

## Rural financial inclusions through digital banking services in India

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### Abstract

Financial inclusion standing is most likely to boost through technological interventions as there are distribution challenges because of localized constraints. This paper focus on digital banking services which are helpful in financial inclusion of rural sector as like maximum poor income people can involve in banking activities. And the government has taken the step to involve entire India to involve digital banking sector. This study also highlights the result of digital banking initiative on the beginning of financial inclusion. The developing economy can simply connect the various group of society and might facilitate to realize the target of monetary inclusion through digital banking. The various secondary sources i.e. Journals and newspapers and websites, reports of SBI and RBI are used for data mobilization.

**Keywords:** digital banking, rural financial inclusion, economic development

### Introduction

Financial inclusion standing is most likely to boost through technological interventions as there are distribution challenges because of localized constraints. Typical banking models don't seem to be possible for less price transactions, deposits, loans, etc. in such regional area digital service is essential in nature. There's a scarcity of awareness of financial product, there's a high demand of practiced and trained work force. Unbanked economies have raised the potential of digital technology, significantly within the mobile area, to measure the impact of technology in financial inclusion. This paper highlights Digital banking services which become an important disciplinarian of banking access in rural financial inclusion for economic development of countries. Where banks generally did not reach rural sector, the accelerated advance of adaptable networks and subscriptions has offered administration technology for adaptable banking services. Flexible financial service is today accessible in more than 90 countries. Using mobile cash transfers and payments may be opening for several into the formal financial set-up. Information records of a customer's transfers and payments activity will become the premise of credit marking that may facilitate mobile digital borrowing. The switch from informal borrowing and saving to the formal system (banks, micro-credit and -savings establishments, cooperatives and mobile money services) will facilitate access to finance that wasn't otherwise obtainable.

Commonly in rapid moving technology determined industries, even in economic development the success is often new regulatory challenges of policy. The same network effects that create it difficult at the beginning to induce the mobile banking services sector moving then modify it to require off and grow explosively, additionally carry a risk of concentrating market power within the leading suppliers. A Cashless Economy is associate degree economy during which every kind of transactions are through digital suggests that. It contains e-banking through

Mobile banking and computers, debit cards, credit cards, debit and credit cards, card-swipe or point of sales (POS) machines and digital wallets

### Achieving a Digital Economy in Rural Areas in India



Fig 1

India basically has more than 75% of the country's population which residing in rural area. Therefore India is planning to achieve

- Number of connected rural customers is anticipated to extend from one hundred twenty million in 2015 to nearly three hundred fifteen in 2020.
- Over ninety three of individuals in rural Asian nation haven't done any digital transactions. So many scheme of government have introduced.

### Digital Banking Services for Financial Inclusion

In an unbanked market, the challenge of deciding whether to lend (and if thus, what quantity for what period, and at what interest rate) to villagers with no credit record is being met, among different ways that, by analyzing their mobile cash behavior patterns. By generating credit scores from algorithms applied to customers' mobile cash dealing histories, MNOs are unlocking credit for population teams that neither before had access to formal monetary services. This is also making new regulative policy queries, as solely

the leading mobile cash platforms have the dealing history information. Again, regulators should struggle with questions on where reward follows innovation and investment, and at what purpose a customer's information belongs to him or her, or ought to be accessible to would-be lenders apart from the identical mobile cash supplier. Currently exciting advanced technological are manufacturing thrilling results for rural financial inclusion, and assuring to take-up doors out of poorness, however their success depends on a posh mixture of restrictive policy problems several of that have very less standard. The purpose of this paper is to shed light-weight on a number of the foremost vital problems that policy manufacturers and regulators face in fast the Unfold of mobile money services, whereas guaranteeing that the market develops competitively instead of changing into obligated to a really tiny variety of dominant players. It focuses on the problems that have most at stake and are the foremost pressing instead of making an attempt to handle each doable relevant regulative or competition issue. In doing thus, the paper aims to assist regulators support the key contribution of ICT to digital money inclusion exploitation mobile networks, introducing those who are unbanked and under banked into the digital economy. The World Bank has said mobile cash as a 'success story' that's

conjointly a 'regulatory piece of ground. 'Whereas section a pair of celebrates the success to-date however suggests that the majority of the success is however to come back, section three turns to what's so one thing of a piece of ground. it's only too simple for regulation to impede growth in mobile money services, or for the absence of well-judged and well-timed restrictive intervention to lead to a market dominated by one player facing no purposeful competition.

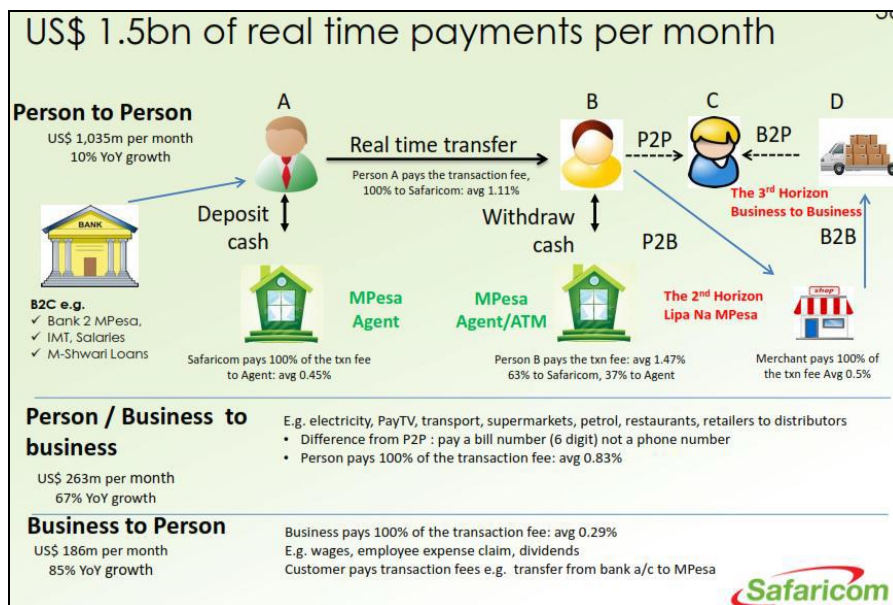
**Conceptual Definitions**

**Digital banking:** it is digitalization of all traditional banking actives and programs that historical were only available to customer when physically inside of a bank branch

**Rural financial inclusion:** is a process of ensuring access to appropriate financial products and services needed by vulnerable group such as weaker section and low income group in rurle sector at an affordable price

**Economic development:** The digital age is transforming everything the nature of markets and products new technology drives economic development. Societies are in constant transformation with new ideas challenging old one

**Digital banking services like cash-transfer, payment of bills, on line payment for goods purchased**



Source: Safaricom 2014-5 results presentation

Fig 2

**Roadmap for Going Cashless and Digitalization**

- Electronic Fund Transfer Systems
- Debit card and Credit card
- Internet Banking
- Mobile Wallets
- Banks Pre-paid cards
- Point of sale
- Mobile Banking
- Paytm
- Google pay

**Review of Literature**

Mr. Rory Macmillan, Partner, Macmillan Keck Attorneys &

Solicitors (2016) [1] is highlighted the mobile banking services towards financial inclusiveness by using mobile cash transaction and payments may be a beginning for many sector used in the formal economic system. The information records of a customer's transactions and payments movement can become the premise of credit rating which will make possible digital banking borrowing through mobile. The changes from informal borrowing of banks, micro-credit and -savings sector, cooperatives services will facilitate access to finance that wasn't otherwise obtainable through the formal system.

Athifa Mymoon (2017) [2]: has brightened the fact that a

cashless economy is secure, it is clean. We have a leadership role to play in taking India towards an increasingly “digital economy”. Thus, as citizens and youths of India it is in our hands to promote this magnificent India encouraged by our PM Mr. Narendra Modi who has a bright vision towards the upcoming of future India. Big success and it will help to attain vision of “Digital India”

T. O. Jayasree, (2016) [3] highlighted in their research work that financial inclusion is an important tool to achieve inclusive growth. The study also focus that inclusive growth can be made possible by making banking more inclusive through expanding the coverage of banking service by reaching the rural people.

Paramjeet Kaur. (2014) [4] in their research focused on the rural population in India that the needs social improvement and attention to financial inclusiveness. To improve the financial inclusiveness the government made policies in the public interest after Prime Minister of India announced the launch of Pradhan Mantri Jan DhanYojana, a scheme to bank the poor. The spirit of pushing economic development is the main agenda by making a mandate to have aadhar.

### Statement of the problem

Indian rural population is still far away from the mainstream of digitalization banking transaction because of their financial exclusiveness. The governments have made many policy initiatives to involve low income group of rural people. But then also there is less awareness towards banking digital services. The current study is significant in the contest of varies digital transaction towards financial inclusions and to look after the breach at the people end.

### Objectives of the Study

1. To study the factors which considered utilizing digital banking services in rural sector for low income people in India.
2. To analyze the awareness regarding digital banking services in rural areas.
3. To assess the implications of customers perspective towards satisfaction on digital banks services with respect to internet & mobile banking.
4. To understand the convenience level of the rural customers in using digital banking services.

### A Cashless Economy challenges in India

There are many hindrances in making Indian economy as a cashless economy. Few of them are as follows:-

1. Currency denominated financial system:
2. Giving important to Cash Transactions:
3. Less awareness about ATM which mainly use for cash withdrawals and not much for any other purpose.
4. Financial illiteracy.
5. Mobile Internet saturation is very weak in rural India

### Research Methodology

The data collected for the study is a secondary data. The present study is descriptive in nature. The study exclusively depends on mainly secondary data. The data used for the

study has been collected from RBI bulletin, Ministry of Finance, RBI annual reports, banking progress in India and from various reputed journals, magazines, newspapers, e-journals, etc.

### Initiatives of RBI and Government to put off the Use of Cash

1. Government is also encouraging mobile transactions. The RBI hadhighlighted certain guidelines that allow the users to increase their limit to Rs 1, 00,000 based on certain Know your customer verification.
2. Various incentives offered by government to promote digital India on Cashless India:
3. On digital transactions up to rupees 2000, Service Tax of 15% waived off,

Apart from this Universal banking also took an initiatives for inviting rural people towards online transactions for this purposes on simplifying the customer experience, India initiated three steps that is:

1. JAM- Jan Dhan Yojana -Direct transfer of fund from government to individual account digitally like LPG cylinder subsidy
2. Aadhaar -national biometric identification system for opening an account
3. Mobile - use of a mobile number to allow clients to link accounts for easy transfer of fund through paytm and Google pay. Nearly 280 million accounts have been opened from August 2014.

### Digital Payment Methods

The Digital India programme is a flagship programme of the Government of India

“Faceless, Paperless, Cashless” is one of professed role of Digital India. As part of promoting cashless transactions and converting India into less-cash society, various modes of digital payments are available.

### Different types of online financial transactions

- National Electronic Funds Transfer (NEFT): NEFT is a nation-wide payment system facilitating one-to-one funds transfer. NEFT operates in hourly batches - there are twelve settlements from 8 am to 7 pm on week days (Monday through Friday) and from 8 am to 1 pm on Saturdays.
- Real Time Gross Settlement (RTGS): RTGS is defined as the continuous (real-time) settlement of funds transfers The RTGS system is primarily meant for large value transactions. The minimum amount to be remitted through RTGS is 2 lakh.
- Electronic Clearing System (ECS): ECS is an alternative method for effecting payment transactions in respect of the utility-bill-payments such as: telephone bills, electricity bills, insurance premier, card payments and loan repayments, etc.
- Immediate Payment Service (IMPS): IMPS offers an instant, 24X7, interbank electronic fund transfer service through mobile phones.

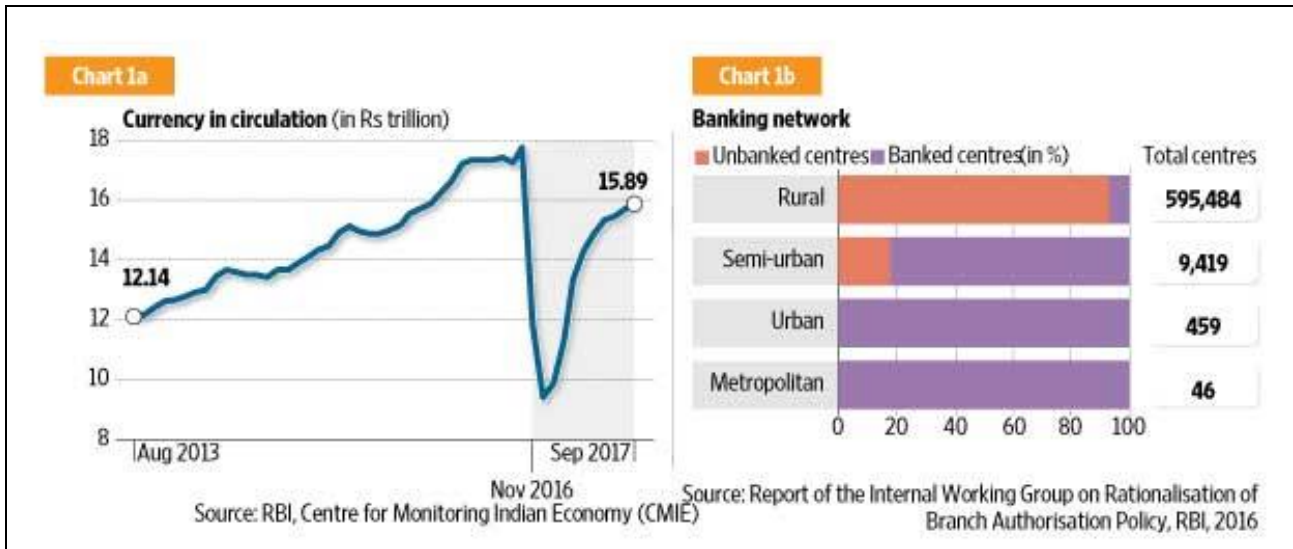


Fig 3

**Analysis**

It directly indicates that even in 2016, the bank facilities are very less, in semi urban area around 20% approached. But in urban area it is approximately 100% achieved

**Interpretation**

With above analysis we can interpret that in rural area still banks should be located and see to that digital facilities should reach to rural people with large in number. And financial awareness should be created among rural people,

**Cyber Security for Digital Payments**

- Digital payments are likely to cost more if the National Democratic Alliance (NDA) government decides to impose a token 'security fee' or cess on each online payment.
- According to several media reports, the government is contemplating imposing a cybersecurity cess on e-payments companies.
- This 'security fee' or cess like the Swachh Bharat cess, could be used to create better infrastructure for secure digital transactions.

**Suggestion for Achieving Cashless India**

1. Superior accessibility of cyber to control techniques with strong verification measures should be implemented by mobile e-wallet companies.
2. Insist the rural people to have Bank accounts
3. Government fees should be erased
4. Tax rebates for consumers and for merchants who adopt electronic payments.
5. Making completely safe and secure of Electronic payment infrastructure.
6. The Reserve Bank of India too will have to come to terms with a few issues.

**Conclusion**

A cashless economy is safe and secure, it's clean. We are having a leadership role to play in bringing India towards associate progressively "digital economy". Therefore all rural and urban youths should be promoted that is in our hands to push this glorious India inspired by our PM Mr. Narendra Modi WHO features a bright vision towards the approaching of future India. Massive success and it'll

facilitate to achieve dream of "DIGITAL INDIA"

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