



Emerging Trends that Influence Financial Inclusion in India

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ABSTRACT

Financial inclusion alludes to an interaction that guarantees the straight forward entry, accessibility and utilization of the formal financial framework for all individuals from an economy. A comprehensive financial framework has a few benefits. It works with proficient allotment of useful assets and hence might possibly diminish the expense of capital. Likewise, admittance to suitable financial administrations can fundamentally work on the everyday administration of funds. A comprehensive financial framework can help in lessening the development of casual wellsprings of acknowledge, which are regularly observed to be manipulative. Subsequently, a comprehensive financial framework upgrades proficiency and government assistance by giving roads for secure and safe saving practices and by working with an entire scope of proficient financial administrations. In line with this, the purpose of this study is to identify the influencing factors of effective Financial Inclusion in India.

Key Words: Financial Inclusion, Development, Economy.

Introduction

A Government Committee on financial inclusion in India defines financial inclusion as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as the weaker sections and low-income groups at an affordable cost (Rangarajan Committee, 2008). The significance of a comprehensive financial framework is broadly perceived in the strategy circle also, as of late financial inclusion has turned into a strategy need in numerous nations. Drives for financial inclusion have come from the financial controllers, the administrations and the financial business. Administrative measures have been started in certain nations. In this manner, the definitions on financial inclusion or exclusion, reasonable just as utilitarian, give a sign that financial avoidance happens essentially to individuals who are at the edges of the general public.

Objectives of the Study

The main objectives of the study are following:

1. To study the conception of Financial Inclusion and its impact on Indian economy.
2. To analyse the impact of recent innovations in Financial Inclusion.
3. To analyse the role of private sectors in providing financial services to the needy.

Research Design

The study is entirely based on the secondary data. These data are collected through published sources like text books, journals, magazines and through the blogs and articles published in websites.

Limitations of the Study

The study is limited to secondary data.

Time constraints while collecting the secondary data.

Influencing Factors of Financial Inclusion

1. Role of Mobile Phone Technology:

Adoption of Mobile Technology in Banking Sector:

With the rapid growth in the user base, mobile today has increasingly become an important medium to reach the unbanked. It has the potential to create value on multiple fronts and improve the entire financial eco-system across sectors such as:

Banking & NBFC: Adoption of Mobile First approach in the banking sector can lead to significant cost advantage in the distribution of financial services. Mobiles allow banks to do their business more cost-effectively. With the help of mobile platform, reaching to a broader population becomes feasible, thus enabling financial inclusion. M-Finance helps to expand operations in remote or sparsely populated rural areas due to the high penetration of cell phones. For example, A migrant worker can avail emergency loans without going back to money lenders if the financial services reach his doorstep swiftly.

Insurance Sector: According to a study conducted by LIMRA, nearly 86 percent of consumers prefer to research online about insurance policies. Also, it was noted that one in every five searches for insurance globally, is from mobile. Mobile can definitely help insurance sector in tackling the challenges of mitigating risk, increasing productivity and enhancing customer experience. Through mobile marketing, Insurance companies can attract new customers and regain former policy holders.

2. Contributions by New Generation Private Sector Banks in Financial Services:

The New Generation Private Sector Banks are experiencing the positive change in their work and performance. This change is welcome by the customers of the banks. Quick decisions, paperless transactions, Electronic media for transactions, core banking system are some of the areas which make private sector banking more relevant to the changing era of globalization. The new generation private sector banks have with a view to increasing their profitability resorted to outsourcing of number of routine banking operations. The customers have no personal touch with the private banks. The staff cannot have direct relationship with the customers. The customers should get extra personalized services. This is now missing in the new generation banks. So even then there is competition the new generation private sector banks are showing good growth of the business. Nowadays new generation private sector banks contributed a lot to accelerate the effective reach of financial services to the people those who are in need.

3. Micro Insurance and Financial Inclusion:

In 2018, 67.4% of India's rural population contributed less than 25-30% of India's GDP. India's insurance penetration rate was 3.67%, compared to the global average of 6.33%. One reason behind this low penetration rate is lack of financial inclusion, especially in the rural sector.

The micro-ecosystem model aims to create equal opportunities to enable members of society to participate and grow socially and financially through literacy inclusion, digital inclusion and community inclusion, which will lay the foundation for financial inclusion. Financial inclusion deals with easy access to both banking facilities and insurance, to protect vulnerable sections of society during difficult times. An example of this would be providing a small shop owner with credit facility to grow his business and credit insurance to protect from indebtedness due to unfortunate events such as death or chronic disease.

The Indian government has introduced several flagship schemes to cover low-income households and increase financial inclusion. Examples are allowing zero-balance bank accounts for low-income households, the Digital India programme to provide digital connectivity, and the Ayushman Bharat scheme, which is a government-backed family floater health insurance scheme. However, the execution faced challenges due to lack of awareness, and will require an efficient monitoring mechanism.

4. The emerge of e-payment system in India

The emerge of e-payment system in India has the following reasons:

i. There is an uncontrollable increase in the number of mobile phone users and the number of subscribers in various telecom networks has also increased.

ii. The usage of e-retail websites like amazon.in, flipkart.com, snapdeal.com, and tatacliq.com has tremendously increased.

iii. The provision of 4G services and daily internet data packs for mobile subscribers by all telecom providers.

iv. Announcement of demonetization in the country made 1,000 and 500 rupees' invalid from the aforesaid reasons, it is evident that the users and potential users of e - payment system are increased in India. To become financially included was a prime motive for the government among people when the Indian Prime Minister Honourable Mr. Narendra Modi initiated a scheme named "PradhanMantri Jan DhanYojana" in the year 2014. During November 2016, the government made a great unexpected announcement on demonetization, which induced people to use e-payment system regularly. After these progresses, the focus on financial inclusion insisted more on digital banking rather than brick and mortar - conventional banking.

5.M-Payments & Wallets

There are nearly two billion people across the globe that don't have a bank account, out of these 1.7 billion have a mobile phone. Therefore, it draws a huge potential for financial institutions to cater to such a potentially massive market. Today Mobile money or M-Money has successfully substituted ATM and cash transactions across various countries globally. Almost all major banks, and many smaller banks, now offer some form of mobile banking application to support customers' demands to be able to interact with their financial accounts anytime. Banks are today well-positioned to leverage their position of trust by increasing the perceived value through various payments systems such as UPI, Wallets, NEFT, RTGS and IMPS. Mobile has the ability to create value for consumers at large and this is an exciting times where you should integrate mobile platform into your financial delivery systems aggressively.

Conclusion

Banks need to think differently to bring more innovations to realize the aim of a financially inclusive society. Payment systems being one of the main building blocks of the financial inclusion all the stakeholders need to work on technologies, processes and products to achieve the desired goal of providing access to formal financial services to the unbanked/under-banked population in a time bound manner to match the growing aspiration of people. Simultaneously, it is critical to recognize that financial services provided under financial inclusion plans do not jeopardise the stability to the financial sector, ensure integrity in transactions and provide adequate consumer protection. Reaching the unbanked areas through agents like BCs using technology and by offering suitable payment products to keep the business model sustainable is a challenge. This challenge has to be squarely met to further the public policy goal of sustainable and meaningful financial inclusion through constant endeavours to address the emerging issues of Cost, Convenience, Confidence, Convergence, Commitment, Consumer Protection and Communication.

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