Internet Mission, Public Internet Access Program and Universal Access to phones are some other programs to promote internet and phone usage. Pradhan Mantri Gramin Digital Saksharta Abhiyaan (PMGDISHA) aims to provide the basic digital training like use of computers, tablet, smartphone, internet etc to rural households. Another scheme called Vittya Saksharth Abhiyaan was introduced in December 2016 seeking support from faculty and students of educational institutions to use and create awareness about mobile banking system. As there is appreciation on one side for giving India a digital boost there is criticism on other side on the implementation of the work being done simultaneously on innumerable announced programs and the monitoring mechanism? The manpower required for making this vision come true would be massive.

Cashless Payment Initiatives

Various new applications have been introduced to encourage usage of cashless payments and online banking. There is no doubt in the fact that the number of programs launched to promote cashless transaction in the last few years is huge. A number of new mobile applications have been developed to promote digitalization.

USSD Unstructured Supplementary Service Data

Under the USSD based mobile services there is no need to have internet access on the phone to do mobile banking. With the help of *99# service one can perform the banking services like funds transfer, balance enquiry, mini statement from their phone itself without even having access to internet on the mobile. There are currently 51 banks providing USSD service at a minimal amount of charge with prior registration of an account linked mobile number. This service can be used for transactions upto INR 5000 or less. This service is targeted towards people who do not of access to smartphones or internet.

UPI Unified Payment Interface

Under this payment upto rupees one lakh can be transferred to any of the banks providing this service. Smartphone with internet connection and mobile number linked to bank can be used to avail this service. This app needs to be downloaded on the phone to perform transactions. Major UPI apps are Google Tez, BHIM and PhonePe, this companies are offering cash backs and huge surge has been seen the usage of UPI in the recent months.

JAM Jan Dhan Aadhar Mobile

With 99% of the adult population of India having an Aadhar card, JAM Trinity works on the concept of linking Aadhar cards to mobile numbers and bank accounts to enable electronic payments. As per Union Finance Minister by August 2017, 52.4 Crore Aadhar numbers were already linked to 73.62 Crore bank accounts. [4] Government considers JAM to be a big driver of change with Economic Survey 2018 mentioning using JAM Trinity for improving services in the field of education and health.

BHIM Bharat Interface for money

BHIM app is developed by NPCI and was introduced during the time of demonetization on 30th December 2016 by the Prime Minister Modi. This app had 1 crore downloads and more that 2 million transactions during the first 10 days of the launch. [5] Users without internet access can also use BHIM via USSD based *99# service. BHIM has been developed by NPCI National Payment Corporation of India in collaboration with the RBI. BHIM is an app which can be used across banks through UPI, funds can be

transferred directly to merchants through this app. Funds can also be transferred to banks which are non UPI supported through their IFSC codes and MMID.

Aadhar Pay

It is an Aadhar based application which works with biometric data. Under Aadhar pay system customers will be able to make payments without a mobile phone, internet, credit card or debit card. Customers will use their thumb impression on the biometric supported device available with the merchants. There will be no fee charged for the transactions. The merchant needs to have smartphone with internet connection to enable these transactions.

Challenges of Digitalization
Innovation of better and easier methods to reach each strata of the society

Numerous application have been introduced in the recent years to make the banking processes relating to payments and receipts faster and flexible. But actually how many people understand these applications and utilize them. To expand the reach of these applications continuous innovations is required to make the usage simpler and user friendly.

Security of data

Every other day we hear about concerns around security of data. Do people have confidence that use of advanced technology will in no way breach our personal information? Data security by encryption to save it from unauthorized users is of upmost importance. Unless people are confident about security they will be reluctant to use electronic payments methods as it involves their hard earned money.

Continued updation of skills with ever changing technological advancements

Although it is necessary to make technological changes as soon as the newer developments are available, it is challenging for a common man to remain abridge with the latest technology. Things which might seemed to be very simple or straightforward for technology savvy person may seem to be very complicated for a person not up-to-date with latest technology changes. It takes time for a person to get used to a system, frequent changes in the applications may result in fall in users. As people may take time in adapting a newer version of the application.

Conclusion

The digital India dream looks very optimistic with a number of applications all around us and big plans to digitalize all government services. Government boasts of achieving high number of users of electronic payments in a short of period of time. Accomplishing such results in weeks or months seems unrealistic but certainly can be achieved in the long run with sustained focus. An increasing number of population is getting access, but access doesn't result in usage always. Secondly these numbers usually represents a healthy picture of developed states like Gujrat, Haryana, Kerala etc and not particularly poorer states like Bihar. Hence there is a need to reach out across the nation. It can be said that seeds for a digitalized future have been sown today and results will be sooner than later seen.

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