

## **“Technology Based Initiatives by Indian Commercial Banks towards Financial Inclusion”**

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Financial inclusion is the delivery of basic financial services at an affordable cost to the vast sections of the disadvantaged and low income groups. It is the “*process of ensuring access to financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost*”.<sup>1</sup> It is the provision of affordable financial services, viz., access to payments and remittance facilities, savings, loans and insurance services by the formal financial system to those who tend to be excluded.<sup>2</sup>

A bank is a financial institution that serves as a financial intermediary. A commercial bank accepts deposits and pools those funds to provide credit, either directly by lending, or indirectly by investing these funds through the capital market. Capital Market is defined as a market in which money is provided for period longer than a year.

The main functions of the commercial bank include transfer of funds, acceptance of deposits and offering those deposits as loans for the establishment of industries, purchase of houses, equipments, capital investment purposes, tax collection and refunds, payment of pensions etc.

Commercial Banks in India are broadly categorized into

- Scheduled Commercial Banks
- Non-scheduled Commercial Banks.

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<sup>1</sup> Speech by Dr. C. Rangarajan, Chairman, (2008). “Committee on Financial Inclusion”, <[www.nabard.org](http://www.nabard.org)> accessed on 15.6.2010

<sup>2</sup> Aggarwal R, (2007). "100% Financial Inclusion: A challenging task ahead", Conference on global competition & competitiveness of Indian Corporate.

The Scheduled Commercial Banks have been listed under the Second Schedule of the Reserve Bank of India Act, 1934. A Non-scheduled Commercial Bank is a bank which is not a scheduled bank.

In India, the focus of financial inclusion is confined to ensuring a bare minimum access of saving bank account without frills, but it should be viewed in a much wider perspective. The financial inclusion efforts should offer access to a range of financial services including savings, the short and long term credit, insurance, pension, money transfer etc. and all this at a reasonable cost. Commercial banks can step in to augment financial inclusion in two ways<sup>3</sup>:

1. *Providing banking and other related services*: these include basic bank account, low cost bill payment system, technology driven products, bio-metric ATMs, prepaid cards, internet kiosks, insurance products, retail loans through self help groups, and micro-finance institutions.
2. *Providing non-banking services and support*: these services include-
  - i. Supporting social and philanthropic activities such as education programmes for under-privileged, environmental projects related to water harvesting, afforestation, pollution control etc.
  - ii. Supporting projects which provide sustained employment to vulnerable and disadvantaged groups and upliftment of the weaker section of the society.
  - iii. Supporting organizations which provide high quality service for most disadvantaged groups and individuals in rural communities by providing small infrastructure projects and IT enabled services.
  - iv. Supporting the services which may help in solving the problems of financial exclusion post offices, welfare rights and legal advice services etc.

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<sup>3</sup> Ramkumar V, (2007). "Financial Inclusion and Financial Literacy:SBI Initiatives", Cab Calling, July-September. [www.cab.org.in](http://www.cab.org.in), accessed on 27.06.2011

The key purpose of financial inclusion is to bring the excluded masses into the mainstream of the country's financial system, so as to provide due benefits to the investors and get their savings into the system. Access to financial products is constrained by several factors which include: lack of awareness about the financial products, unaffordable products, high transaction costs, and products which are not convenient, inflexible, not customized and of low quality.<sup>4</sup> Banks being regulated by the government regulations and controlled by the Central Bank of the country have to keep caution and their uttermost priority is the security of the deposits placed by the depositors, whereas money with the local agent is always at the risk of not only losing the interest but even the capital. Moreover, the interest rates on credits provided by banks are comparatively low and planned.<sup>5</sup> Financial exclusion is the lack of access by certain consumers to appropriate, low cost, fair and safe financial products and services from mainstream providers. This exclusion predominantly covers poor, underprivileged, uneducated section of the society and more prevalent in rural areas and leads to financial exploitation.<sup>6</sup>

### **Various Initiatives taken so far for financial inclusion**

Financial inclusion by introducing electronic payment system is one of the solutions to reach the masses.<sup>7</sup> The use of information technology (IT) offers a lot of promise in providing financial literacy, education and experience in several parts of the country through the use of kiosks, mobile vans, etc. It has shown to what extent IT can be leveraged to provide information on various financial products and services and markets for the products.<sup>8</sup> The advancement of communication and computer technology and the availability of the Internet have made it possible that a common man can do most banking transactions from a remote location even without stepping into a physical financial structure - i.e. the emergence of e-banking.<sup>9</sup>

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<sup>4</sup> Chakrabarty K.C, (2009). "Banking – key driver for inclusive growth", address at Mint's Clarity Through Debate series, Chennai, 10 August

<sup>5</sup> Aggarwal G, Saxena S, Kaur S, (2010). "Financial Inclusion: Old Wine in New Bottle", International Journal of Research in Commerce & Management, volume no. 1, issue no. 6.

<sup>6</sup> Approach Paper on "IT-Enabled Financial Inclusion: How to Leverage Technology for Broad-Basing Financial Inclusion Initiative", IBA Sub-Committee on IT - enabled Financial Inclusion, Indian Banks' Association, , < [www.iba.org.in](http://www.iba.org.in)>, Accessed on 15.3.2011.

<sup>7</sup> Sharma P, (2009) "Financial Inclusion by Channelizing Existing Resources in India", Innovative Inclusion, The India Economy Review. pp. 76-82.

<sup>8</sup> Dash R.N., "Financial Inclusion – An Assessment of New Modalities and Alternative Models".

<sup>9</sup> Bruene, Jim (2002). "Online Banking by the Numbers," <[www.onlinebankingreport.com](http://www.onlinebankingreport.com)>

### ***Technology Based Initiatives towards better servicing:***

- **Internet Banking / Online Banking / Net banking:** It is a system that allows individuals to perform banking activities through the internet. It enables customers to perform all routine transactions, such as account transfers, balance inquiries, bill payments, stop-payment requests etc. As an integral part of the e-business, the e-banking has been growing at a rapid pace. It is believed that the e-banking will help banks to cut costs, increase revenue and become more convenient for customers.<sup>10</sup> While larger banks are leading in the e-banking forefront, the same cannot be said about smaller and community banks. This has been attributed to the fact that those smaller community banks were in general lacking in both financial and technological resources in their e-banking efforts.<sup>11</sup> These banks have adopted a business strategy of using the e-banking to target business customers and more wealthy consumers for not only loans but other fee based services.<sup>12</sup> Most small banks were motivated to develop e-banking services for potential future cost savings and gaining a competitive edge in the competition.<sup>13</sup>
- **Mobile banking / M-Banking:** It is a system that allows individuals to perform banking activities through the mobile phone. Mobile banking is not an entirely new channel but a modified version of online banking that fits on a two-inch screen.<sup>14</sup> Mobile banking is currently commonly used for basic banking like balance enquiry and account activity etc. It is also attracting customers to carry out financial transactions like: Last 10 transaction, Notification of ATM withdrawal, Disable/enable the account for payment, Instant money transfer, Issue subordinate card, M-payments (B2C) & Inter-personal (P2P) payments, Card based payments (Mobile debit/credit/pre-paid card), Cash payments (Electronic purses/wallets), Utility bill payments, Credit Card Payment, Mobile Top up, Alerting

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<sup>10</sup> Halperin K, (2001). "The Balancing Act", Company Business and Marketing, < [www.ibam.com](http://www.ibam.com) >

<sup>11</sup> Jiaqin Y, Whitefield M, Bhanot R, (2005). "E-Banking in Rural Area - Recent Trend and Development: A Case Study", Communications of the IIMA, Volume 5 Issue 4

<sup>12</sup> Stamoulis D. S, (2000) "How Banks Fit in an Internet Commerce Business Activities Model." Journal of Internet Banking & Commerce. Vol. 5, No. 1.

<sup>13</sup> Timmons, H. (2000). "Online banks can't go it alone". Business Week Online. July 31

<sup>14</sup> Bruene Jim, **Mobile Banking: Leveraging the third screen**, <[www.onlinebankingreport.com](http://www.onlinebankingreport.com)>

Services (Transaction alerts, reminders, Stock alerts, Offers & marketing promotions), Mobile solutions for personnel servicing business customers e.g. mobile credit approval, mobile insurance assessment, mobile collections etc. , Mutual funds investments, Online share trading.

This is achieved through the introduction of Interbank mobile payment service (IMPS), powered by National Payments Corporation of India (NPCI).<sup>15</sup> The objectives of NPCI are to build robust and state of the art national level retail electronic payment system infrastructure in the country. Mobiles provides a unique opportunity for the financial services institutions to reach customers – much better than internet banking service that necessitates a computer and internet connection. The internet connections are said to be in the region of a few million and active users could be much less. Therefore, given the wide availability of the mobiles and mobile network, the adoption of mobile banking will be more effective. IMPS is a mobile based, bank led payment mechanism, which is a safe, secure, 24\*7, convenient payment mechanism for Indians for domestic transactions.<sup>16</sup>

- **Tele-banking:** It is a system which provides provision of certain banking services such as account balance inquiry, funds transfer, and payment of bills through telephone, information about products and services, information about status of cheque issued or deposited, information about deposit interest rates, information about ATM and branch locations, information / issues on usage of: ATM, internet banking or mobile banking, request for cheque book, request for statement by e-mail or fax, request for duplicate statement, regeneration of ATM pin for debit card, regeneration of internet banking password, blocking of internet banking user ID, etc. Many facilities are provided through the IVR (Interactive Voice Response) System that allows customers to interact with a company's host system via a telephone keypad or by speech recognition, after which they can service their own inquiries by following the IVR dialogue. IVR systems can respond with prerecorded or dynamically generated audio to further direct users on how to proceed.

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<sup>15</sup> Mehta S, (2011). "Mobile Banking: An Emerging Delivery Channel", Journal: The Indian Banker, Indian Banks' Association, Volume VI, no. 5

<sup>16</sup> Mahadevan B, (2011). "Interbank Mobile Payment Service: An Innovative Mechanism", Journal of The Indian Banker, Indian Banks' Association. Volume VI, no. 3.

IVR applications can be used to control almost any function where the interface can be broken down into a series of simple interactions. IVR systems deployed in the network are used to handle large call volumes.

- **ATM:** An automated teller machine is a computerized device that provides the clients of a financial institution with access to financial transactions in a public space without the need for a cashier or a human clerk. The main facilities provided under ATM are round-the-clock (24\*7) cash withdrawals, cash and cheque deposits, balance enquiry & statement of account, a mini statement comprising last few transactions can also be obtained from the ATM.
- **Biometric ATMs:** In biometric technology, the identity of user will be identified by biological phenomena of human body. Biological structures and actions of different body parts of human body ranges from iris of eye, finger print, face recognition to voice recognition can be used in biometric ATMs. ATMs with biometric devices are the latest solution in the ongoing effort to offer banking services to the rural masses. Establishing the identity of a rural depositor through biometrics makes it possible for illiterate or barely literate people to become part of the banking user community. In recent years the importance of biometrics has grown tremendously with an increasing demand of security in accordance of unique identification of individuals. In view of the rapidly increasing applications, the scope of biometrics is also increasing, be it identification via face, voice, retina or iris. Fingerprinting, however, has the advantage of being a familiar concept worldwide. Benefits of biometric supported ATMs are: it provides strong authentication and can be used instead of a PIN, hidden costs of ATM card management like card personalization, delivery, management, re-issuance, PIN generation, help-desk, and re-issuance can be avoided. It is ideal for Indian rural masses and has flexible account access which allows clients to access their accounts at their convenience
- **Mobile ATM:** Mobile ATMs are designed for providing ATM facility to the rural poor as well as to other customers. The Van moves to the pre-determined places and it is also accessible to biometric card holders. Opening of accounts also can be undertaken during

the visits to the rural areas. This can be used at weekly markets effectively.<sup>17</sup> Mobile ATMs are useful at sporting events, trade fairs, social gatherings, etc. where there's a high probability of a large number of transactions.

- **Common Service Centre (Kiosks):** The CSCs is designed as ICT-enabled kiosks having a PC along with basic support equipments like printer, scanner, UPS, with wireless connectivity as the backbone and additional equipment in the form of projection systems, etc. as per the requirement. An IT-enabled CSC<sup>18</sup>:
  - Provides citizen-centric services of the State and Central Government in a convenient and efficient manner through the CSC across rural India.
  - Enhances the accountability, transparency and responsiveness of the Government to citizen's needs,
  - Provides efficient and cost effective methods of service delivery to departments and agencies,
  - Allows private and social sector to collaborate with the Government to offer world-class services in rural India,
  - Trains village level youth to become entrepreneurs with focused training in business and IT management skills,
  - Empowers the rural citizen through information dissemination and market linkages.
  
- **Smart Cards:** A smart card is any pocket-sized card with embedded integrated circuits. The card is made of plastic. Smart cards can provide identification, authentication, data storage and application processing. They can be a very reliable form of personal identification and a tamper-proof, secure information repository. Smart cards come in different flavors with differing operating systems, memory capacities and processing power. It has several uses. It can be used to dial a connection on a mobile telephone and

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<sup>17</sup> Reddy N.S.N, "Financial Inclusion - Role of Information Technology", < [allbankingsolutions.com](http://allbankingsolutions.com) > accessed on 23.6.2011

<sup>18</sup> Bhargava A, (2007). "Extending Banking and Financial Services Through IT-enabled Kiosks: Challenges and Opportunities". Cab Calling, January-March, < [cab.org.in](http://cab.org.in) > accessed on 17.5.2011

be charged on a per-call basis, to establish the identity when logging on to an Internet access provider or to an online bank, to give the personal data to hospitals or doctors without filling out a form, to make small purchases at electronic stores, a kind of cyber cash etc.

### ***Distribution Channel Based Initiatives***

- ***Business Facilitator (BF)***: The Business Facilitator are the intermediaries used by banks. These can be NGOs/ Farmers' Clubs, cooperatives, community based organisations, IT enabled rural outlets of corporate entities, Post Offices, Insurance agents, well functioning Panchayats, Village Knowledge Centres, Agri Clinics/ Agri Business Centers. The services provided by BFs may include:
  - Identification of borrowers and fitment of activities;
  - Collection and preliminary processing of loan applications including verification of primary information/data;
  - Creating awareness about savings and other products and education and advice on managing money and debt counseling;
  - Processing and submission of applications to banks;
  - Promotion and nurturing self help groups/ joint liability groups;
  - Post-sanction monitoring;
  - Monitoring and handholding of self help groups/ joint liability groups/ credit groups/ others;
  - Follow-up for recovery.
  
- ***Business Correspondent (BC)***: NGOs/ MFIs set up under Societies/ Trust Acts, Societies registered under Mutually Aided Cooperative Societies Acts or the Cooperative Societies Acts of States, section 25 companies, registered NBFCs not accepting public deposits and Post Offices may act as Business Correspondents. Banks may conduct thorough due diligence on such entities to examine issues relating to Rural Credit and Micro-Finance. In engaging such intermediaries as Business Correspondents, banks ensure that they are well established, enjoying good reputation and having the confidence



of the local people. Banks give wide publicity in the locality about the intermediary engaged by them as Business Correspondent and take measures to avoid being misrepresented. The services provided by BCs include:

- All activities of Business Facilitator
- Disbursal of small value credit,
- Recovery of principal / collection of interest
- Collection of small value deposits
- Sale of micro insurance/ mutual fund products/ pension products/ other third party products
- Receipt and delivery of small value remittances/ other payment instruments.

The most widely used models for financial inclusion have been *the business correspondent based model and non-business correspondent based model*. The business correspondent (BC) model allows the bank to use third party financial institutions to handle account opening, transaction management, and other financial services. In the non-business correspondent model the business correspondent is excluded from the system and the customer himself is provided with a mobile device.<sup>19</sup> The Unique Identification Number (UID), which identifies individuals uniquely on the basis of their demographic information and biometrics, gives individuals the means to clearly establish their identity to public and private agencies across the country.<sup>20</sup> One of the key objectives of constituting UIDAI is to extend the delivery of services to the currently excluded, and is actively looking to facilitate the delivery of financial services. This can greatly ease the account opening process with no need for physical documentation as online authentication from UIDAI can prove sufficient. This would not only reduce the customer acquisition cost but also ease out the process, while still ensuring strict check on customer's identity due the biometric authentication done through UIDAI.<sup>21</sup> With Aadhaar (brand name associated with UID), combined with mobile phones, financial

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<sup>19</sup> Kumar A, Gupta H, (2009). "*Branchless Banking & Financial Inclusion*", < [www.siliconindia.com](http://www.siliconindia.com)>

<sup>20</sup> UIDAI Strategy Review (2010). "*Creating A Unique Identity Number For Every Resident In India*", UIDAI, Planning Commission, Govt. of India.

<sup>21</sup> Discussion Paper on Aadhaar Based Financial Inclusion, (2010), <[www.uidai.gov.in](http://www.uidai.gov.in)> accessed on 3.6.2011

inclusion can happen faster. Most frequently financial transactions will be supported by Aadhaar enabled micro-ATM. These interoperable ATM standards that NPCI has drawn up and planning to implement for banks would eventually also have an option to make remittance to customers having mobile number and Mobile Money Identifier (MMID).<sup>22</sup>

**The Role of Post Offices:** In many developing countries, postal networks offer several basic financial services, such as money transfers and savings accounts. In India, postal networks have widespread coverage even in rural areas which the formal financial sector usually does not directly reach. There are almost twice as many post offices and postal agencies as commercial bank branches.<sup>23</sup> The only way to include the excluded masses into the banking stream is to reach them at their place of residence or work i.e. by providing doorstep banking through cost effective technology driven model. Business Correspondents/ Business Facilitator with the use of Technology will provide the desired result. BCs & BFs need to be involved as they are not only operating in a similar domain, but they also have high acceptability and respectability in the area.<sup>24</sup> Post Offices have a physical presence in every nook and corner of the country. So the department of post, with its presence and skilled employees, can become the agent of change to bring about financial inclusion.<sup>25</sup> The existing Indian Post Offices are strategically perfect source available to promote inclusive financial growth.<sup>26</sup> Postal Network has three complementary dimensions: Physical locations, Electronic Network, Financial Services.<sup>27</sup> Although financial services are offered through the postal network, postal financial services are not necessarily provided by the post office. In some cases, the postal bank and the post office are one legal entity; in others, the postal bank is a separate legal entity which may be either publicly or privately owned. In the latter case,

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<sup>22</sup> Mahadevan B, (2011). "Interbank Mobile Payment Service: An Innovative Mechanism", Journal of Indian Banker, Indian Banks' Association, volume VI, no. 3

<sup>23</sup> Porteous D, Huynh Isabelle, (2006). "Postal Financial Services And Financial Inclusion", Access Finance, The World Bank Group.

<sup>24</sup> Approach Paper on "IT-Enabled Financial Inclusion: How to Leverage Technology for Broad-Basing Financial Inclusion Initiative", IBA Sub-Committee on IT - enabled Financial Inclusion, Indian Banks' Association, < [www.iba.org.in](http://www.iba.org.in)>, Accessed on 15.3.2011

<sup>25</sup> Pilot S, (2011). *Postal Department Can Help Bring About Financial Inclusion*, MENAFN- Mc Clathy - Tribune Information Services, < [www.livemint.com](http://www.livemint.com)>, accessed on 15.5.2011

<sup>26</sup> Sharma P, (2009). "Financial Inclusion by Channelizing Existing Resources in India", Innovative Inclusion, The India Economy Review.

<sup>27</sup> Clotteau N, Anson J, (2011). "Role of Post Offices in Remittances and Financial Inclusion", Migration and Development Brief, Migration and Remittances Unit, World Bank.

the postal network distributes the financial products of the bank on an agency basis, which may be exclusive or non-exclusive. While deposit taking is normally regulated by the central bank or a national financial regulator, postal deposit-taking functions are sometimes regulated by the postal ministry and/or the ministry of finance and therefore not subject to standard banking requirements.<sup>28</sup>

### ***Initiatives for Financial Education:***

- ***Project Financial Literacy:*** The Reserve Bank of India has initiated a "Project Financial Literacy" with the objective of disseminating information regarding the central bank and general banking concepts to various target groups, including, school and college going children, women, rural and urban poor, defence personnel and senior citizens. RBI's 'Financial Education' web site link offers basics of banking, finance and central banking for children of all ages. In a comic book format, RBI simplifies the complexities of banking, finance and central banking, with the goal of making the learning fun and interesting.
- ***Financial Literacy and Credit Counseling:*** RBI has advised the banks to set up a financial literacy-cum-counseling centre. These centres are expected to provide free financial education to people in rural and urban areas on the various financial products and services.

In rural areas, customers cannot be expected to come to branches in view of opportunity cost, distance and time. Hence, banks will have to reach out through a variety of technology driven delivery channels such as Micro ATMs, Bio-metric ATMs, Mobile ATMs, Smart Cards, Mobile Banking, Post offices, e-Seva.<sup>29</sup>

The technological advancements that have taken place in communication sector have provided with a lot of viable solutions to help overcome the difficulties. The other side of the coin is vast

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<sup>28</sup> Porteous D, Huynh I, (2006). "*Postal Financial Services And Financial Inclusion*", Access Finance, The World Bank Group.

<sup>29</sup> Reddy NSN, (2010). "*Financial Inclusion: Role of Information Technology*", < allbankingsolutions.com > accessed on 23.6.2011

untapped market in rural areas – a virtual gold mine to be excavated. The need of the hour is to develop a suitable cost effective model to serve the under-privileged and in the process banks also stand to gain by way of newer business opportunities.<sup>30</sup>

There are a number of reasons why Financial Inclusion is not taking place in India. These include coverage, cost of small value transactions, infrastructure, suitable products, flexibility, weak delivery model for community enterprise and financial management support. With the automation of core banking processes and the use of channels such as ATM, IVR based tele-banking and internet banking, the banking industry has become lean and more profitable. Banks, however face a uphill task in reaching out to mass customers in remote locations such as villages, infrastructure cost, operating expenses, security, understanding of customer behaviour and risk associated with it, low and slow return on investment (ROI) inhibit banks from expanding into rural market. The solution to the problem of Financial Inclusion in India is Information Technology (IT). This is also supported by the GOI, by setting up two funds; Financial Inclusion Fund (FIF) for Developmental and Promotional Interventions and the Financial Inclusion Technology Fund (FITF) to meet cost of technology adoption.<sup>31</sup>

With some new regulatory changes, especially in extension banking, the combination of internet kiosk and a local language ATM can revolutionize the landscape of rural banking and financial services. For banks, the CSC (Common Service Centres) scheme represents a huge retail extension opportunity in an organized form to fulfill their goals of financial inclusion in rural India.<sup>32</sup>

It is only with the help of ICT that financial inclusion can be completely achieved in an economy with a localized perspective at reduced costs and with greater accessibility. This can only be achieved by an earnest technology inclusion which can be achieved through branchless banking which is the concept of providing banking services outside the conventional

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<sup>30</sup> *Approach Paper on "IT-Enabled Financial Inclusion: How to Leverage Technology for Broad-Basing Financial Inclusion Initiative"*, IBA Sub-Committee on IT - enabled Financial Inclusion, Indian Banks' Association, Accessed on 15.3.2011, < [www.iba.org.in](http://www.iba.org.in) >

<sup>31</sup> Tyagi R, Subramanian J, Chattopadhyay T, (2008). "IT Led Financial Inclusion in India", <[www. Egovonline.net](http://www.Egovonline.net)> accessed on 24.9.2010

<sup>32</sup> Alok B, (2007). "Extending Banking and Financial Services Through IT-enabled Kiosks: Challenges and Opportunities". Cab Calling, January-March, < [cab.org.in](http://cab.org.in) > accessed on 17.5.2011

bank branches by either using information and communication technology services or third party organizations (commonly referred to as 'Business Correspondents').<sup>33</sup>

Three major factors hampering rural credit delivery are: knowledge-gap (ignorance), attitude gap and the lack of adequate processes. All three impediments seem amenable to be addressed by the use of ICT. The solution proposes common infrastructure for the rural data collection and information management and processing and the sharing of the delivery channel by the banks with a view to substantially reducing the transaction costs and improving the speed and quality of delivery. The elements involved in the proposed solution are the establishment of a data hub for every village and ensuring its two way connectivity to a multi service delivery machine that provides banking, extension and other government services.<sup>34</sup>

The solution for financial inclusion lies in channelizing existing resources and building up a platform for public-private partnerships using technology. There are three important constituents for inclusive growth i.e. infrastructure, advanced technology, and user's network which are mandatory for providing easy, safe and affordable financial services.<sup>35</sup>

In urban areas customer service is of paramount importance as the level of literacy is high and therefore awareness of the people is more. Also technology based marketing would have higher degree of success due to typical urban life style of the people. Banks need to offer innovative tailor made deposits and advances products to suit individual customers.<sup>36</sup> Financial Inclusion is a key determinant of sustainable and inclusive growth. Access to affordable financial services - especially credit and insurance - enlarges livelihood opportunities and empowers the poor to take charge of their lives. It is critical to connect the banked and the unbanked sectors and enable the unbanked to become vibrant and productive participants in the process of economic growth. Commercial Banks play an important role in financial inclusion and growth of the country.

## **Conclusion:**

Today, an extensive range of electronic channels are in use in India. But many customers remained cautious and conservative in using these channels. Banks must recognize that

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<sup>33</sup> Kumar A, Gupta H, (2009). "Branchless Banking & Financial Inclusion", < www.siliconindia.com >

<sup>34</sup> Satchidananda S. S., Srinivasa S, (2006). "An ICT Based Framework for Improving Rural Credit Delivery", Centre for Banking and IT, International Institute of Information Technology-Bangalore

<sup>35</sup> Sharma P, (2009). "Financial Inclusion by Channelizing Existing Resources in India", Innovative Inclusion, The India Economy Review.

<sup>36</sup> Trivedi P, "Strategies For Effective Bank Marketing In India", 9th Bi-Annual Conference of EACES

customers have lots of anxiety and apprehensions about using new technology and the delivery channels. These must be addressed and there is a strong need to find the solution for the same through programmes for customer education in the form of seminars, meetings, demonstrations, group interactions, provision of literature, educative and informative e-mails etc. There is a need to build confidence in people for using the new delivery channels.

Regulators and researchers need to expand their focus from banking the unbanked to financial inclusion, which potentially means looking at access to payment services rather than to bank accounts. Numerous scenarios exist, which lead to the conclusion that the unbanked want access to real value-adding services as opposed to banking. This situation exists in many countries, particularly when one considers that in order to have access to financial services such as life insurance, medical insurance, pension fund and life policies, a bank account is often required. This means that by default, the unbanked do not have access to these services, even though they may desire them. This presents a great need for a shift focus from 'banking the unbanked' to 'financial inclusion'. The commercial banks has shown tremendous growth in volume and complexity during the last few decades. Despite making significant improvements in all the areas relating to financial viability, profitability and competitiveness, there are concerns that banks have not been able to include vast segment of the population, especially the underprivileged sections of the society, into the fold of basic banking services. Banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both as business opportunity as well as a corporate social responsibility. They have to make use of all available resources including technology and expertise available with them as well as the MFIs and NGOs.

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3. *Approach Paper on "IT-Enabled Financial Inclusion: How to Leverage Technology for Broad-Basing Financial Inclusion Initiative"*, IBA Sub-Committee on IT - enabled Financial Inclusion, Indian Banks' Association, < [www.iba.org.in](http://www.iba.org.in)>, Accessed on 15.3.2011.
4. Sharma P, (2009) "*Financial Inclusion by Channelizing Existing Resources in India*", Innovative Inclusion, The India Economy Review. pp. 76-82.
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