THE PROGRESS OF FINANCIAL INCLUSION WITH TECHNOLOGY IN INDIA

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ABSTRACT

As the majority of the rural population is still not included in the inclusive growth, the concept of financial inclusion becomes a challenge for the Indian economy. Since 2005, many concerted measures are initiated by the Reserve Bank of India and Government of India in favor of financial inclusion.Financial inclusion is assisting the poor to avoid poverty and to progress economically.The information technology will be helpful in achieving the objectives of financial inclusion when it comes to volume and scalability. Computerized data base will help to keep records and maintenance of the system in a cost effective manner. The paper aims to focus on people, factors limiting access to financial services, benefits, the role of technology and RBI measures for achieving greater financial inclusion.

Keywords:Financial inclusion, Financial services, Indian economy, Information technology, reserve bank of India.

I.INTRODUCTION

"I dream of a digital India where mobile & e-banking ensures Financial Inclusion"

Prime Minister Shri NarendraModi

According to the Planning Commission (2009), Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products. According to Chakraborty (2011), Financial inclusion is the process of ensuring access to appropriate financial products and services needed by all sections of society including vulnerable groups such as weaker sections and low income groups at an affordable cost in a fair and transparent manner by mainstream institutional players. Financial inclusion is the process of ensuring access to financial products and services needed by all sections of the societies in general and vulnerable groups such as weaker sections and low income groups at an affordable costs in a fair and transparent manner. Financial inclusion refers to a process that ensures the ease of access availability and usage of the formal financial system for all members of an economy.Digitization of products makes it affordable and accessible to all.

In India, financial inclusion was first introduced in 2005 in the Annual Policy Statement presented by Y.Venugopal Reddy,the then Governor, India. Later the concept of financial inclusion gained popularity. Thereserve bank of India has set up a khan commission to look into financial inclusion and the recommendation's of the commission were incorporated in the mid of 2005-2006.In the report RBI urged the banks with a view of achieving greater financial inclusion to make available basic "no frills" banking account.

The bank asked the commercial banks in different regions to start a 100% financial inclusion campaign on a pilot basis. As a result of the campaign, states or union territories like Pondicherry, Himachal Pradesh and Kerala announced 100% financial inclusion in all their districts. Reserve Bank of India's vision for 2020 is to open nearly 600 million new customers' accounts and service them through a variety of channels by leveraging on IT.

II.FINANCIAL INCLUSION IN INDIAN ECONOMY WITH TECHNOLOGY

The financial system is important for economic development of the **country**. The formal financial channels collect savings and idle funds from people through proper channel and distribute such funds to entrepreneurs, businesses, households and government for investment projects and other purposes with a view of a return and Infrastructural development. Financial inclusion forms the basis for economic development in the countryand can help to achieve the goals of eliminating poverty and building shared prosperity. Financial Inclusion is acting as one of the tool to remove the disparities among people and to give equal and fair treatment to all. Financial inclusion enables poor people to save and to borrow - allowing them to build their assets, to invest in education and livelihoods opportunities, and thus to improve their quality of life.

Inclusive finance especially benefits disadvantaged groups such as women, youth, and rural communities. For all these reasons financial inclusion has gained prominence in recent years, across the world, in many countries as a policy objective to improve the lives of the poor.

Financial inclusion is possible with the help of technology. Technology plays a major role in the network building, system implementation and maintenance of it. Manually these things become cumbersome to manage. Digitization helps in gathering data, analyze it and report the impact of the new projects in the economy. When the results are favorable, such projects will be further encouraged with infusing more funds, but when it's unfavorable then government needs to take corrective measures to either eliminate or reduce the negative impact on the system. Such things are possible when computerization is introduced in the system, it not only minimize the effort levels required but also gives the information in time to resolve any issues. Hence technology is playing a vital role for the progress of financial inclusion. The World Bank has put forward a vision for achieving universal financial access by 2020. More than 50 countries worldwide, including India, have made ambitious commitments to financial inclusion targets.

III.BENEFITS OF FINANCIAL INCLUSION

- It facilitates efficient allocation of productive resources, and reduce the cost of capital.
- Easy access to appropriate financial services which can significantly improve the day to day management of finances.
- It helps in reducing the growth of informal sources of credit.
- It provides safe and secure saving practices and facilitating a whole range of efficient financial services.
- The rural people will get access to banking facilities like cash receipts, cash payments, balance enquiry and statement of account.
- It inculcates the habit of savings in the economy.
- It increases capital formation, which leads to the economic development of the country.
- Direct cash transfers to beneficiary bank accounts, instead of physical cash payments is possible with technology.
- Financial inclusion is progressing with faster pace with technology and digitalization is helping in scalability of the project effortlessly.
- Financial inclusion is contributing towards GDP of the nation and technology driven projects helping in widespread accessibility.

People like illiterates, low income people, unemployed, women, children, elderly people, farmers, Industrial laborers are not the part of financial inclusion and lack of bank branches in rural areas continue to be a hindrances to financial inclusion in many states of the country.

IV.WHAT LIMITS ACCESS TO FINANCIAL SERVICES

Psychological and cultural barriers, lack of bank branches, low income of the people, legal identity, geographical remoteness, lack of awareness/financial illiteracy, unemployment, use of inappropriate products, ever changing technology, cyber frauds, lack of awareness and human tendency of “resistance to change” are some of the factors which are limiting access to financial services.

V.ROLE OF TECHNOLOGY FOR FINANCIAL INCLUSION

Technology is providing more tailored financial products and services to the mass-market consumer. Technology can offer a simpler and seamless user experience with regard to financial services. Public good technology infrastructure is dramatically reducing cost to serve. Technology is spreading awareness about the financial inclusion. With technology, accuracy can be maintained compared to human involvement in a system.

IV. IN INDIA, RBI HAS INITIATED SEVERAL MEASURES TO ACHIEVE GREATER FINANCIAL INCLUSION. SOME OF THESE STEPS ARE:

- Government should provide basic banking services to different segments of people without discrimination.
- Banking facilities should be extended to rural and remote areas.
- People should be encouraged to increase in savings, investment which leads to the economic development of the economy.
- Increasing the habit of savings in lower income group.
- Creates avenues of formal credit to the unbanked population.
- Making available the formal remittance facilities to lower income group.
- Banks should use information and communication technology.
- Facilitating no frills accounts.
- Insurance scheme with lowest premium through banking channels.
- Demonetization to reduce cash market and encourage digital banking.

VII. LIST OF SCHEMES LAUNCHED FOR FINANCIAL INCLUSION

7.1 Pradhan Mantri Jan DhanYojana

Pradhan Mantri Jan-DhanYojana (PMJDY) is India's National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. The Pradhan Mantri Jan DhanYojana aims to make sure that every Indian has a bank account. The zero-balance accounts come with several benefits such as insurance &RuPay cards to withdraw money. These accounts will also be used to make Aadhar-based Direct Benefit Transfers. He had announced this scheme on his first Independence Day speech on 15 August 2014.

The concept of financial inclusion formallylaunched by the Prime Minister of India NarendraModi on 28 August 2014 with a target to provide 'universal access to banking facilities' starting with Basic Banking Accounts with overdraft facility of Rs.5000 after six months and RuPay Debit card with inbuilt accident insurance cover of Rs. 1 lakh and RuPayKisan Card & in next phase, micro insurance & pension etc. will also be added.Run by Department of Financial Services, Ministry of Finance, on the inauguration day, 1.5 Crore (15 million) bank accounts were opened under this scheme. By 1 February 2017, over 27 crore (270 million) bank accounts were opened and almost 665 billion (US$10 billion) were deposited under the scheme.

Pradhan Mantri Jan-Dhan Yojana (Accounts Opened as on 11.01.2017) All figures in ₹ Crores

Bank Type	Rural	Urban	Total	No of RuPay Cards	Aadhaar Seeded	Balance in Accounts	% of Zero-Balance-Accounts
Public Sector Banks	11.82	9.49	21.31	16.82	12.69	53,760.47	25.07
Regional Rural Banks	3.88	0.61	4.50	3.36	2.28	12,747.93	20.66
Private Banks	0.52	0.35	0.87	0.82	0.39	2,518.77	33.68
Total	16.22	10.46	26.68	21.00	15.36	69,027.17	24.60

Disclaimer: Information is based upon the data as submitted by different banks/SLBCs
Source: Pradhan Mantri Jan Dhan Yojana website

7.2Pradhan Mantra JeevanJyothiBimaYojana(PMJJBY)

Pradhan MantriJeevanJyotiBimaYojana (PMJJBY) is a one-year life insurance scheme, renewable from year to year, offering coverage for death. The cover under PMJJBY is for death only and hence benefit will accrue only to the nominee. Under PMJJBY scheme, life cover of Rs. 2 lakhs is available at a premium of Rs.330 per annum per member and is renewable every year. As on 12th April 2017, cumulative gross enrollment reported by banks subject to verification of eligibility etc. is about 3.1Crore under PMJJBY. A total of 63291claims were registered under PMJJBY of which 59770 have been disbursed.

7.3 Pradhan Mantra surekshaBimaYojana (PMSBY)

Pradhan MantriSurakshaBimaYojana is available to people between 18 and 70 years of age with bank accounts. It has an annual premium of 12 exclusive of taxes. The Service tax is exempted on Pradhan MantriSurakshaBimaYojana. The amount will be automatically debited from the account. The accident insurance scheme will have one year cover from June 1 to May 31 and would be offered through banks and administered through public sector general insurance companies. In case of accidental death or full disability, the payment to the nominee will be 2 lakhand in case of partial Permanent disability 1 lakh Full disability has been defined as loss of use in both eyes, hands and feet. Partial Permanent disability has been defined as loss of use in one eye, hand or foot. This scheme will be linked to the bank accounts opened under the Pradhan Mantri Jan DhanYojana scheme. Most of these account had zero balance initially. The government aims to reduce the number of such zero balance accounts by using this and related schemes. Now all Bank account holders can avail this facility through their net-banking service facility at any time of the year. As on 12th April 2017, cumulative gross enrollment reported by banks subject to verification of eligibility etc. is about 10 Crore under PMSBY. A total of 12816claims were registered under PMJJBY of which 9646 have been disbursed.

7.4 Atal Pension Yogana (AYP)

In Atal Pension Yojana, for every contribution made to the pension fund, The Central Government would also co-contribute 50% of the total contribution or ₹1,000 (US$16) per annum, whichever is lower, to each eligible subscriber account, for a period of 5 years. The minimum age of joining APY is 18 years and maximum age is 40 years. The age of exit and start of pension would be 60 years. Therefore, minimum period of contribution by the subscriber under APY would be 20 years or more. As on 31st March 2017, a total of 48.54 lakh subscribers have been enrolled under APY with a total pension wealth of rs.1756.48 Crores.

7.5 Venture capital Scheme

In this scheme SC/ST people were encouraged to be Job Provider instead of Job Seekers. Initially in this Scheme loan were provided from 50 lakh to 15 crores which now is changed from 20 lakh to 15 crores. The government had encouraged SC/ST people to stand on their own. Schemes of 70 venture and Fund of Rs 265 crore were approved, funds to 40 venture were already been distributed. These ventures on the average provide employment to 20-25 people. The rate of interest has been reduced from 10% to 8 %.

7.6 Pradhan Mantri Mudra Yojna

Scheme launched in April, 2015 to provide formal access of financial facilities to Non Corporate Small Business Sector. The basic objective of the scheme is to promote & ensure bank finance to unfunded segment of the Indian economy.In the Mudra Scheme since beginning till 13th August 2017, total 8crore 70 lakh loan where distributed out of which 6 crores 56 lakh were given to woman. In this scheme 3 lakh 75 thousand crores were sanctioned (1 lakh 88 crores to woman) and 3lakh 63 thousand crores were disbursed (out of which 1lakh 66 thousand crores were given to woman).

VIII. PROGRESS IN FINANCIAL INCLUSION

Financial inclusion has become a wide topic in the field of poverty eradication and prevention of impoverishment. Many countries have now set targets for 100% inclusion by 2025. Since the launch of financial inclusion plans clearly indicate that banks are progressing in areas like opening of banking outlets, grant of kisan cards,Rupay cards etc. India leads the pack in progress on financial inclusion as nearly 200 million gained access to financial services. The concept of financial inclusion is encouraging people to save their money and improve quality of life. The success of inclusion basically depends on how soon the technology is adopted in the system. Digitization brings volume, scalability and controllability in the system and progress happens at an increasing pace. Financial inclusion is very successful in many countries including India.

IX. CONCLUSION

Financial inclusion broadens the financial system by developing a culture of savings among rural population and plays its own role in the progress of economic development. Financial sector is based on computerization for its success. Financial inclusion is bringing low income groups within the perimeter of formal banking sector and protects their financial wealth with minimal efforts for deposit, transfer and withdrawal.Hence, financial inclusion is initiating the next revolution of growth and prosperity through digitization.

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