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## DIGITAL BANKING TECH AND FINANCIAL INCLUSION: A STUDY ON WORKERS OF UNORGANISED SECTOR

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### **ABSTRACT**

*Poverty reduction is one of the greatest challenges for all the developing countries. In general, the workers of unorganized sector have the lowest level of access to bank accounts. The access to finance by the poor and vulnerable group is a tool for poverty reduction and social cohesion. Financial inclusion is one of the major driving forces to achieve self-sustained inclusive economic growth. Tech like digital banking and financial inclusion are the popular coinage in banking parleys in the country. Tech has a critical role to play in reducing transaction and operation cost component for the banks in providing financial services to its poorest customers. Reduction of these costs shall lead to a reduction in lending costs, which would definitely help in improving the viability of rural businesses. The present study investigates the awareness and accessibility level of the Digital Banking Tech and their usage for the workers of unorganized sector that cover 93 per cent of employment in India. It also analyses the problem faced by the workers of unorganized sector while accessing the Digital Banking Technologies.*

**Keywords: Digital Banking Tech, Financial Inclusion, Unorganized Sector.**

### **INTRODUCTION:**

Financial inclusion is a major agenda of the Reserve Bank of India (RBI). Without financial inclusion, banks cannot reach the un-banked. It is also a major step towards increasing savings and achieving balanced growth. Since most of the financial services are coordinated through banks, financial inclusion can be estimated by banking inclusion. Without an inclusive financial system, poor individuals and small enterprises have to rely on their limited savings and earnings to invest education and entrepreneurship to take advantages of growth opportunities (World Bank, 2008) In UK three major dimensions of financial inclusion are followed, that include access to banking, access to affordable credit and access to face-to-face money advice. All three dimensions with digital Tech are also important for India.

Along with this, a significant part of bank credit should be directed towards priority sectors such as agriculture and economically backward sections of the country.

**DIGITAL BANKING TECH AND FINANCIAL INCLUSION:**

In the Digital world, 'Tech' is the key for financial inclusion. Technological innovation has not only enabled a broader reach for various products and services of financial sector, but also has played an important role in improving the quality and reducing the cost. Thus, Tech is a great enabler for continued inclusive growth. Inclusive growth is possible only when the number of bank account increases in rural belts of the country. Banking for wide range of population is unviable and unmanageable without the help of Tech. The use of Tech such as digital banking is channelized, towards operating and controlling the cost of access to bank account helps a bid to propel financial inclusion in India across rural area. It is a generic term for development of banking services and delivering products through electronic channels, such as ATM (Automated Teller Machines), the telephone, the internet, the mobile phone. The Digital Banking Tech like Automated Teller Machine (ATM), Internet Banking, Mobile Banking, Debit Cards, Credit Cards, Smart Cards and Tele Banking are also increasingly becoming an integral part of the banking services. Information Tech (IT) has also enabled efficient, accurate and timely management of the increased transaction volume that comes with a larger customer base.

**OBJECTIVES OF THE STUDY:**

The objectives of this paper are as follows:

To find out the awareness level of workers of unorganized sector towards digital banking technologies in banking services.

To find out the accessibility level of workers of unorganized sector to the digital banking services in terms of Tech.

To identify the effects of Tech in improving the effectiveness of digital banking services.

To analyse the problems faced by the workers of unorganized sector while accessing the Tech.

## **LITERATURE REVIEW:**

Poverty Reduction has become the object of unprecedented attention at International Summits in the 1990's. In recent years, Indian banking sector is grappling with the issue of financial inclusion. Financial inclusion was envisaged and embedded in Indian credit policies in the earlier also, though in a disguised form and without the same nomenclature (Rao, 2007).

Government of India set up a committee to suggest measures to increase financial inclusion (2008). One of the ways suggested by this committee to promote financial inclusion is that bank should give wide publicity of no frills account. The Bank should promote the financial inclusion through Tech which gives cost effectiveness to the low income group and financial inclusion should be achieved through the micro finance institutions and local communities. Banks need to redesign their business strategies to incorporate specific plans to promote financial inclusion of low income group treating it both as a business opportunity and as a corporate social responsibility (V.Leeladhar, 2005). A.Pappu Rajan and G.Saranya in their study, they concluded that, there is need to carry out customer satisfaction surveys to establish how customers are adapting to Tech. Suitable techniques should be devised based on what customers want and not what is convenient for banks.

During the post nationalization of banking, there had been spectacular progress in formal banking networks across the country. In the course of time RBI has been adopting various measures like priority sector lending, Know Your Customer (KYC) norms, banking correspondent model to ensure financial inclusion. In 2005 RBI offered no frill accounts which enable the excluded people to start the bank account. In 2006, the banks were permitted to use other rural organisations like Non-Governmental Organisations (NGOs), Self-Help Groups (SHGs), Micro-Finance Institutions (MFIs) etc. for furthering the cause of financial inclusion. In 2007 a few pilot projects had initiated to test the effects of Tech used to increase financial inclusion. The eleventh five year plan (2007-12) envisions inclusive growth as a key objective.

## **METHODOLOGY:**

The present study is empirical in nature based on primary data. To collect primary data, a well-structured interview questionnaire was constructed. With the help of interview

schedule the primary data, were collected in Devanahalli, Bettahalasur, and Doddaballapur of the rural Bangalore. By using convenient sampling method 150 workers of unorganised sectors were selected for the study. The respondents were contract workers, agricultural workers and part time workers of that particular sector. For analyzing the data, percentage, five point Likert Scaling technique, weighted average mean, and rank analysis were used.

#### **DATA ANALYSIS:**

##### **Demographics of the Respondents**

Among the respondents, 77 per cent were male and the rest 23 per cent were female, out of the respondent 57 per cent of the workers were contract workers, 26 per cent were agricultural workers and 17 per cent of the workers were working on part-time basis. The monthly incomes of 55 per cent of the workers were above Rs. 7001/-.Among the respondents 99.5 per cent are utilizing banking services only for the purpose of maintaining an account in the bank. All the workers were aware about the Digital banking technologies such as ATM, online and Debit cards. Interestingly the illiterates of 9 per cent were also known about the Digital banking technologies through the SHGs.

##### **Sources to fulfil Economic Needs:**

In order to fulfil their economic needs the respondents utilized different financial resources. The respondents were asked to assign rank based on their preference to fulfill the immediate economic needs. Though 99.5 per cent of the respondents were bank account holders, for their immediate economic needs, the respondents preferred mostly their friends or relatives, followed by banks, money lenders, self-help groups and then to other financial institutions. The respondents rank the reasons for choosing the above modes were because of the availability of immediate cash, quick approval, less paper work, privacy, less processing time, affordability and flexibility.

##### **Awareness, Accessibility and Cost Effectiveness of Digital Banking Technologies:**

Since most of the respondents were account holders, the respondents were enquired about the awareness of Digi Tech as ATM, Debit and Credit cards, online banking, mobile banking, smart card and Tele banking and their accessibility and also their cost effectiveness. The opinions of respondents were analysed in the following table.

**Table 1: Awareness, Accessibility and Cost Effectiveness of Digital Banking Technologies**

Digital Banking Technologies	Level of Awareness		Level of Accessibility		Cost Effectiveness
	Number of Respondents	Percentage	Number of Respondents	Percentage	Weighted Average Score
ATM	150	100	148	98	1.82
Online Banking	75	50	15	10	1.19
Mobile Banking	146	97	90	60	1.18
Debit Card	149	99	143	95	1.41
Credit Card	102	68	-	-	-1.52
Fund Transfer	125	83	102	68	1.64
Electronic bill paying	45	30	136	91	0.98
Transfer of fund (RTGS,NEFT)	-	-	-	-	-1.12
Tapping of credit and debit cards	-	-	-	-	-2.11

Table 1 revealed that all workers were familiar with the use of ATMs, among them 98 per cent were opted the ATMs. 99 per cent of workers were familiar with the Debit cards and the users were 95 per cent. The ratio of usage of Debit cards were due to the employer's insistence of payment remittance through the saving account with no frills and the bankers are providing the debit cards immediately with the opening of saving account.

The detail analysis inferred that, none of the respondents utilized credit cards. Fund transfer was accessed by 68 per cent of the respondents as they are using the G-pay and Pay TM . This study reported that the respondents were aware about the concept of Mobile Banking Tech. It is surprised that 97 per cent of the respondent known about but only 60 per cent of them are used the mobile banking Tech. The workers were unaware about the Transfer of fund through RTGS and NEFT and Tapping of credit and debit card due to lack of familiarity.

The study revealed that ATM's Debit card was the most used and cost effective Tech. Along with Online banking, mobile banking, debit cards, fund transfer and electronic payment technologies were scored positive cost effectiveness due to its usage is unavoidable to the workers though the indirect costs such as instrumental, services and transaction costs were more.

### **Digital Banking Technologies and Problems:**

The Tech created some problems while accessing the banking services. The respondents were asked to assign them by rank. The opinions of respondents were analyzed in the following table.

**Table 2: Problems faced by the Respondents While Accessing Banking Technologies**

<b>Problems</b>	<b>R1</b>	<b>R2</b>	<b>R3</b>	<b>R4</b>	<b>R5</b>	<b>R6</b>	<b>R7</b>	<b>Total</b>
Inadequate knowledge	34	22	29	25	28	14	6	733
Unsuitable location of ATM	51	19	20	18	17	10	15	729
High cost	22	30	18	13	18	20	29	599
Lack of infrastructure	24	20	21	24	14	20	26	597
Poor network	5	26	18	36	19	25	21	553
Time consumption	10	15	19	19	33	26	28	510
Safety and security	4	18	24	15	29	35	25	498

The respondent had lot of challenges in facing problems of using banking technologies. While accessing the banking technologies, the respondent rank Inadequate knowledge as first place, followed by unsuitable location of ATM, high cost, lack of infrastructure, poor network, time consumption, and then safety and security according to their total score.

### **Factors influencing the Respondents to use Banking Technologies:**

The study revealed that Though the respondents were facing problems in accessing the Digital technologies they wanted to utilise the banking technologies more due to influence of some factors, that the bankers were providing no frills account to open the account, and low interest for the credit, the Tech provided more security, less risk, less transaction cost, easy accessibility and more time saving. The opinions of respondents were analysed in the following table.

**Table 3: Factors influencing the Respondents to use Digital Banking Technologies**

<b>Factors</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>DA</b>	<b>SDA</b>	<b>WAS</b>
No frills account	54	48	30	17	1	0.91
More security	66	57	19	8	0	0.91
Less risk	35	83	20	8	4	0.91
Low interest	50	65	21	12	2	0.99
Less transaction cost	30	91	14	14	1	0.90
Easy accessibility	24	89	25	9	3	0.81
More time saving	31	79	18	20	2	0.78

The respondents were asked to express their opinion on the basis on above list of factors which influenced them to use the Digital Tech of banking services more, help for the financial inclusion. In that factors, Low interest rate influenced the workers to use the banking services more due to their low income and repayment, compare to other factors such as no frills account (zero balance account), more security, less risk, less transaction cost, easy accessibility and also time consumption.

**FINDINGS:**

- All the workers were having ATM Cards, but for the speedy transactions, they preferred mobile banking services. So the workers were getting help from others and learn to do the transactions.
- Digital Banking services such as transfer of fund and clearing services and login facilities were safe and the respondent can aware and access easily.
- The respondents were less knowledge about digital Banking services such as debit and credit tapping, NEFT and RTGS fund transfer.
- The respondent had lot of challenges in facing problems of using digital banking technologies. Such as inadequate knowledge, unsuitable location of ATM, high cost, lack of infrastructure, poor network, time consumption, and then safety and security.
- Though they were so many problems to access digital banking services due to more security, less risk, less transaction cost, easy accessibility and also time consumption.

## **SUGGESTIONS:**

**All the workers of unorganized sectors covered by the bank account, it is easy to include them in financial inclusion by providing the following measures.**

- Easy access to the credit, insurance and remittances to majority of workers of unorganized sector at an affordable cost by their employers and micro finance network.
- Financial literacy and technical training to the workers of unorganized sector through self-help groups formed in that study areas.
- Easily accessible, simplified technologies in the form of user friendly way which make the workers of unorganized sector, self-efficient.
- Leveraging Tech so that the operation and transaction cost should be zero which helps the workers of unorganized sectors to access easily.

## **CONCLUSION:**

Tech up gradation and reforms enables to take any product or service to the general masses. Appropriate and effective digi banking Tech reduces the costs of financial transactions, improves allocation of resources, and increases competitiveness and efficiency. Tech expands the coverage of the banking and financial system to under-served markets. For overall growth of the country, it is essential that unorganized poor people are brought under banking service network. There is tremendous potential for the business growth by providing banking services to unorganized sector. For this Tech helps in decentralization of financial access points and breaks barriers of accessibility and proximity.

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