



FINANCIAL INCLUSION THROUGH DIGITAL TRANSACTION IN INDIA

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Introduction

Financial inclusion means the financial services provided to the unbanked area where people are depressed and deprived of banking services and facilities. The basic aim of financial inclusion is to extend financial services to the large hitherto unserved population those are living in the remote in accessible area throughout the country. It strives towards an inclusive growth by generating financial availability to the vulnerable sections in particular. Now financial inclusion is ensuring to facilitate and to cover each and every household in the country to provide banking services by opening saving accounts and other facilities. Government of India adopted four key methods for financial inclusion, Firstly, it is expanding the appropriate infrastructure, secondly, it is offering appropriate financial products, thirdly, it is arranging extensive and intensive use of technology and fourthly, it is emphasizing through advocacy and stockholder participation.

Definition

Financial inclusion may be defined as the process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as affordable cost (The Committee on Financial Inclusion, Chairman, Dr. C. Rangarajan).

Financial inclusion refers to universal access to a wide range of financial services at a reasonable cost which include not only banking products but also other financial services such as insurance and equity products (The Committee on Financial Sector Reforms, Chairman, Dr. Raghuram G. Rajan).

Objectives

Against this backdrop, the present paper hovens around concentrates the following objectives

1. To analyse various schemes adopted by the government for benefit of all strata of the society to achieve financial inclusion.
2. To prove as the only way to digitization achieving simpler and faster flow of information, flow of fund, accuracy, targeting beneficiaries and helps in avoiding duplicity and fraud for financial inclusion.
3. To analyze the nature and extent of financial inclusion implemented in India.

Methodology

The methodology here is analytical and descriptive, which is based on secondary data and collected from internet, reference books, articles and various publications from newspapers related to the various schemes. Various tools like, percentage, average and ratio are interpreted to deduce the inferences. The study covers trends and schemes adopted from 2005-2017.

Background of Financial Inclusion in India

The term Financial Inclusion was used at the time of Annual Policy Statement on April 2005 presented by Y. VenugopalReddy the then Governor, Reserve Bank of India. The issues relating to rural credit and Micro Financing by Khan Committee in July 2005 provided strength to this announcement. In the Khan Committee report the RBI exhorted the Banks to make available a basic 'no frill' banking accounts with a view for achieving financial inclusion. Financial Inclusion got momentum when it was used by K.C. Chakraborty, the Chairman of Indian Bank. In 2006, RBI permitted Commercial Banks to make use of the services of Non-Governmental Organization (NGOs/SHGs), Micro Finance Institutions and other Civil Society Organizations as intermediaries for providing financial and banking services. The RBI asked the Commercial Banks to achieve 100 percent Financial Inclusion campaign on a pilot basis. As a result Pondicherry, Himachal Pradesh and Kerala announced 100 % of Financial Inclusion in all their Districts.

In 28th August 2014, the Government of India announced PradhanMantri Jan DhanYojana a National Financial Inclusion which strive to provide bank accounts to at least 75 million people by 26th January, 2015.

RBI has initiated several measures to achieve greater Financial Inclusion such as facilitating no-frill accounts, relaxation on KYC norms, engaging Business Facilitators (BFs) and Business Correspondents (BCs), use of technology, adoption on EBT, GCC, opening of branches in unbanked rural centre etc.



Table-1: Progress in financial inclusion in different years

SI. No.	Facilities	2010	2013
1	2	3	4
1	Branches of scheduled commercial banks	81,445	102343
2	Banking outlet in the village	67,694	268454
3	BSBD Accounts	73.45 million	182.06
4	KCC(Kishan Credit Card)	24.31million	33.79 million
5	GCC (General Credit Card)	1.4 million	3.6 million
6	ICT Based accounts- BCs	26.52 million	250.46 million
7	ICT Based transaction	6.92 billions	233.88 billion
8	Expansion of Rural ATM	5,199 million	11,564 million

Sources: 1. Annual report of RBI 2012-13.
2 Annual Report of RBI 2012-13.
3 Basic Statistical Returns RBI and DFS GOI.

It is revealed that in 2010 the branches of commercial bank was 81,445 numbers where as within two years it spurted to 102343 numbers in the country. The BSBD accounts hiked from 73.45 million in 2010 to 182.06 in 2013. In case of Rural ATM it expanded from 5,199 million numbers in 2010 to 11,564 million in 2013 (Table-1).

Financial Inclusion: Strategy and Guidelines

In the independence speech in 2012 the then Prime Minister declared 'Swyabhiman' scheme in order to achieve financial inclusion to the rural hinter land to create at least one account of each household by August 2014. To cater the persistent need, the Government of india issued guidelines and strategies on 21st October 2011 which inter-alia incorporate Government ordered the banks

1. To open branches in all the habitations of 5000 or more population in under-banked district and 10,000 or more population in other districts within Sept, 2012.
2. To set up more bricks and mortar branches within a radial distance of 5 Kms.
3. To provide a business correspondent within a radial distance of 2 kms.
4. To cover villages of 1000 and more population in 10 smaller states and UTs by Sept. 2012.
5. To consider Gram Panchayats as a unit of allocation of area under Service Area approach and Business correspondent (BC) etc.

As a result of this strategy total number of banking out lets spurted to 5,67530 by the end of Sept. 2015.

JAM Trinity

It is accepted that india's welfare system is indulged with leakages by rampant corruption which diverted the benefit of the poor to the pocket of others. The government is exerting its best to check such malpractice by Direct Benefit Transfer. (DBT) using JAM Trinity.

To extend financial services to the large hitherto unserved population in the country and to unlock growth potential, PMJDY was launched on 28th August 2014 by the Prime Minister of India Sri NarendraModi with a vision to bring unbanked section of the society into mainstream banking (Kurukhetra August 2016).

Any customer applying for a bank account under PradhanMantri Jan DhanYojana (PMJDY) should provide Aadhar number as identity proof. The applicant also produces Mobile number for Aadhar enrolment in the account for linking trinity. JAM trinity can effectively check the leakages by enabling Direct Benefit Transfer (DBT). It also identity the real beneficiaries and eliminate fake beneficiaries.

Upto February 2016, about 21 crore PMJDY accounts were opened and 9.17 croreAdhar number were joined and 4.28 croreMobile Banking facilities were registered. It is realized that PMJDY accounts will be increased to 41 crore, Adhar enrollment 18 crore and Mobile Banking 13 crore by 2020. (Kurukhetra June 2016)

By 29th June, 2016 more than 22.29 crore new bank accounts with a deposits of over Rs. 39251,57crore in these accounts and overdraft facilities availed about 20 lakh accounts. It denotes that JAM trinity is already reaching the poor. We can analyse it preciselyas enumerated below.



Jan DhanYojana

On his first Independence Day speech, on August 2014 Indian Prime Minister NarendraModi announced PMJY Scheme and formally launched on 28th August 2017. The basic aim of the scheme to generate Financial Inclusion with a target to provide 'universal access to banking facilities'. The scheme started with basic banking account with overdraft facilities of Rs. 5000 after six months and RuPayKishan Card, Micro and Pension etc. also added to the scheme. The scheme started with an aim of enrolling 7.5 crore households to open their accounts. In the inauguration day of the scheme 1.5 crore bank accounts were opened (Financial Inclusion-wikipedia).

Table- 2: PradhanMantri Jan DhanYojana (Account as on 11.01.2017 (in Crore)

Sl. No.	Bank type	Rural	Urban	Total	RuPay	Aadhar	Balance Accounts	% Zero Balance Account
1	2	3	4	5	6	7	8	9
1	PSBs	11.82	9.49	21.31	16.82	12.69	53760.47	25.07
2	RRBs	3.88	0.61	4.50	3,36	2.28	12747.93	20.66
3	Private Banks	0.52	0.35	0.87	0.82	0.39	2518.77	53.68
Total		16.22	10.46	26.68	21.00	15.36	69027.17	24.60

Source: www.ibef.org

The above Table reveals that the rural PSBs covering 11.82 RRBs are having 3.88 crore Bank Accounts and Private Banks are having 0.52 crore Accounts. The balance account of PSBs, RRBs and private banks are Rs.53760.47, Rs.12747.93 and Rs.2518.17 crore respectively with a sum total of Rs.69027.17 crore. The % of zero balance account seen in all the banks constitute 24.69 crore.

Aadhar

Aadhar is identification at the individual provided by the Central Government Agency. The basic objective of Aadhar is to collect the identity of individual through bio-matric which helps to provide demographic data of residents. The provision made to all Indian citizens's to generate a centralised database, and issue a 12 digit number called as Aadhar. It is observed that 65.44 % PMJDY accounts are Aadhar seeded as on 30th June 2017. There is a continuous progress observed in Aadhar seeding and issue of RuPay card.

Mobile Banking

With estimation, out of 444 million urban population 60 % i.e. 269 million of people are using internet. According to 2011 census, out of 906 million rural population 17 % i.e. 163 million people are internet user and 92% of rural users consider mobile as primary device for accessing the internet. In the rural area most of users are using it for entertainment in the form of video and audio. But in urban area it is prevalent for e-mail, social networking and online shopping.

It is realized that digital technology attributes as an interactive platform and device for Financial Inclusion in both rural and urban India. The National Portal on India (NIP) provides ideal front end initiatives to get information and services by different Government entities as it is a single window access.

Mobile banking has registered a volume of 106.18 million transactions with value of Rs. 1612.12 billion as on April 2017.

Table-3: Mobile banking with ATM cards (Nos)

SI.No.	Year	Unit	Debit Card	Credit Card	Use of POS	Mobile banking
1	2	3	4	5	6	7
1	July 2015	Millions	-	665.17	94.97	24.96
2	Jan 2016	Million	-	707.63	109.88	42.80
3	July 2016	Million	-	752.13	129.67	64.44
4	April 2017	Million		660.32	268.00	106.18

Source :Lenka, Aug, 2017, Kurukhstra



The above table indicates that people used 665.17 million credit cards, 94.97 million users of POS and 24.96 million user of mobile banking during 2015. Up to April 2017 people use credit card to be tune of 660.32 millions, POS user are 268.00 and Mobile banking users are 106.18 millions. This exhibits an increasing trend in all spheres of Mobile Banking.

Table-4: Mobile banking with ATM cards (Value)

SI.No.	Year	Unit	Debit Card	Credit Card	Use of POS	Mobile banking
1	2	3	4	5	6	7
1	July 2015	Billions	-	2077.85	140.07	235.71
2	Jan 2016	Billion	-	2181.88	145.11	405.21
3	July 2016	Billion	-	2191.65	170.92	668.04
4	April 2017	Billion	-	2168.60	374.82	1612.17

Source : Lenka,2017, Kurukhsetra August issue.

Above table exhibits the value of mobile banking services in billions from July 2015 to 2017. It shows that the credit card increases from 2077.86 billion to 2168.60 billion in April 2017. In case of Mobile Banking the value of it increases from 235.71 billion to 1612.17 billion in 2017.

Direct Benefit Transfer (DBT)

The Government of India introduces Direct Benefit Transfer (DBT) Scheme with effect from 1st January 2013. Till 20th November 2016 altogether 78 schemes are being implemented by 17 Ministries and Departments included through DBT system. Data collected by the Departments/Ministries can be used for seeding the bank account details in Core Banking System (CBS) of banks with Aadhar (Dhar, P.K.2017) The basic aim is to lead Financial inclusion to the people in rural and remote areas. DBT helps the government schemes like, Scholarship, JananiSurakhayaYojana, Old Age Pension in direct delivery.

The (DBT) Scheme is truly a game changer with respect to Financial Institution. It has re-engineered the government delivery mechanism, facilitated simpler and faster flow of information/funds, ensured accurate targeting of beneficiaries and helped in avoiding duplicating fraud.

In first phase DBT was initiated in 43 districts, later on 78 more districts were added in 27 Schemes pertaining to scholarships, women, child and labour welfare. In 2014, MGNREGA was brought under DBT in 300 identified districts with high Aadhar enrolments. The major enabler of DBT is JAM. Now DBT incorporated 84 Schemes in FY 2016-17. The total amount of DBT is Rs.44382.03 crore and total number of transaction account for Rs. 91.67 crores. The scheme ensures to transfer money under various governmental schemes to the beneficiaries account directly without any delay. Banks play a crucial role in its implementation. The sole motto of DBT is to establish the maximum governance and minimum Government.

In reality, more than 36000 crore were saved last two years by disbursing subsidies directly to the beneficiaries' accounts. MGNREGA have been included to DBT scheme and 1200 Schemes may be incorporated in DBT scheme and it was found that within a very short period around 550 schemes will be incorporated into DBT scheme (Lenka,2017)

Mahatma Gandhi National Rural Employment Guaranty Scheme (MGNREGA)

The flagship programme MGNREGS is provided to the individual beneficiaries to enhance their livelihood and lead to higher income. The total provisional expenditure of Rs. 58,066 crore(Centre+State) which allocated greater amount than previous years (Kurukhsetra, May.2017).

It aims for digital boost to the rural job scheme. 35000 Gram Panchayats are covered through mobile monitoring system. It helps to elicit current data from worksites.

To eliminate and avoid inconsistencies in records the system brings more efficiency in accountability and transparency in benefit disbursement. The process is based on DBT platform through biometric based technique used through Aadhar which effectively combats financial leakages.



There has been a perceptible spurt in percentage of workers with Bank Accounts under MGNREGA. The process designed to revive Financial Inclusion drive in unbanked areas started in 2014 has improved.

For the streamline of flow of funds, the Central government has directed to all the State Governments to adopt electronic fund management system (e-Mail) mandatory from 1st April 2017. Now, around 4.25 crore workers have been paid through Aadhar Based Payment System (ABPS). There is a perceptible enhancement of Aadhar based payment workers after 2012-2013. A significant trend has been seen observed after 2015-2016 (Table-5).

Table-5: MGNREGA Wage Payment (Rs. crore)

SI.No.	Types of Payment	2013-2014	2016-2017
1	2	3	4
1	Wage paid through eFMS	37	96
2	Workers with Aadhar Based Payment	18	39

Source: Kurukhstra July, 2017

Wage payment through e-PFMS has spurted from 37 to 96 and workers with Aadhar. Based payment extended from 18 to 39 during the corresponding period.

Financial inclusion initiatives

The RBI had advised to all Private Sector and Public Sector Banks to approve Financial Inclusion Plans (FIPs). It also adopted Bank Led Model and removed all types of bottlenecks for achieving Financial Inclusion. RBI provides instituted supports by generating conducive environment for accelerating their Financial Inclusion.

- 1. Basic Savings Bank Deposits (BSBD):** The process is known as minimum common facilities such as no minimum balance (no-Frill) deposit and withdrawal of cash at Bank Branch and ATM, adopting receipt, credit of money through electronic payment.
- 2. Relaxation on Know-Your-Customer (KYC):** Opening of bank accounts with a balance not exceeding to Rs. 50,000 and aggregate credits not exceeding Rs.1 lakh in the account in a year. In addition to it Aadhar card is mandatory for proof.
- 2Simplification in Branch Authorization:** Domestic SCBs are permitted to open bank branches in 2 tier to 6 tier with population use up to 1 lakh under permission. But in North-Eastern states SCBs can have branches without taking permission from RBI.
- Opening of branches in unbanked areas:** The need for opening of brick and mortar branches was felt. It is mandate to open 25% of total number of branches in unbanked area.
- Adoption of EBT:** The basic objective of EBT is implemented by the banks which is based on banking through BCs to transfer social benefit to the beneficiary's bank account and provide Government benefits accessible to them through electronic device to reduce dependence on cash and lowering transaction cost.
- General Credit Card (GCC):** GCC with a view to help the poor and disadvantaged people in the rural areas for an access to easy credit card facility upto Rs.25000 . RBI have been asked to the bank at their semi-urban and rural branches. The scheme is to provide 'hassle free credit to banks' customers for easy cash flow without security, purpose or end use of the credit.
- Engaged business correspondents (BCs):** From January 2006, RBI permitted banks to engage business facilities (BCs) and business correspondents (BCs) as intermediate for providing banking services.
- Use of technology:** Banks have been committed to make effective use of information communication technology (ICT) to provide a doorstep banking services through BC model. It helps to illiterate customers by using biometrics for ensuring the security of transactions and confidence of banking system.
- Financial Inclusion Plans (FIPs):** To involve all stakeholders in the financial efforts banks have been advised that their FIPs should be disaggregated and percolated down up to the branch level.
- Financial Literacy Centre (FLCs):** It was advised to all commercial banks to make necessary arrangements for Financial Literacy Efforts by conducting a monthly review. This is based on two essential criteria such as 'financial Literacy' and 'Financial Access'. 718 FLCs have been set up by the end of March 2013. 2.2 million people have been educated through awareness camps/chpupals, seminars and lectures during 2012 April to 2013 March.
- Opening of intermediate brick and mortar structure**
For effective cash management, documentations redresser of customer grievances and close supervision of BC operation, banks have been advised to open intermediate structures between the present base branch and BC



location. This branch could be in the form of a low cost simple brick and mortar structure covering minimum infrastructure.

12. LuckyGrahakYojana and DigidhanVyaparYojana

These two initiatives seek to promote both the consumers and merchants through digital payment modes. The schemes provide impetus to people to move towards higher digital transaction. This scheme is implemented by National Payments Corporation of India (NPC). The corporation provides the transactions through Repay cards, Unstructured Splintery Service Data (USSD), Unified Payments Interface (UPI) and Andhra enabled Payment system (AEPS) are included NPCI schemes.

13. 13.Bharat Interface for Money (BHIM)

BHIM is a biometric payment system appliance using Andhra Platform and based on Unified Payment Interface (UPI) to facilitate e-payments directly through Banks. It was launched only for the purpose of digital transaction. It can be used on all Mobile devices, smart phones with or without internet connection.

Nature and Extent of Financial Inclusion in India

Extent of Financial Inclusion can be described by eliciting data from various sources enumerated below as

NSSO 59th Round Survey Results

As per this survey 51.4 % of farmers households are financially excluded from both formal and informal sources 27% of the total farmers households involve formal credit but out of this one third of this group borrowed from non-formal sources. It reveals that 73 % of households have no access to formal source of credit. The survey pointed out that the situation is more acute in central, eastern and north- eastern region of the country where as 64 % of financially excluded farmers households are combinedly accounted. The overall formal indebtedness source of finance is accounted by only 19.66 %. (RBI Working paper)

Government of India Population census 2011

It is observed from 2011 census date that only 58.7 % of households are availing banking services which is significantly large as against 2001 census. (RBI Working Paper).

CRISIL, financial Inclusion Index (Incusix)

CRISIL, India's leading credit rating and research company launched an Index to measure the status of Financial Inclusion in India on 25th June 2013, CRISIL, Inlusix is a relative index on a scale of 0 to 100 and combines three critical parameters viz, branch penetration, deposit penetration and credit penetration into one Matrix..

It is pointed out that at all india level CRISIL, inlusix score has improved from 35.4 in 2009 to 40.1 in 2013. It is a clear sign of progress. In deposit penetration the number of saving accounts are 624 million which is four times the number of loan accounts i.e. 160 million. Out of 632 districts 618 districts reported an improvement in their score.

RBI Working Paper

Sadhan Kumar devised an Index on Financial Inclusion (IFI) in 2011 based on three variables namely penetration availability of banking services and usage. The result indicates that Kerala, Maharastra and Karnataka are in high Financial Inclusion (IFI>0.5), while TamilNadu, Punjab, AP, HP, Sikim and Hariyana are in Medium IFI group (0.3<IFI<0.5) and remaining states have very low Financial Inclusion.

World Bank 'Financial Access Survey' Results

Financial Inclusion is measured in terms of bank branch density, ATM density bank credit and deposit to GDP. The table below shows that India is quite low in all selected parameters of Financial inclusion as against most of the developing countries in the world. The below Table indicates that India is far below in all parameters in compared to other developing Nations.



Table-6: Selected indicators of Financial Inclusion, 2011

SI. No.	Country	Number of Bank Branches	Number of ATMs	Number of Bank Branches	Number of ATMS	Bank Deposits	Bank Credits
		Per 1000Kms		Per 0.1 Million		As % to GDP	
1	2	3	4	5	6	7	8
1	India	30.43	25.43	10.64	8.9	68.43	51.75
2	China	1428.98	2975.05	23.81	49.56	433.96	287.89
3	Brazil	7.93	20.55	46.15	119.63	53.26	40.28
4	Indonesia	8.23	15.91	8.52	16.47	43.36	34.25
5	Mauritius	104.93	210.84	21.29	42.78	170.7	77.82
6	South Africa	3.08	17.26	10.71	60.01	45.86	74.45
7	Sri Lanka	41.81	35.72	16.73	14.29	45.72	42.64
8	Thailand	12.14	83.8	11.29	77.95	78.79	95.37
9	Malaysia	6.32	33.98	10.49	56.43	130.82	104.23
10	Korea	79.07	-	18.8	-	80.82	90.65

Source: Annual Report of RBI, 2011-12

Conclusion

Financial Inclusion is adopted for the improvement in living condition of vulnerable section people basically poor farmers, rural non-farm enterprises and other vulnerable groups. Apart from formal banking system, Financial Inclusion reckons both business opportunity and social responsibility. Financial Inclusion Improves the SHG groups and Micro-Financial Institutions. Financial inclusion considers banking services at an affordable cost to the majority of disadvantage and low income groups. Credit is the most important component. But financial Inclusion covers various other financial services such as savings, insurance, payments and remittance facilities by the formal financial system those who are excluded before its implementation. Digitization has been adopted in different countries. Some of them are quite successful to promote digitization where Sweden tops the Ranking. India's digitization is completely depending on dissemination awareness as a perceptible chunk of population of the country is illiterate, virtually, smaller percentage access to internet. To extrapolate India as a global player in the digital economy a large scale drive needs awareness and education among the people. JAM encouraged digital transaction culture. It intend to extend accessibility remote part of India. Within seven years of its application (2009-2016) the project has enrolled 1.07 billion people (88 %) in the country. A large number of Government Transfer (DBT) is made through JAM mode. This will help the people to generate digital transaction awareness.

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