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The Progress of Financial Inclusion with Technology in India

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ABSTRACT

Financial inclusion is a difficulty for the Indian economy since the bulk of the rural people is still excluded from inclusive growth. Since 2005, the Reserve Bank of India and the Government of India have taken a number of coordinated steps to promote financial inclusion. Financial inclusion aids the disadvantaged in escaping poverty and advancing economically. When it comes to volume and scalability, information technology will aid in the achievement of financial inclusion goals. The use of a computerised data base will make it easier to keep track of records and maintain the system at a low cost. People, constraints restricting access to financial services, benefits, the role of technology, and RBI policies for attaining greater financial inclusion are all discussed in the report.

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

I.INTRODUCTION

Financial inclusion, according to the Planning Commission (2009), is defined as universal access to a broad variety of financial services at a fair cost. Not just banking goods, but also other financial services such as insurance and equity products are included. Financial inclusion, according to Chakraborty (2011), is the procedure of mainstream institutional players providing appropriate financial products and services to all sections of society, including vulnerable groups such as weaker sections and low-income groups, at an economical pricing in a fair and transparent manner. Financial inclusion is the process of ensuring that all portions of society, including

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vulnerable groups such as the weaker sections and low-income groups, have equitable and transparent access to financial goods and services. Financial inclusion is a process that guarantees that all members of an economy have easy access to and use of the official financial system. Product digitization makes them more inexpensive and accessible to everyone.

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.

On a trial basis, the bank urged commercial banks in several locations to launch a 100 percent financial inclusion effort. As a consequence of the effort, states and union territories such as Pondicherry, Himachal Pradesh, and Kerala have stated that all of their districts will have 100 percent financial inclusion. The Reserve Bank of India's ambition for 2020 is to open approximately 600 million new accounts and service them through a variety of channels using 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. By 2020, the World Bank

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has set a goal of attaining universal financial access. More than 50 nations throughout the world, including India, have committed to aggressive financial inclusion goals.

III.BENEFITS OF FINANCIAL INCLUSION

- It facilitates efficient allocation of productive resources, and reduce the cost of capital.
- Easy access to proper financial services that may greatly enhance day-to-day financial management.
- 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.

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- Increasing the habit of savings in lower income group.
- Provides unbanked people with access to formal credit.
- Making official remittance facilities available to low-income people.
- 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

The Pradhan Mantri Jan-Dhan Yojana (PMJDY) is India's National Mission for Financial Inclusion, which aims to provide inexpensive access to financial services such as banking, savings and deposit accounts, remittance, credit, insurance, and pension. Every Indian should have a bank account, according to the Pradhan Mantri Jan Dhan Yojana. The zero-balance accounts come with a number of perks, including insurance and the ability to withdraw money using RuPay cards. Aadhar-based Direct Benefit Transfers will also be made using these accounts. On August 15, 2014, he unveiled this plan in his first Independence Day address. The concept of financial inclusion was formally launched by India's Prime Minister NarendraModi on August 28, 2014, with the goal of providing 'universal access to banking facilities,' beginning with Basic Banking Accounts with an overdraft facility of Rs.5000 after six months and RuPay Debit cards with inbuilt accident insurance cover of Rs. 1 lakh and RuPayKisan Card, with microinsurance, pension, and other services to follow in the next phase. On the inaugural day, 1.5 crore (15 million) bank accounts were established under this initiative, which is run by the Ministry of Finance's Department of Financial Services. By 1 February 2017, over 27 crore (270 million) bank accounts have been established, with around 665 billion (US$10 billion) in deposits.

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 Jeevan Jyothi BimaYojana(PMJJBY)

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) is a one-year life insurance scheme, renewable from year to year, offering coverage for death. The coverage under PMJJBY is exclusively for death, hence the benefit will only go to the nominee. A life cover of Rs. 2 lakhs is given under the

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PMJJBY programme for a premium of Rs. 330 per annum per member, which is renewed every year. As of April 12th, 2017, the total gross enrollment recorded by banks under PMJJBY is around 3.1 crores, subject to verification of eligibility and other factors. Under PMJJBY, a total of 63291 claims were filed, with 59770 of them being paid out.

7.3 Pradhan Mantra surekshaBimaYojana (PMSBY)

People between the ages of 18 and 70 who have bank accounts are eligible for the Pradhan Mantri Suraksha Bima Yojana. It has a premium of $12 per year, excluding taxes. The Pradhan Mantri Suraksha Bima Yojana is free from service tax. The payment will be deducted from the account automatically. The accident insurance system will be available through banks and operated by public sector general insurance firms for a year, from June 1 to May 31. The payout to the nominee will be 2 lakh in the case of accidental death or total disability, and 1 lakh in the case of partial permanent impairment. The term "full disability" refers to the loss of use of both eyes, hands, and feet. The term "partial permanent disability" refers to the loss of use of one eye, hand, or foot. The bank accounts created under the Pradhan Mantri Jan Dhan Yojana scheme would be connected to this project. Initially, the majority of these accounts had no balance. By adopting these and other comparable programmes, the government hopes to minimise the number of zero balance accounts. This capability is now available to all bank account holders via their net-banking service at any time during the year. Banks have reported a total gross registration of around 10 crores under PMSBY as of April 12th, 2017, subject to eligibility verification and other criteria. Under PMJJBY, a total of 12816 claims were filed, with 9646 of them being reimbursed.

7.4 Atal Pension Yogana (AYP)

For every contribution made to the pension fund, the Central Government will match 50 percent of the entire contribution or $1,000 (US$16) each year, whichever is smaller, to each qualifying subscriber account for a period of five years under the Atal Pension Yojana. The minimum age to join APY is 18 years old, with a maximum age of 40. The retirement age and the start of the pension would be 60 years old. As a result, the subscriber's minimum contribution time under APY would be 20 years or more. As of March 31, 2017, there were 48.54 lakh subscribers registered in the APY scheme, with a total pension worth of Rs.1756.48 crores.

7.5 Venture capital Scheme

SC/ST individuals were encouraged to be Job Providers rather than Job Seekers under this initiative. Initially, loans were available in the range of 50 lakh to 15 crores, but this has now been altered to 20 lakh to 15 crores. SC/ST people had been encouraged by the government to stand on their own. 70 enterprise schemes and a fund of Rs 265 crore have been authorised, while cash for 40 ventures have already been given. On average, 20-25 people are employed by these businesses. The interest rate has been lowered from ten percent to eight percent.

7.6 Pradhan Mantri Mudra Yojna

The scheme was created in April 2015 to give Non-Corporate Small Business Sector with official access to banking services. The scheme's main goal is to promote and provide bank credit to the underfunded sector of the Indian economy. Since its inception on August 13, 2017, the Mudra Scheme has issued a total of $8.70 million in loans, with $6.56 million going to women. 3 lakh 75 thousand crores were sanctioned for this plan, with 1 lakh 88 crores going to women, and 3 lakh 63 thousand crores being dispersed (out of which 1lakh 66 thousand crores were given to woman).

VIII. PROGRESS IN FINANCIAL INCLUSION

In the realm of poverty reduction and poverty prevention, financial inclusion has become a hot subject. Many nations have established goals to achieve 100% participation by 2025. Since the start of financial inclusion programmes, banks have made significant success in areas such as the creation of banking locations, the grant of kisan cards, and the use of Rupay cards, among others. India has made the most progress in terms of financial inclusion, with approximately 200 million people now having access to financial services. Financial inclusion is a notion that encourages people to save money and enhance their quality of life. The speed with which technology is incorporated in the system determines the success of inclusion. The system gains volume, scalability, and controllability as a result of digitization, and development is made at a rapid rate. Many nations, including India, have had great success with financial inclusion.

IX. CONCLUSION

Financial inclusion broadens the financial system by encouraging rural residents to save and contributes to the advancement of economic growth. The financial sector's prosperity is predicated on computerization. Financial inclusion brings low-income people into the official banking system and safeguards their financial assets with little effort for deposit, transfer, and withdrawal. As a result, financial inclusion is kicking off the next wave of development and prosperity through digitalization.

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