



## Outreach and Efficiency of Inclusive Banking Through Technology in Tamil Nadu

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### ABSTRACT

*Financial inclusion is one of the means for overall economic development of a country. The growth of the retail banking industry fosters financial inclusion by providing financial products and services to people in the rural areas of the country. The nationalization of prominent commercial banks has improved the banker customer relationship. The measures taken by the Reserve Bank of India and other regulatory bodies have strengthened the banking industry and have raised the level of confidence in the minds of the public about the banking sector. The banking history has undergone tremendous changes in the last few decades*

**KEYWORDS :** Banking Industry, Financial Inclusion, Customer Relationship, Inclusive Banking, Banking Technology

### INTRODUCTION

Banking is one of the unavoidable segments of socio-economic development of the country, which leads to increase in employment opportunities, industrial growth, and infrastructural development, human resource up gradation, poverty eradication, capital formulation, and speedy delivery of capital flow. Banking industry in India is well organized and regulated by various autonomous & statutory bodies such as RBI, banking Companies Regulation Act, FEMA, and Negotiable Instruments Act etc. Computerization in banking sector has taken serious steps towards rural and unreached population in the country. Presently there are 101261 branches with more than one lakh ATMs across the country. However, it could cover only 65 per cent of the People and remaining 35 per cent of the people are far away from banking facilities offered. In this situation, RBI has introduced financial inclusion in 2006 with the massive effects on providing financial services at an affordable cost with the help of information technology. With this view, this article would provide an opportunity to understand the issues and challenges of inclusive banking in India.

### REVIEW OF LITERATURE

The following reviews help to understand the issues associated with the problems, and also help to bridge the research gap from the earlier studies.

**Atul Raman (2012)** in his study found out that around 45% of population in India suffers from poverty and hunger 31% has access for banking services. In India 403 million population are mobile users in which 46% of them do not have bank account. On all India basis 41% of adult population in the country are unbanked where as rural area coverage in 39% against 60% in urban areas.

**Krishnakumar.R and Vijayakumar.L (2013)**, jointly reported a study on the financial inclusion program in selected bank inclusion. The study's main objectives of the research were to identify the approaches adopted by different banks and the customer response towards the banking approaches under financial inclusion program. The study concluded that though the banks are complying with RBI norms in terms of opening branches within areas of at least 2000 population, offering no frills account, Kisan credit card still a lot of efforts are to be put in for financial inclusion progress.

**Shobna Vasudevan and Aparna Ghaisas (2011)** jointly attempted a study on the importance of basic banking facilities in economic growth of a country. The study refers to connectivity to banking services as a major factor impacting sustainable and inclusive growth. Similarly, banks should concentrate on financial literacy campaigns so that people will be aware of the banking service made available to them and how and why they should take fuller utilization of the same.

**Ashima thapar (2013)** found out the steps taken and different approaches adopted by the banks in the area of financial inclusion. As per this study, more than 50% of the bank branches have started im-

plementing the program in areas with a population of at least 2000 i.e. rural areas. The study concludes that though the banks are complying with RBI norms in terms of opening branches within areas of at least 2000-Population, offering, no frills accounts, Kisan credit card, simplifying KYC norms, still a lot of efforts need to be put in for financial inclusion progress.

**Paramasivan.C and Ganeshkumar.V (2013)** jointly discussed in the study, financial inclusion for the purpose of opening account in Pondicherry. It concludes that rural branches of the banks may be equipped with motivated and trained staff having some marketing skill and knowledge on appraisal of small loan after opening "no frills" account, and proper measures may be made to organize them into groups for uncalculating the habit of thrift which will ultimately enable them to avail credit facilities.

**Shabna Mol TP (2014)** in the study investigated the financial inclusion in India to promote sustainable development in rural areas. The study analyzed the level of awareness about financial inclusion forces and examined the extent of financial inclusions among below poverty line households in terms of access and continuous usage of bank account. This work concludes that most of the BPL households are included in the financial inclusion system in terms of access of bank account.

**Prema Sharma Bamoriya and Preeti Singh (2012)** suggested that from customer's perspective, mobile hand set operability, security, privacy and standardization of services are the major challenges of mobile banking in India.

**Himani Sharma (2013)** in the study on bankers' perspective on e-banking, opined that, there is not much awareness among Indian customers regarding use of e-banking services.

**Sahil Mahajan (2014)**, concludes that mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion while formal financial institutions must gain the trust and goodwill of the poor through developing strong linkages with community-based financial ventures and cooperative.

**Alphina Jos, Denny George et al (2010)**, noted that, Opening a No Frills Account only to receive government benefits is not the gateway into the financial system that RBI intended. Our interviews indicate that for many poorer customers, NFAs are merely an imposed - and not universally convenient - means for withdrawing wages earned through NREGA or for benefits in other government programmes.

### PROBLEMS IDENTIFIED

The primary reasons for poor financial inclusion in India are economic in nature. Both saving and borrowing are low and the geographical spread of the rural customer makes it uneconomical for banks to set

up branches close to them to serve them profitably. As a result, the majority of bank branches in India are concentrated in urban areas and large towns and last mile access remains a hurdle in regular use of banking services. Most of the banks have begun to take an innovative approach towards banking with objective of creating more value for the banks. Some of the significant changes in the banking sectors are; telephone banking, internet, online banking, mobile banking, ATM provisions and credit card facilitating cash transactions by the customer using the unique personal identification number. The technological innovations pave way to the banker for the inclusion of rural customers

Technology is the only instrument, which helps to reach the banking services to unbanked people, and it simplifies the procedure involved in banking transaction. Technology in banking not only promotes the speedy, accurate, transparency, safety of the banking transaction but also facilitates the awareness on importance and impact of banking services. Indian banking industry, today is in the midst of an IT revolution. A combination of regulatory and competitive reasons has led to increasing the importance of total banking automation in the Indian Banking Industry. The bank, which used the right technology to supply timely information, will see productivity increase and thereby gain a competitive edge. To compete in an economy, which is opening up, it is imperative for the Indian Banks to observe the latest technology and modify it to suit their environment. Information technology offers a chance for banks to build new systems that address a wide range of customer needs including many that may not be imaginable today. RBI has taken serious steps towards the inclusive banking through technology in the following ways such as Opening of no-frills accounts, Relaxation on know-your-customer (KYC) norms, Engaging business correspondents (BCs), Adoption of EBT, General credit cards, Simplified branch authorization and Opening of branches in unbanked rural centers. However, the banking services have not reached the unreached people in the country though the governments have taken serious steps to provide bank accounts to all the people in the country. To provide banking services to the unreached, the Prime Minister launched the National Mission on Financial Inclusion a named as Pradhan Mantra Jan Dhan Yojana (PMJDY) in the national capital on August 28, 2014. In this regard, there is a need to measure the outreach and efficiency of the inclusive banking through technology in Tamil Nadu.

### SOCIAL RELEVANCE AND USEFULNESS

Inclusive banking is a part of financial inclusion, which is the need of hour. To meet this urgent need, the Prime Minister Shri Narendra Modi launched the Pradhan Mantri Jan Dhan Yojana (PMJDY), which is a major initiative to link the hitherto excluded poor with the banks with the aim of bringing them into the economic mainstream. Financial inclusion is being achieved under the new scheme with a mission mode.

Launching the scheme the Prime Minister said that not even 68 per cent of the populations have bank accounts, 68 years after independence. He said that if 40 per cent of Indians are not part of the economy, how we could be successful in eradicating poverty. Out of 19.9 crore households in India, only 6.82 crore households have access to banking services. In rural India out of 13.83 crore rural households, only 4.16 crore rural households have access to basic banking services. In this regard, the proposed research study would be greatly useful to understand the impact of the technology in inclusive banking with reference to unreached rural people in Tamil Nadu.

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