

Chapter 11

Digital Financial Inclusion in India: A Review

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ABSTRACT

Financial inclusion is a multidimensional approach. With technology intervention in financial inclusion, electronic banking activity in rural India leads to increased use of financial services and better living standards. In the rising market, many people using mobile phones still are not able to access banking products and financial services. This indicates a huge untouched market for commercial banks. In India, mobile banking services are still in the early stages of development. Thus, the main objective of the chapter is to understand the factors that would act as drivers towards the adoption of mobile financial services and understand people's intention to adopt and use of mobile banking services which lead to increases accessibility towards financial products among rural people as well improve standards of living and overall development of the nation. The study focuses on utilizing secondary sources which is related to financial inclusion to understand the new banking technology and identifies people's behavior towards adoption and uses of banking services.

INTRODUCTION

India has the second largest unbanked population in the world with more than half of its population considered as financially excluded or underserved (World Bank, 2017). Indian culture is low risk taking culture, so banks are very important financial institution which protects the cash related risk of the general public. Technological advancement helped banking organization in replacement of physical cash into cost effective and less risky flexible payment system. Emerging and fast growing innovations in banks and financial institution have changed the whole process of banking industries. Digital financial

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service is the backbone of economic development of any country. Mobile banking and mobile money are some new emerging concept which changes mass services into customized services. By this digital financial inclusion come into existence which promotes efficient interconnection among participants in economic activities. Digital financial inclusion is considered a success when a poor, and thus far unbanked, customer starts transacting digitally with his/her family and friends, formal banking and financial institutions and utility companies, and receives government to-person (G2P) payments directly into his/her bank account. In the current scenario globally, around 1.7 billion adults remain unbanked (Global Findex Database, 2017) i.e. without an account of any financial institution and banks or through any mobile banking and mobile money provider. As we seen in figure1, China has the world’s largest unbanked population, followed by India (190 million), Pakistan (100 million), and Indonesia (95 million). Apart, these four countries, Nigeria, Mexico, and Bangladesh has also unbanked population but ratio is less as compare to China, India, Pakistan and Indonesia (Global Findex Database, 2017). In the line, figure 2 reflect that 56% women and 44% men adult has unbanked population by gender, mostly per cent of women not having an account (Global Findex Database, 2017).

Figure 1. Adults without an account by economy in % (2017)

Source: Global Findex Database, 2017

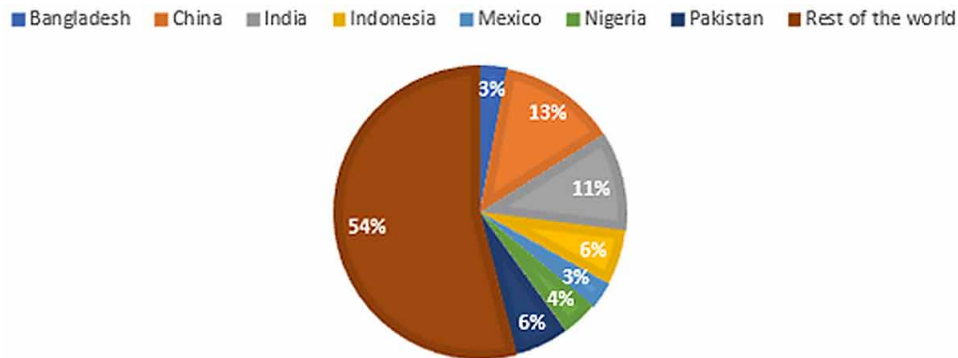


Figure 2. Adult without an account by gender in % (2017)

Source: Global Findex Database, 2017



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