

Chapter 12

Digital Inclusion as a Tool to Rejuvenate the Rural Banking Sector in Tripura, India: A Descriptive Analysis

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ABSTRACT

Digital inclusion in banking services was drafted to provide fast and uninterrupted services to a broad pool of customers with an aim to extend financial services to unprivileged groups. Competitive edge associated made it a vibrant policy for bankers across the state with varying degrees of application to suit the customer needs. The present study explores the extent of digital banking interface help improve the status of rural banking in Tripura on the basis of secondary data. Taking cue from four CRISIL Inclusix in view (i.e., branch penetration, deposit penetration, credit penetration, insurance penetration), results are indicative of Tripura's progress in rural front becoming one of the best performing state among NESs. The study again specifies that proper policy measures, vis-a-vis its implementation could place the state amongst top five digitally inclusive states in India and also promote much desired cashless economy and transparency among others.

I. INTRODUCTION

Digital financial inclusion or digital inclusion provides unbanked/under banked people to avail financial services to their needs and requirements, allow disadvantaged to withstand financial shocks (Peric, 2015) than ever before. It allows low income earners, poor, women and those underprivileged to join the bandwagon of financial market (Mhlanga, 2020) that otherwise overlooked. Digital inclusion, therefore, “involves cost saving digital means to reach financially excluded with a range of formal financial services suited to their needs” (WB: 2014). In other words, digital financial services has been a cost effective

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mechanism to usher in speed, security and transparency of transactions suitably tailored to suit financial needs of disadvantaged groups through well designed policy measures.

The advent of 'Digital India initiative' brought about paradigm operational shift from the traditional offerings to technology based banking services across India; North Eastern Region (NER) is no exception. It primarily makes provision for broadband highways to cover 250,000 villages in rural areas, universal access to mobile connectivity in terms of network penetration and coverage, public internet access program for all villages, e-education, electronic delivery of services etc.(GoI, 2015) with a view to bring about digital empowerment of citizens. Extending financial services to downtrodden, who otherwise opt out of normal banking services for want of financial solvency, at cheaper rates to usher in an era of cashless economy across the country. Such a practice of promoting digitalized financial transactions primarily perceived as a tool to reduce operational cost in the one hand and also to promote financial accountability on the other. In doing so, new technology has evolved and is still evolving to provide a well pronged network of financial services at affordable cost. This has given rise to the concept of digital inclusion, a recent catchword, which challenged conventional concept of banking, a systematic approach towards digitalization of all banking transactions for providing low cost services to the disadvantaged, who otherwise kept outside the purview of costly financial services.

Again, success of such a program calls for well-connected Information and Communication Technology (ICT) network across the nation coupled with consumers 'access to smart phone, a basic necessity to promote digital inclusion. In doing so, cyber security of the Information Technology (IT) system of banking sector came up for scanner as the role of chief information security officer assumes greater significance than ever before. Nonetheless, digitalization of banking transactions is considered as first step to create ripe environment for digital inclusion program pursued by the Government of India.

Digital inclusion encapsulates a well-connected network aimed at reducing cost per transactions. It converges online banking services, telecom networks and smart phone service providers, post offices to inter-connective web network so as to provide best possible services. In short, it is built on the premise that improved mobile phone penetration to locales adjunct with feasible ATM access and other online banking facilities will reduce operational costs which will offer better and fast service to the customers in unbanked locations as well. Building upon these premises, greater use of electronic medium and mobile penetration would further support the realization of a number of government objectives, including the vision set out in India's Twelfth Five Year Plan (2012-2017) and the digital India program followed. Accordingly, schematics of digital banking are framed along the similar lines depicted in the figure below.

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