

## FINANCIAL INCLUSION AND DIGITAL INDIA

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### ABSTRACT

The paper throws light on the relationship between financial inclusion and digital India. Financial inclusion is delivering the banking services to the weaker and low income section of society so that more and more people can utilize the banking service. Digital India is an initiative taken by Indian government to provide government services electronically to all the citizens. The paper studies the effect of digital India initiative on the concept of financial inclusion. The digital India initiative can easily connect the different groups of society and can help to achieve the objective of financial inclusion through digital banking. The data is taken from the different secondary sources i.e. published reports of SBI and RBI, websites, journals and newspapers.

**KEY WORDS:** Inclusion, digitalization, RBI, commissions, government

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### INTRODUCTION

Financial inclusion is the objective of Indian government from decades of time. Firstly the word was used in 1993 but the work starts in 1998 on financial inclusion. Financial inclusion means connecting all the sections of society to the banking system. A banking system can be balanced developed if all the citizens use the banking system. So for the growth of the economy it is must that there should be a developed banking system. Reserve bank of India and government of India take several measures to make this system strong. RBI set up several commissions to look into the financial inclusion. Commissions gave recommendations and financial inclusion is on progress stage. But The initiative taken by the prime minister as 'Digital India' is a very big turn in the way of financial inclusion. With this initiative it will be very easy to connect all the citizens to banks.

Payment systems will become very easy for the customers. Thus Digital India initiatives will increase the growth rate in financial inclusion.

## LITERATURE REVIEW

**Kumar (2007)** examined that the financial inclusion is not a onetime effort, it is an ongoing process. Collective efforts are required from all sides i.e. from stakeholders, society, law makers, financial institutions, government, community etc. he studied the role of commercial banks in India in financial inclusion. In financial inclusion technology is also an important factor. He discussed that the impact of technological aspect cannot be ignored in financial inclusion. **Jani and Tere (2015)**, has studied the different services and governance on demand by the citizens of India. They also discussed the infrastructured required to every citizen to avail the services provided under digital India. They also discussed the new definition of IT that IT (Indian talent) + IT (information technology) =IT (India tomorrow). **Sharma and Kukreja (2013)**, examined the survey report given by World bank and compared the India's financial inclusion with the rest of world. According to the comparison India has to go long way to reach the core poor. The country wise comparison of banking sector was also in their study. **Tamilarasu (2014)** examined the role of banking sector in financial inclusion development in India. He examined that with the passage of time the population of officers per office is decreasing. He also studied the number of commercial banks in India in the years between (2008- 2013), and the number of banks showed an increasing trend. **Morgan (2014)** has examined the relationship between financial stability and financial inclusion to examine whether they are mutually reinforcing or whether there are substantially trade-offs between them. Diversification of bank assets, reducing riskiness, increased stability are positive points and erosion of credit standards, bank reputation risk, inadequate regulation of MFI's are the negative point according to his study.

## **OBJECTIVES OF STUDY**

1. To study the concept of financial inclusion and digital India.
2. To examine the impact of digital India initiative on financial inclusion.

## **RESEARCH METHODOLOGY**

Secondary data has been used for the purpose of the present study. The data is taken from journals and research papers, newspapers articles, websites and published reports.

## **FINANCIAL INCLUSION?**

Financial inclusion is delivery of banking services to low income group of society at affordable cost. Financial inclusion is a key to achieving the goal of removing extreme gap between the banking habits of weaker section and rich section of society.

The Reserve Bank of India broadly defines financial inclusion as providing access to a ‘wide range of financial services at a reasonable cost’. This provision of access to banking services to nearly 47 per cent of the reportedly unbanked population in India has the potential to unfold huge growth opportunities for financial services players.

The objective to include all the groups of society to banking services is started the name under *Financial Inclusion* word firstly was used in 1993 but this idea grew in 1998. The development of banking sector in real sense was started in 1969 with the nationalization of 14 major banks. This action gave a real reform in Indian banking system. After this, in 1980, 6 more banks were nationalized. In 1982, NABARD (National bank for agriculture and rural development) was established to fulfill the financial needs of agriculturists and to develop the rural areas. Annual agriculture plans were also started along with the NABARD. These initiatives were mainly to connect the society to the banking sector.

## **DIFFERENT COMMISSIONS ON FINANCIAL INCLUSION**

### **Khan commission**

In 2004 RBI set up Khan commission to look into financial inclusion. This commission urged banks to review their policies and practices to align them with the objective of financial inclusion. In this, RBI stressed on the need for 'no frills account' either by nil or minimum charges.

### **Nachiket MOR Committee**

Nachiket MOR committee was set up by RBI in Sep 2014 under the chairmanship of Nachiket MOR, an RBI board member. This commission recommended a universal bank account to all the Indian people above the age of 18 years by 1<sup>st</sup> Jan, 2016. This committee also recommended that wholesale banks need to have 50 crore as their capital which is the tenth of the capitals required to have for new banks to start a business. Aadhaar will be the main driver towards the rapid expansion in the number of bank accounts.

### **Deepak Mohanti Committee**

The central bank RBI constituted a new committee 'Deepak Mohanti committee on 15<sup>th</sup> July, 2015. The main objective of the committee was set up that the committee will study the financial inclusion strategies of other countries mainly related to the technology used in financial inclusion. The objectives were also fixed in relation to the protection of consumers and consumer literacy regarding banking habits.

**The objectives of this committee included the digitalization of banking services.**

## **DIGITAL INDIA?**

Digital India is an initiative taken by the Indian Prime Minister Shri Narendra Modi on 1<sup>st</sup> July, 2015 to ensure that the governmental services are made available electronically to the citizens. The concept of digital banking under digital India will be very helpful in financial inclusion.

### **As an initiative for financial inclusion**

The concept which is main on the agenda of government from decades is financial inclusion. The initiative has great impact on financial inclusion. It made easy the path of financial inclusion. By using the electronic means government can now easily reach the unbanked people of India. So, the main motive of this initiative is to provide infrastructure and electronic services on demand. This initiative will surely increase the speed of financial inclusion.

### **THE IMPACT OF DIGITAL INDIA ON FINANCIAL INCLUSION**

1. To provide internet connectivity, better access to government services, development of IT skills, government will invest USD 18.4 billion.
2. Setting up of a pan India fiber-optic network by June 2016
3. Provision of Wi-Fi services in cities where the population is more than one million and also in tourist centers.
4. Provision of broadband internet access at a cost of USD 5.9 billion to 250000 village cluster by 2019
5. Digital lockers will be provided to all the citizens, so that they can store their documents and records.
6. Setting up of 40000 internet access points.
7. Creation of direct jobs in IT sector for 1.7 crore people.

These are the initiatives taken under digital India for development of IT sector. With the development of IT sector the objective of financial inclusion can easily be fulfilled.

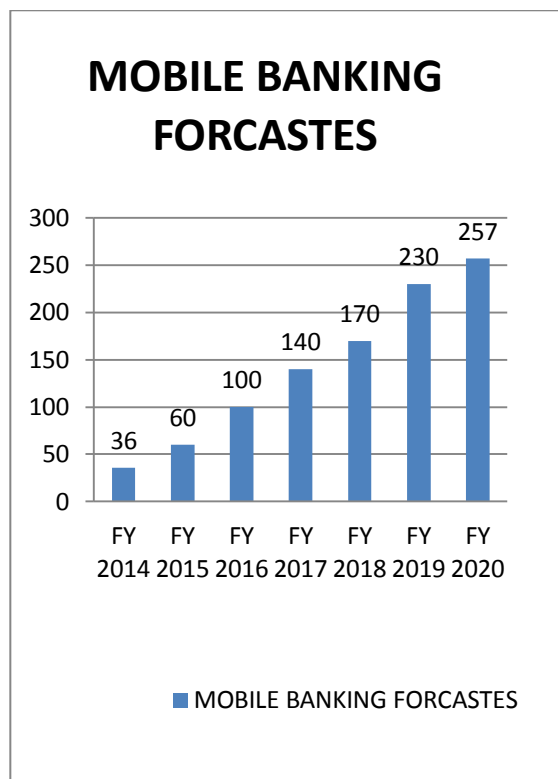
### **MOBILE BANKING FORCASTS**

Mobile banking will increase the growth of financial inclusion. The progress in mobile banking is shown in the following Table

YEARS	MOBILE BANKING FORCASTES (in million) )
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FY 2014	36
FY 2015	60
FY 2016	100
FY 2017	140
FY 2018	170
FY 2019	230
FY 2020	257

The table shows increase in mobile banking users (in million) in India by 2020. In financial year 2014 only 36 million used mobile banking but till 2020, 257 million people will use mobile banking. The increase in use of mobile banking will accomplish the goal of financial inclusion.



## CONCLUSION

It is very much clear from the above information that digitalization of financial services will increase the growth rate of financial inclusion. Financial inclusion is not a onetime effort. It will take time to connect every citizen to the banking system but now it seems easy to reach to the people by the electronic modes. With the digital India initiative every person would like to make payments through electronic means. Use of electronic means will increase the banking habits of the low income section of the society. The zero or minimum charge of banking services will also lead to the banking habits. To conclude it can be said that digital India will make easy way to fulfill the objective of financial inclusion.

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