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4. Smartphone: An Instrument for Financial Inclusion

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Abstract:

Smartphone penetration is very high around the globe, at least one mobile phone at every household in India. Smartphones acting as the gateways of digital services. Banks and financial can offer variety of financial services to bring unbanked people under the formal financial system. Around 11 percent of Indian population do not have a basic saving account in banks. The access and use of financial services through smartphones allow to these unbanked population. Therefore, smartphones can play significant role in achieving financial inclusion.

Keywords:

Smartphones, Financial services, Financial Inclusion, Technology

4.1 Introduction:

Financial services are pivotal for the development of a country. The access and use of formal financial services by every member of society improves savings, employment, and reduces poverty. Financial services foster the flow of money (from surplus to needy or deficit) and improve economic and trade activities and the financial wellbeing of people. Financial inclusion is crucial for sustainable and inclusive development.

The access and use of financial services vary across the economies, particularly in developing economies, rural people and urban poor are excluded from the financial system. World Bank (2017) reported nearly 1.7 billion world population do not have an account at financial institutions, most of them from developing economies. India alone shares nearly 11 percent of the unbanked population. These statistics portray the emergence of financial inclusion across developing economies and even in some developed economies.

Financially vulnerable people mainly subscribe to unorganized borrowings, savings, and investments. The unorganized finance has the nature of high risk and financial frauds. Hence, streamline of unbanked and underbanked in the fold of formal financial system is the prime agenda of financial inclusion.

Financial Inclusion

Financial inclusion is a process of providing access, design and delivery of suitable financial services to vulnerable people at affordable cost to meet financial emergencies. Financial inclusion is one of the objectives of G20 sustainable developmental goals.

Financial inclusion facilitates an equal opportunity to access formal financial products and services. Generally, having an account at a bank or financial institution is referred as financial inclusion and that account allows people to save, invest and borrow (Zins & Weill, 2016). Financial inclusion is a multi-facet, mere an account at financial institution is not a financial inclusion.

The active use of accounts for savings, remittances, payments, credit, and insurance is concerned to financial inclusion and that would positively improve financial stability and welfare of the society. Active use of accounts is still a major concerned in rural areas due to lack of access to bank branches, ATM's, lengthy documentations, cost of financial services, travel to long distances to avail financial services, low literacy rate, financial illiteracy, and irregular employment.

An account at banks is a basic for access of variety of financial products. Governments and central banks have been given importance for the financial inclusion. For instance, in India both government and RBI framed variety of policies and schemes for the financial inclusion. PMJDY is one of mission for the financial inclusion. Though India achieved success in account ownership, but the active use of the account is still a big challenge. World bank (2017) reported that half of the bank accounts are inactive in India. Therefore, having an account at financial institution does not consider as a financial inclusion, actual use of the accounts and other financial services is considered as financial inclusion.

4.2 Fin Tech:

Advancements of Information Technology and its wide adoption by different stakeholders have changed the landscape of the service sector, leveraged the new business models (e-commerce) and products. Further, technologies providing more convivence to the customers to access variety of products at their figure tips. Technology has become competitive strategy for service sector, which facilitating for design and delivery of innovative products and enhances competitive advantage for the business.

The adoption of information technology by the financial institutions termed as Financial Technology (FinTech). FinTech leveraged design and delivery of new age formal financial services (like debit cards, credit cards, ATMs, internet banking, and mobile banking) through digital channels. The great advantage of FinTech is potential to serve around the clock and around the globe. Hence, it can assume that FinTech removes the barriers of achieving financial inclusion.

4.3 Smart Phone Penetration:

Mobile phones and internet usage has increased rapidly in the last decade around the globe, both in developed and developing economies. For instance, in India from 2014 to 2020 smartphone users increased from 220 million to 500 million, mobile connections from 900 million to 1174 million, and internet users from 243 million to 688 million (Digital India, 2020).

Telecom Regulatory Authority of India (2021) reported that 1.5 billion mobile phone users in India. Deloitte, (2017) in their study on Global mobile consumers trends reported that smartphone users in developed economies 80 % percent and developing economies 82 %. Further, they reported that 30 % and 50 % use of smartphones for purchase of products in developed and developing economies respectively.

Information technology (IT) and mobile devices have enabled various products and services at a finger touch. Mobile phones have become part of everyday life for communication, information, gaming, entertainment, education, and finance and delivering value added services at consumers convenience around the clock. Merits of the smartphones are we can use anywhere and anytime at convenience.

4.4 Smart Phone for Financial Inclusion:

The hindrances of financial inclusion are experienced from both supply and demand sides. the supply side hindrances found by the existing literature are the cost of financial services, legal compliance, lengthy documentation, limited financial institutions and banks, unsuitable financial services for the poor people's needs.

On the demand side hindrances are (both voluntary and involuntary) cost of financial services and additional costs incurred for the transportation and documentation, geographical distances of financial institutions, unsuitable financial products for the needs of poor and under banked people, lack of ID cards (Identity cards) to open an account at a financial institution, low income, financial illiteracy, and lack of trust on the formal financial system.

Experiences from both developed and developing economies exhibiting the potentials of smartphones for the active use of financial products. World bank stated that use of digital payments services on surge, particularly in developing economies. Kenya is at top position among developed economies at 97 % and China is top position among developing economies at 85 % of mobile accounts usage (Kunt et al., 2018). But India is at very low rate of use of mobile accounts just at 33 %. UPI payments have changed the landscape of the digital payments in India with an exponential growth rate in both value and volume of transactions.

Figure 4.1: UPI Payments Use

Month	Volume	Value
May-20	1234.4	2183.8
Jun-20	1336.8	2618.2
Jul-20	1497.3	2905.2
Aug-20	1618.7	2982.9
Sept-20	1800.1	3290.1
Oct-20	2071.5	3860.9
Nov-20	2210.1	3909.8
Dec-20	2234.1	4161.6
Jan-21	2302.6	4311.7
Feb-21	2292.8	4250.5
Mar-21	2731.6	5048.7
Apr-21	2641.0	4936.5
May-21	2539.5	4906.2
Source: RBI		

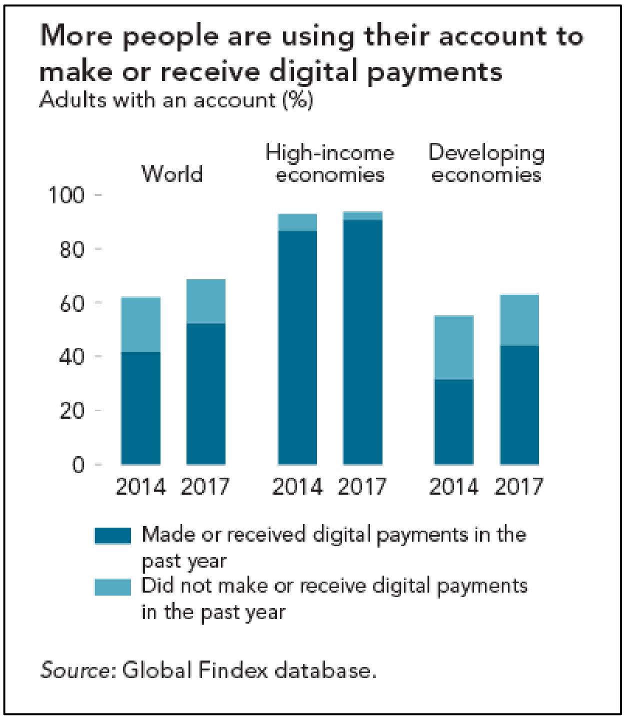

Figure 4.1: Digital Receipts

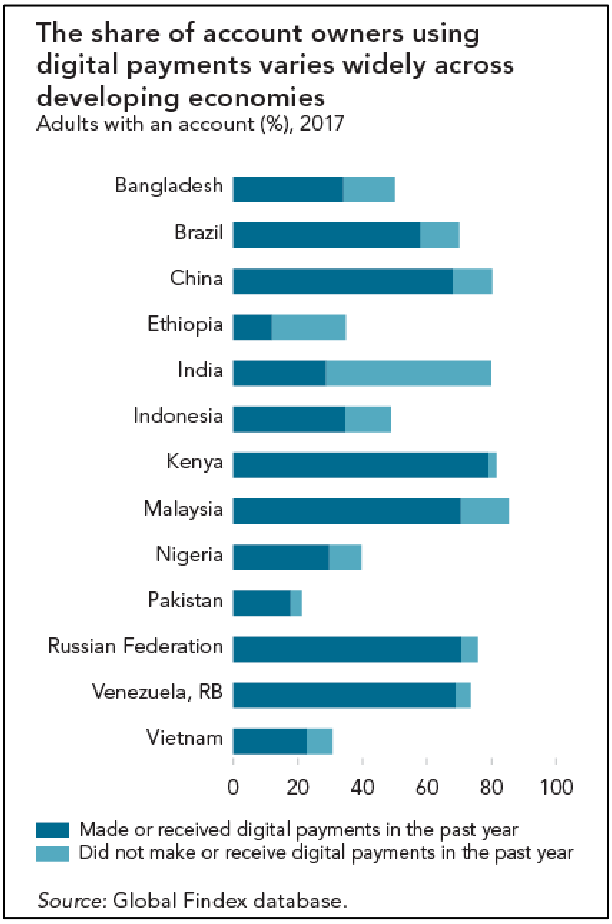

Figure 4.2: Digital Payments in Different economies

4.5 Conclusion:

Smartphones are the one of the inexpensive digital gadgets which offers variety of services and solutions in our daily life. Therefore, the penetration smartphones and internet usage reaching at highest levels. Which providing completive advantage for the service providers to expand and extend the reach of the products and product lines. Financial institutions are providing their services through digital channels to meet customers' needs and expectations. Smartphone delivery channels can reach anyone at any place. Therefore, we conclude that Smartphone is an instrument to achieve financial inclusion.

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