

# Technology for Financial Inclusion

**Dr. Srivalli**

## **Abstract:**

Financial inclusion is one of the top most policy priorities of Government of India. The actual agenda is social inclusion of which financial inclusion is an integral part. Financial inclusion is "the process of ensuring access to financial services, timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost." In today's rapidly changing and competitive industry, most institutions are looking hard at the potential benefits to be derived from Information and communication technology. More than 50% of the adult population in our country is excluded from the financial sector, It is not just people in rural areas, Many of the lower income categories of the urban population are also excluded because of transaction costs of financial services to the poor, financial illiteracy. With the use of latest information & Communication technology it is to reduce transaction costs, improve awareness, provide access of information in all forms to excluded group and also to simplify the transaction time, Simplify the transaction processes, increase the security improve other transaction facilities for the included group. The present paper makes an attempt to pave the way for achieving financial inclusion to the maximum by Proper use of the Technological innovations to the optimum possible extent.

## **Introduction:**

Financial inclusion is the buzz word in the current scenario of financial reforms occurring in all the developing Countries. The Govt., of India is emphasizing on the Financial Inclusion in the Union budget 2009-10 to deepen and broaden the agenda for inclusive development in the country. The current motto of financial inclusion is **e-financial inclusion**. e-Financial Inclusion prima facie should be viewed as "money at the bottom of the pyramid"

The core sectors that were financially excluded are Agricultural and Industrial Laborers, People engaged in un-organized sectors, Unemployed, Women, Children, Old people ,Physically challenged people. The main causes for financial exclusion is

- Lack of information about the role and function of banks, banking services, products and interest rates.
- Lack of self authentication/identification documents for obliging with KYC norms.
- Lack of awareness with reference to the banking terms and conditions
- Lack of access to the financial institutions because of geopolitically isolated areas.
- Lack of literacy is the basic cause, and hence a substantial number of people are unable to utilize the banking services

## **Need for the study:**

Consequences of financial exclusion will vary depending on the nature and extent of services denied. It may lead to increased travel requirements, higher incidence of crime, general decline in investment, difficulties in gaining access to credit or getting credit from informal sources at exorbitant rates, and increased unemployment, etc. The small business may suffer due to loss of access to middle class and

higher-income consumers, higher cash handling costs, delays in remittances of money. According to certain researches, financial exclusion can lead to social exclusion. The influence of external market can be sustained to some extent in case of financial crisis.

### Objectives of the study:

The objective of the study is to

- take banking to the unbanked.
- utilize the latest Information and Communication technologies for financial inclusion.

### Research Methodology:

The research methodology adopted was descriptive. The research instrument used is the direct interview based on the preset questionnaire. The scope of the study is restricted to the rural village\_\_\_\_\_ from Chittor district of Andhra Pradesh.

### Discussion:

India has the second highest number of financially excluded households in the world after China, but in the case of UK 92-94% of the population have an account with the banks. According to 2001 censuses, India is having 638,365 villages and only 5.2% of the villages have bank branches. There are 171 commercial banks in India and 79,735 branches of scheduled commercial banks serving 15,000 population per bank. 51 out of every 100 Indians had bank accounts in 1993. This has marginally gone up to 54 in 2007.

### Exhibit 1: Group Wise distribution of deposits & credit of scheduled commercial banks in March-2009

Population Group	Deposits		Credits	
	Rs. Crores	In % share	Rs. Crores	In % Share
Rural	365491	9.28	208694	7.30
Semi-Urban	531944	13.51	266736	9.33
Urban	824463	20.94	461870	16.16
Metropolitan	2215437	56.27	1920225	67.20
All India	3937335	100.00	2857525	100.00

This clearly shows the striking need for vigorous financial inclusion in India. Hence the Finance Minister announced in his latest Budget that every village in the country with a population of over 2000 must have access to banking services by March 2012. The scope of Financial Inclusion involves providing Bank accounts, Immediate Credit, Savings products, Remittances & Payment services, Insurance - Health care, Mortgage, Financial advisory services and Entrepreneurial credit.

### Trends adopted in India:

To achieve financial inclusion Govt. has introduced Business correspondents in rural areas. Skoch Development Foundation, a strategy and management consultancy, says only 11% of 25.1 million such basic banking accounts, opened between April 2007 and May 2009, are operational. This means the business correspondent is a failure. RBI Deputy Governor K C Chakrabarty stated that “No-frills

account will not give any help to a poor man if he is not economically enabled to do banking transactions,” In an exclusive interview with CNBC-TV18, Dr KC Chakrabarty, Deputy Governor, Reserve Bank of India stated that “if we talk a word mobile banking we have to have two institutions. One- is the mobile company and another is the bank. We say that both join together we have no problem. But both cannot be combined together as far our present regulatory instructions “

**Findings:** Any amount of methods introduced will ultimately fail with out the following

1. Increasing the awareness in Rural masses
2. Utilization of high end Technology to simplify the banking transactions

Unless the Rural mass are made literate of the financial serves rendered by the banks they will not probe into the benefits of banking. This has to be taken up as a great priority. In the present survey conducted 82% of the respondents are unaware of the Business Correspondents. The most striking fact of the current observation is 90% of the respondents are interested do transactions with banking, but 62.5% respondents feel that transacting in banks is a tedious and difficult process. Money management is a well-understood part of everyday life of the poor, and therefore a key factor in determining and enhancing their coping strategies as in the case of penetration of Mobile phones to all the corners & all strata of the country.

A Group of European companies funded by the European union are using the latest Digital Video Broad Cast via satellite standard to bring broadband internet connectivity to the most rural areas in Latin America to provide fast, co-efficient and reliable access to the internet and the world. Satellite Internet can be made available in places where cable and DSL simply can't reach. The only thing need is to have a clear view of the sky for the satellite receiver. Another advantage over dial up is that many different computers can access the same connection at the same time. This is compatible with all types of computers. Customer equipment consists of a **small dish**, from 60cm to 3.7m diameter, at least equipped with a receiver module (LNB definition = Low Noise Block down-converter) and transmit module (BUC definition = Block Up-Converter).

Satellite internet is a type of service where an Internet signal is beamed directly from a satellite straight down into the PC. This is different from regular Internet access, where the signal is sent from a source through miles of phone or cable television lines to PC. Satellite Internet access offers a number of advantages using satellite Internet PC. Satellite internet is also economical the cost of the equipment needed ranges from \$500 to \$650. Monthly subscription services range from \$50 to \$80 a month.

#### **Exhibit :2**



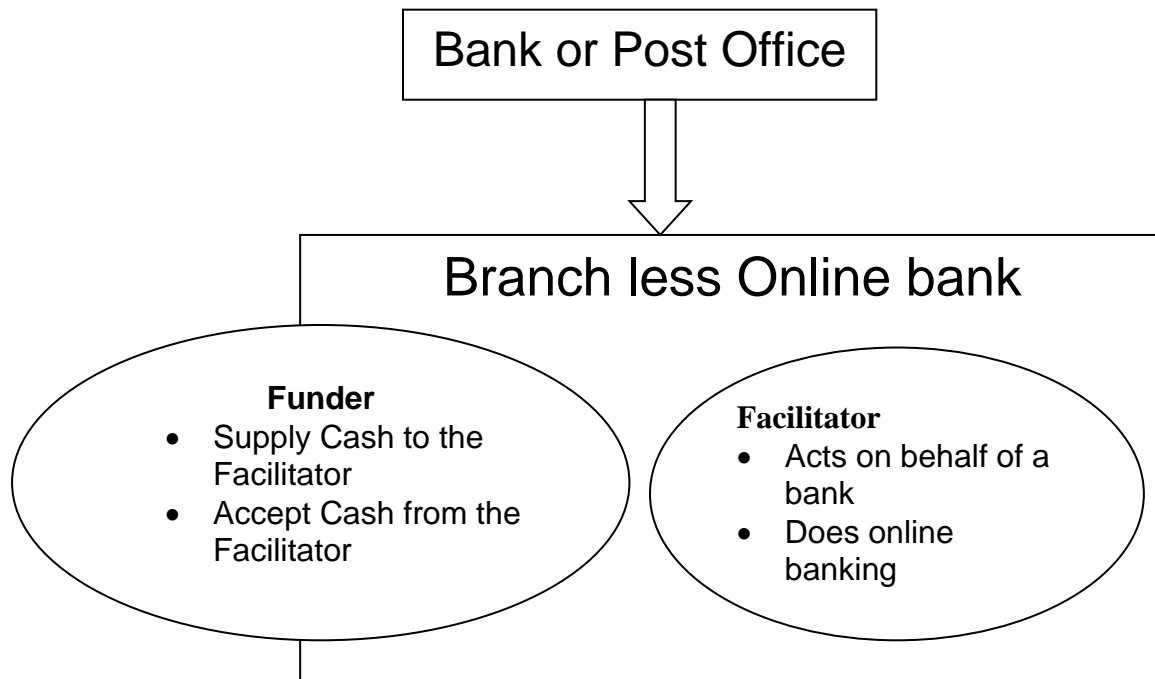
Satellite internet Receiver equipment



PC with Satellite internet Connectivity

Using the above technology Govt. can introduce **branch less online bank** in any remote village where there is no Mobile/Cable/Broadband connectivity using two layered architecture as stated below.

**Exhibit 3:**



The facilitator is the outsourced person who is placed at the village to act on behalf of the bank. Facilitator accepts all rural transactions on line. He is paid on monthly basis. He is also responsible for educating the rural masses on the latest banking facilities. He receives the cash from the funder who is responsible for cash supply and he is like a commission agent. The two tier architecture can decrease the cash obtaining task of the facilitator from the Bank / Post office so that he can concentrate on educating the rural masses on the banking products. Further the authentication of the user can be made with the use of Biometric smartcards. Enhanced technical facilities Video banking, Smart biometric voice oriented ATMs will automatically attract the excluded people.

**Conclusion:**

The main reason for financial exclusion is the lack of a regular or substantial income. In most of the cases people with low income do not qualify for a loan. The proximity of the financial service is another fact. Most of the excluded consumers are not aware of the bank's products, which are beneficial for them. Getting money for their financial requirements from a local money lender is easier than getting a loan from the bank. Inclusion should expand its outreach without fund constraints. low and slow Return-On-Investment inhibit banks from expanding into the rural market, with the introduction of latest technology the investments will gear up as in the case with the increasing penetration of telecommunications in the country and to a greater reach. This can lead to a win-win situation for both the public and the banking sector and as a whole to the financial development of the country.

**References**

1. [censusindia.gov.in](http://censusindia.gov.in)
2. [rbi.org.in](http://rbi.org.in)
3. [rbidocs.rbi.org.in](http://rbidocs.rbi.org.in)
4. [microfinancefocus.com](http://microfinancefocus.com)
5. [WWW.INDIANMICROFINANCE.COM](http://WWW.INDIANMICROFINANCE.COM)