

A study on Financial Inclusion of Mobile Banking as an effective mode of Branchless Banking in India

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Abstract: Financial inclusion means ensuring access to cost-effective, appropriate financial services and products in a rational and transparent manner to all sections of society, including the weak, poor, unbanked remotest villages. Mobile banking technology is becoming increasingly weighty, especially in the context of developing economies, where many low income family circle and micro enterprises do not have ready access to financial services. Mobile banking facilitates financial inclusion, and provides potential for financial integration. Over the last five years, mobile financial facilities have grown considerably in India. The rapid evolution in the mobile money industry, in particular, has led to better access for the under privileged and the disadvantaged population to reasonable financial services not only within, but also across borders. Regardless of the opportunities it provides, the rapidly developing technology stances a challenge to regulators to support cross-border payments in a world that is also engaged in combating the rise in money laundering, terrorist financing, fraud and other financial crimes. In order to enhance growth and contribution of mobile banking to financial inclusion and integration, The Government of India has adopted bank-led models in line with national economic and financial sector development. After the demonetization, there has been a discussion on the appropriate policy models for technology-enabled mobile financial services, and their effects on financial exclusion in India. Technology has carried about previously unimagined changes in people's lifestyles. An electronic device is generally regarded as one of the most suitable delivery channels for financial services. Mobile technology as one of the most hopeful tools for expanding access to finance and achieving financial inclusion due to the ubiquity of mobile phones and good mobile network coverage, even in rural areas. To push banking penetration towards full financial inclusion Indian policy makers and regulators have adopted powerful measures, to serve as banking correspondents and launching mobile banking system. The present paper discusses about analysis of mobile banking and feedback from users of such technology.

Keywords: Financial Inclusion, Branchless banking, Mobile banking, Bank account.

I. INTRODUCTION

Financial performance is established on the principal of comprehensive growth and will be the promoter to authorize the poor to contribute to the social and economic growth of India. As per census, on an average 58.7 percent households had reported usage of banking facilities. Out of the 24.89 crore households, 14.81 crore reported usage of banking services, nearly 10 crore households were not availing the services; which is a significant percentile of the population. Promoting financial inclusion involves developing customer experiences that help people plan for and achieve their financial and expenditure goals. That requires two things: (i) extracting information from clients as to what their goals are and in what time frame they aim to achieve them, and (ii) presenting the bank's various services like savings, credit, payment, etc., in the context of those goals. Both these things are hard to do when customer interactions are infrequent and not very consistent. In one month, a bank client typically listens to one bank advertisement on the radio or TV and walks over to a branch once, which means that communication is very limited and mostly one-way. In this setting, the bank's promotion has to be as simple as possible, and that means making it product-driven.

Mobile banking is an alternative of branchless banking service provided by a bank or other financial institution that allows its customers to conduct financial transactions remotely using a mobile phone. It uses an application, provided by the financial institution for the purpose. Mobile banking is generally available on a 24-hour basis. Some financial organizations have margins on which accounts can be operated through mobile banking and a limit on the amount that can be transacted.

Transactions through mobile banking may include obtaining account balances and lists of latest transactions, electronic bill payments, and funds transfers between a customer's or another's accounts. Some applications also enable copies of statements to be downloaded and sometimes printed at the customer's premises; and some banks charge a nominal fee for mailing hardcopies of bank statements.

From the bank's point of view, mobile banking facility decreases the cost of handling transactions by reducing the need for visit to bank branch for transactions. Mobile banking does not include transactions involving cash, and a customer needs to visit an ATM or bank branch for cash withdrawals or deposits. Many applications now have a remote deposit option; using the device's camera to digitally transmit cheque to their financial institution.

II. LITERATURE REVIEW

From literature reviewed, the major reason for the introduction of Branchless Banking in many nations is that, reaching out the unbanked areas. The unbanked can simply be described as those individuals that do not have any form of account with a bank, Anderson (2007) defined the unbanked as diverse group of individuals who remain outside the banking mainstream for many reasons.

Rangarajan Committee (2008) on financial inclusion specified that: The financial services include the entire gamut of savings, loans, insurance, credit, payments, etc. The financial system is expected to provide its function of transferring resources from surplus to deficit units, but both deficit and surplus units are those with low incomes, poor background, etc. By providing these services, the aim is to help them come out of poverty. Many of unbanked people who are usually low income people are less exposed to technology (Coetzee, 2005), In India, Vinayak (2007) cited an Indian lady who claimed that she has never entered a bank in her life due to the fact that the nearest branch was 8 km far away from the village.

One of the most accepted solution to this problem is the shift- from the Branch-based Banking System to the adoption of Branchless Banking System. Guatam (2008) opined that if the unbanked Africans cannot go to the Bank, it is the Bank that must reach out to them and it is possible only through Branchless Banking. African Banks are now moving closer to the 230 million unbanked households in Africa's rural areas through advanced satellite technologies (IT News, 2008). CSR News (2000) also revealed that, the rapid growth of Branchless Banking is reducing the cost and expanding the availability of such service to those in developing countries who lack access to financial services.

The topical endogenous growth literature structured on 'learning by doing' processes, allocates a special role to finance (Aghion and Hewitt, 1998 and 2005). The researchers so far have not only looked at how finance facilitates economic activity, but also social aspects like poverty, hunger, etc. The consensus is that finance promotes economic growth, but the magnitude of impact differs.

Finance and economic development literature discloses that the earlier theories of development concentrated on labour, capital, institutions, etc., as the factors for growth and development. There have been frequent researches analysing how financial systems help in developing economies. A great deal of consistency exists among economists regarding financial development prompting economic growth. Many theories have established that, financial development creates favourable conditions for growth through either a supply leading or a demand-following channel.

III. RESEARCH GAP

As Mobile banking alternative engaged main space, banks started getting trust and confidence that they can manage to offer the service with the help of technology at a lower cost. But it could never enable any rural individual to conduct operation from a remote location by fastening the process of financial inclusion. In spite of making sufficient improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to reach the enormous portion of the population. Branchless banking, through branchless banking, is considered as an alternative of better financial performance only when effective and faster dissemination of banking into every individual in the rural area and households.

IV. OBJECTIVES OF THE STUDY

- To study the awareness, usage and frequency of usage of services of mobile banking.
- To determine motivating and hindering factors affecting use of technology in banking.
- To study the availability of technology related to mobile banking in rural areas.

V. METHODOLOGY

Primary data was collected through questionnaire in Chennai. Bank employees and customers who are using the facilities offered by the banks were given the questionnaire. out of 300 questionnaire distributed only 281 responded and before processing the responses, the completed questionnaires were edited for completeness and consistency. Only 265 questionnaires could be used for analyses. Secondary data was collected through review of both empirical and theoretical data from books, journals, dissertations, magazines and the internet. Descriptive statistics such as frequency and percentage was used for the primary analyses and other statistical methods were used for in-depth analyses.

VI. ANALYSIS AND RESULTS

Table No: 1 - Demographic Profile of the Respondents

Demographic Profile		No of respondents
1. Gender	Male	172
	Female	93
	Total	265
2. Age	25-34	142
	35-44	66
	45 and above	57
	Total	265
3. Income Level	Below one Lakh P.A.	16
	1 – 5 Lakh P.A.	158
	5 – 10 lakh P.A.	57
	10 Lakh and above	34
	Total	265

The above table no 1 shows the demographic characteristics of the respondents, it is found that around 65 percent are male whereas only 35 percent are female. 54 percent of the mobile banking user is in the age group of 25-34 years and 25 percent are aged between 35-44 years. Major portion of the respondents (60 percent) were belonging to the income group of 1 – 5 Lakh per annum.

Usage and Awareness of Mobile Banking: 100 percent of the respondents possess bank account and in that 47 percent of the respondents motivated by Pradhan Mantri Jan-Dhan Yojana (PMJDY) and 36 percent of them motivated by agents appointed by the respective bank. 30 percent of the respondents possess savings bank Account from more than 5 years. 85 percent of the respondents aware about Mobile banking but 77 percent of the respondents operate their account only by visiting the bank and only 19 percent use mobile banking facility. Out of all the alternatives of Branchless banking (i.e., ATM, Mobile banking, Internet Banking, Business Correspondent etc.) majority of the respondents aware about Mobile banking but they do not use the services of mobile banking because of the lack of internet facility and proper network.

Encouraging and obstructing factors for Mobile Banking: 42 percent of the respondents (out of 19 percent who use Mobile banking) said that they use Mobile banking mainly to save out of their income and the remaining 58 percent of the respondents opined that banking transactions through Mobile banking saves their time, cost and energy. The remaining 81 percent of the respondents who do not use Mobile banking opined that the main reasons for not using mobile banking alternative is apprehension of technology, fear of mistake, unaware, illiteracy and lack of trust. 92 percent of the respondents opined that there is a need to improvement and trust building strategies to use mobile banking facility.

Potential users of services Mobile banking: A majority of the surveyed claimed that Mobile banking services will contribute to an increased use of transaction; saving and loan service etc. provided there is a drastic development in technology and regular monitoring of system is very much essential. When such improvements are introduced, majority of the respondents opined that, they will start doing financial transactions through the help of mobile banking.

VII. CONCLUSION AND RECOMMENDATIONS

For the better financial performance, Mobile banking model has been termed as an effective tool to provide basic banking services to the under privileged economy and also can be said at a cost and time effectiveness model which saves a lot of expenditure and time both to the customers and the bank. Mobile banking service to the customers is also termed as important because it is the only alternative of branchless banking through which the Bank can provide service to the rural masses. Based on the findings it is inferred that a large proportion of rural population in South Canara district do not use Mobile banking for reasons which include insufficient knowledge, fear of insecurity, lack of awareness about these facilities, lack of access to the basic delivery channels and infrastructure facilities. It evident that any required technological change in banking services are said better, only when it is easy to understand, usable and adoptable by the users. The 'inclusive growth' is a necessary requisite for smoothening our country's journey towards growth and development. Inclusive financing is the delivery of financial services at reasonable costs to the sections of underprivileged and low income segment of the society. As real India lives in rural area, inclusion of these ignored sections in the socio-economic mainstream and enabling them to gain benefits of globalization should stand as a priority.

Finally, the study concludes that if all the necessary infrastructures and awareness programmes can be put into place, Mobile banking will be an effective tool for reaching the unbanked people. Based on the above findings, the study puts forward the following recommendations-

- Awareness level about Mobile banking is low. In real what comes in Mobile banking people do not trust it. Concerned authorities should find out the need of mobile banking in rural areas and should arrange for

awareness and training programme about the usage of mobile banking so as to perform financial transactions in a better way.

- All mobile based financial transactions under the authority of a bank must accomplish with the same financial technology, rules and regulations of the bank. Banks must have an implementation strategy for their network to ensure maximum coverage which is turned out in an efficient manner.
- Customers expect a positive and consistent service from mobile banking, therefore, mobile banking need to be developed and continuous support to help customer, maintain data of financial transactions done by the customer and to provide technological support for any devices or equipment they operate.
- The Bank needs to audit the security measures being taken to ensure that, the customer can transact confidently. If authorities deal with challenges that hamper the mobile banking alternative, banks and the Indian government will be more likely to meet their financial inclusion targets and, finally, it helps economic growth and healthy environment.

VIII. REFERENCES

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