

IMPACT OF DIGITAL BANKING ON FINANCIAL INCLUSION: AN INVESTIGATION ON YOUNGSTERS IN RUPNAGAR CITY, PUNJAB

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Abstract

Financial inclusion is the process of restoring the formal financial services to vulnerable group of people and adds them from disadvantaged populace into advantaged one. Indian Government and Reserve bank of India have taken certain steps in the promotion of financial inclusion through digitization such as ATM, Mobile banking, Internet banking, E-wallets etc. Financial institutions such as Banks, Insurance companies and Post offices have done various renovations to reach to masses. This study focuses on awareness among youngsters towards financial inclusion and to identify the most preferred digital banking channel to promote financial inclusion. Findings show that digital banking and its channels act magnificently and have positive impact on financial inclusion. Security is a key issue that leads to lack of confidence among youngsters towards technology.

Keywords: *Digital Banking, Financial inclusion, Youngsters, Financial services*

Introduction

In India, bank account is an outcome of financial inclusion but financial inclusion should not confine to a saving bank account. According to planning commission 2009, financial inclusion refers to universal access to a wide range of financial services at a reasonable cost. Today financial inclusion is not restricted to banking products only but also other financial services such as insurance and equity products. The primary objective of financial inclusion is to provide financial services at an affordable cost to each and every individual of all the sections especially to unbanked and poor people of society. Although ardent efforts have been made by Government and Reserve bank of India towards financial inclusion yet a large section of rural population is still excluded from financial services. Urban population is far better than rural population in availing financial services but availing all the financial services in uneven proportion is a major concern. Reports claimed that people having bank accounts not necessarily use insurance or any other financial service. To grab all the citizens

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is not an easy task for financial sectors so they promote digital banking to reach to mass population to render financial services by taking into consideration the convenience, cost, time saving, ease of use etc. In today's era the ubiquitous internet technology drive the digital banking system to take quantum leap. To include the excluded people Government come JAM (Jan-Dhan-Aadhar-Mobile) trinity. Jan Dhan primarily known as Pradhan Mantri Jan Dhan Yojna (PMJDY) is a scheme towards financial inclusion launched on August 28, 2014 with prominent features such as zero balance account, rupay debit card facility, accidental and life insurance, overdraft facility, direct benefit transfer, rupay kisan card facility. Around 22 crore bank accounts were managed under the scheme of those people who were previously unbanked. Aadhar a largest identity in India covered 99 percent of people of 18 years and above as on Jan 27, 2017 as per UIDAI. Mobile phones allow direct benefit transfer into Jan Dhan accounts with the help of Aadhar through biometric identification. But it was found that JAM trinity alone was not a preferred mode that influences all the citizens to make digital payments. Other technologies such as UPI (Unified payment interface) and wallets came into existence post demonetization as new digital banking channels and became highly used channels in a short period of time. Post payment, a new digital scheme to promote financial inclusion was launched on September 1, 2018 primarily for rural population to render financial services at their doorstep. But to facilitate all these digital banking services in secure and economic manner is a key challenge for both Government and Reserve Bank of India.

Objectives of study

1. To study the awareness among youngsters towards financial inclusion.
2. To study the impact of digital banking on financial inclusion
3. To identify the most preferred digital banking channels in promoting financial inclusion.

Review of Literature

Sheena Dass, Marcus A (2019) specified that financial inclusion is the initiative taken by Government to open at least one basic account of every individual. This study emphasizes on impact of digital technology under the roof of JAM (Jan Dhan, Aadhar AND Mobile) trinity in promoting financial inclusion. All the financial institutions should invest for up gradation of technology to facilitate the delivery of banking products or services in transparent and equitable to achieve the inclusive economic growth.

Nayak Raghavendra (2018) studied the issues and challenges in digitalization of banking and observed that lack of financial literacy, lack of infrastructural facilities, less usage of smart phones, lack of banking habits, network issue, literacy rate, cost of financial services and customer resistance to new technology are big challenges in rural area. Digitalization plays an important role in development of country. Necessary measures like awareness among customers towards benefits of digital banking and financial literacy should be taken to include the excluded people and to change their saving habits. Banking sector should approach school and college students to make them understand the benefits of digital banking and message should be conveyed to their parents to penetrate the digital services in rural areas.

Anithamary C, Harini M (2017) observed that although people are aware of digital banking yet they do not use it due to lack of knowledge and misapprehension. There are many

channels of digital banking but they use few of them. These customers should be educated or provided training by the bankers to use them frequently.

Vadavadahi Prakash K, Allagi RG (2014) stressed on financial inclusion through mobile banking and observed that mobile banking is not used in same proportion in rural area as urban area due to lack of awareness, risk of fake messages and lack of security in transactions. People having mobile phones are found unbanked. Higher or concerned authorities should take necessary steps to overcome the barriers of mobile banking.

Singh Anurag. B, Tandon Priyanka (2012) found that some of reasons restrict the system to reach to the poor society. Many of the government bank employees work for salary not for achieving the national target. Banks have to follow some rules which create problems and Low financial literacy also creates problems. So financial literacy programs should be organized to aware the people.

Problem Statement

Although government and financial sectors are trying very hard to provide financial services to every individual through digital banking yet a large section of our country is still unbanked or deprived of financial services. This paper emphasized on the impact of digital banking on financial inclusion to know the awareness of youngsters towards financial products or services and to analyze the most preferred digital banking channel.

Scope of the study: The present study highlight the impact of digital banking on financial inclusion in Rupnagar district only. It also limelight's the benefits of financial inclusion and hurdles faced by respondents to know the reasons of not using digital banking.

Research Methodology

Sample size and Research Design: Sample of 63 young respondents between 20-30 years of age is taken from Rupnagar district of Punjab state. Random sampling method is used to collect the data. The study is descriptive in nature for which data is collected through primary and secondary sources. Secondary data is collected through Reports, Journals and books. Self-assessed questionnaire is used to collect primary data from respondents.

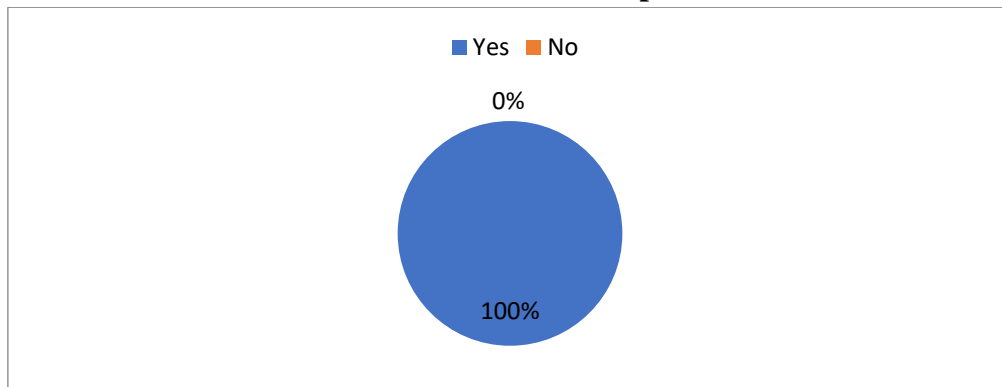
Limitation of study

The main limitation of the study is that research is done only on 63 respondents from Rupnagar district which might not predict accurate results for whole population. All the respondents are youngsters who may not have good income to avail financial services.

Analysis & Interpretation

1. Awareness of financial inclusion

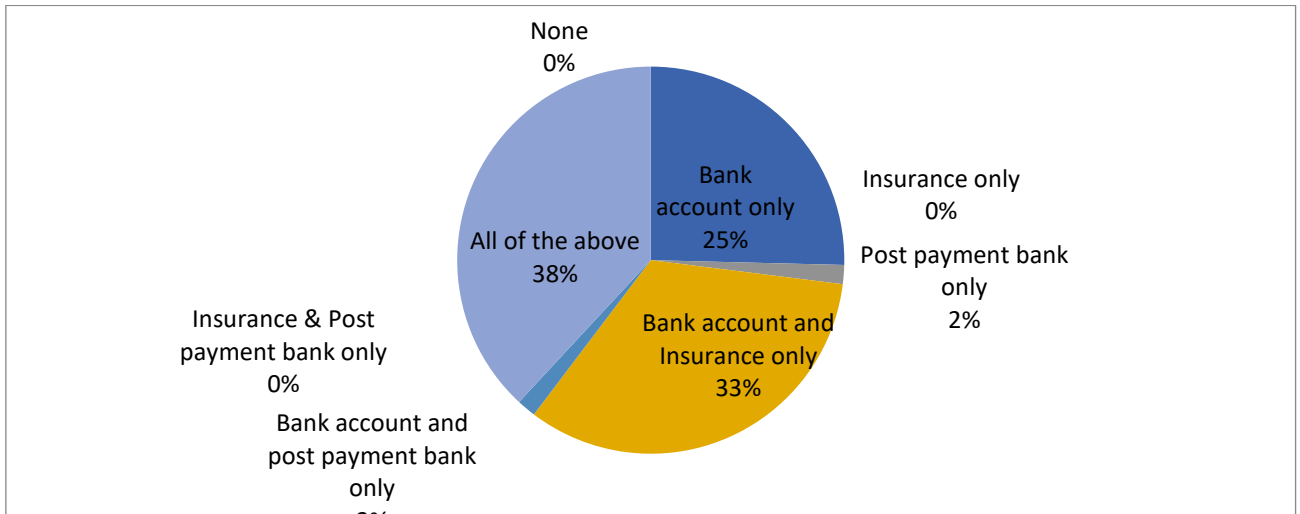
Graph 1



Graph 1 reveals that 100% respondents are aware of financial inclusion that represent every respondent use at least one of the selected financial services.

2. Financial Product Awareness

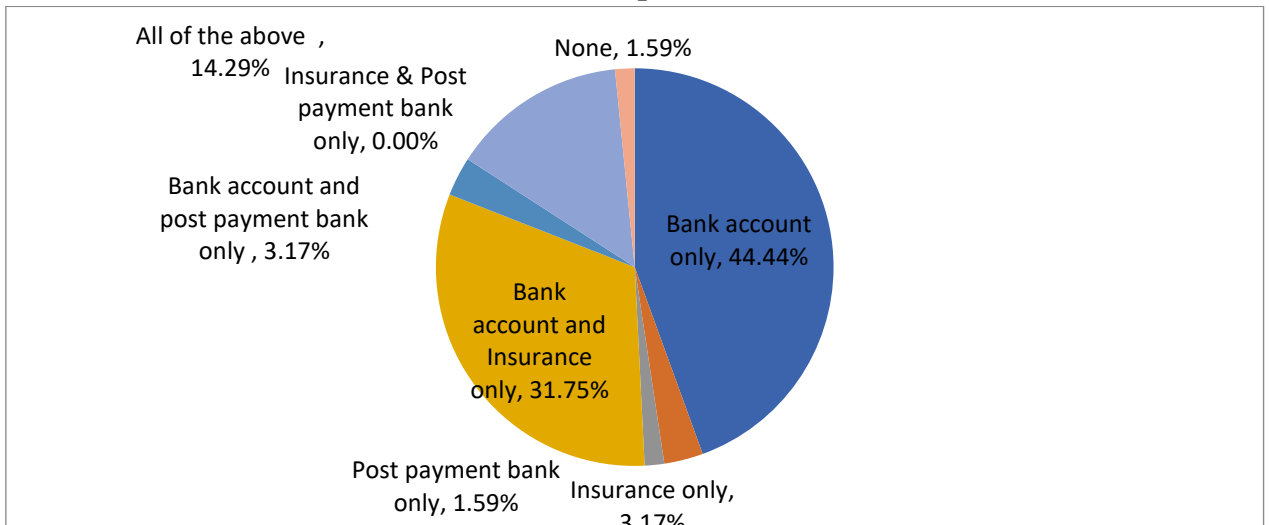
Graph 2



Graph 2 shows that only 38% of respondents are aware of all the three financial products followed by awareness of bank account and insurance.

3. Financial product used

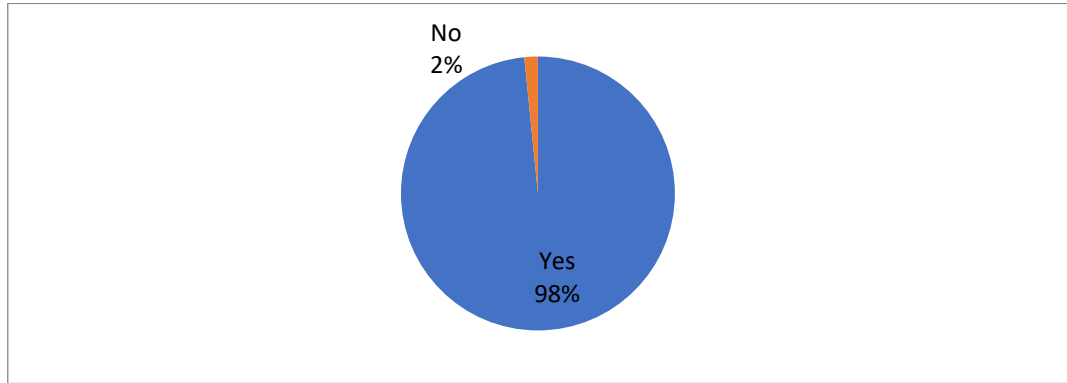
Graph 3



Graph 3 represents that although 38% of respondents are aware of all the financial products but only 14% respondents use all of these. 44% of respondents have bank accounts and 31% respondents have both bank account and insurance. But most of the respondents do not use insurance and post payment bank account.

4. Awareness of Digital Banking

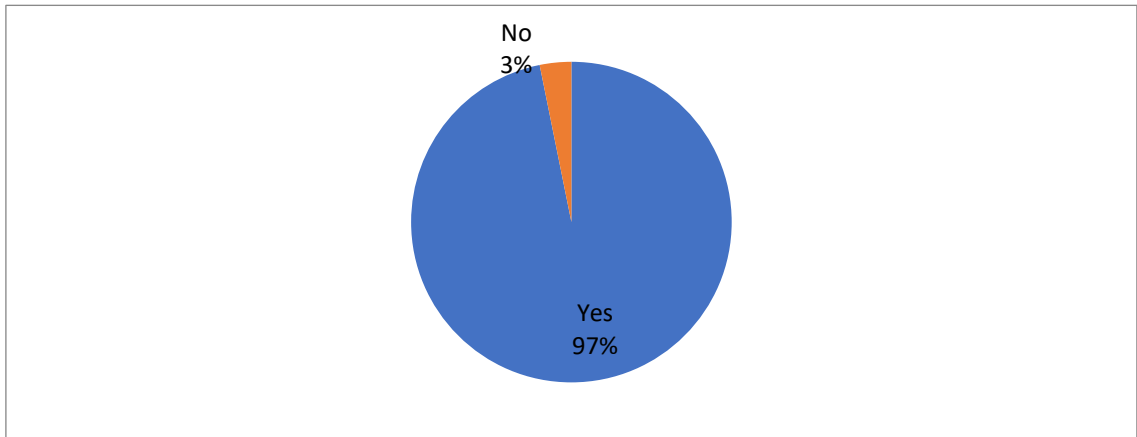
Graph 4



Graph 4 reveals that 98% of respondents are aware of digital banking which is a very good number in itself.

5. Preference of Digital banking over traditional banking

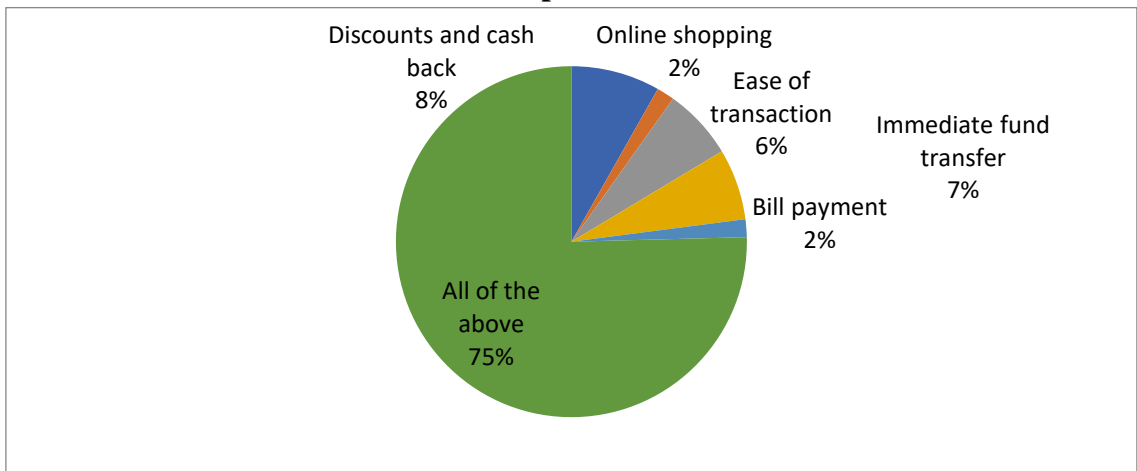
Graph 5



Graph 5 represents that only 3% respondents prefer traditional banking. 97% respondents prefer digital banking over traditional banking.

6. Benefits of digital banking which influenced you to avail financial services through it.

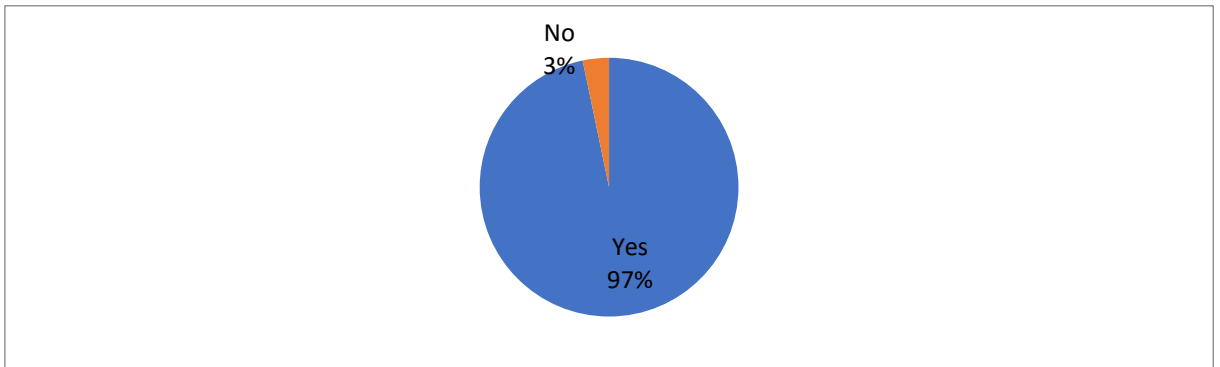
Graph 6



Graph 6 shows that 75% of respondents seek all of the above benefits while using digital banking to avail financial services. Individually discounts and cash back influenced people to do digital transactions.

7. Does digital banking motivates you towards financial inclusion?

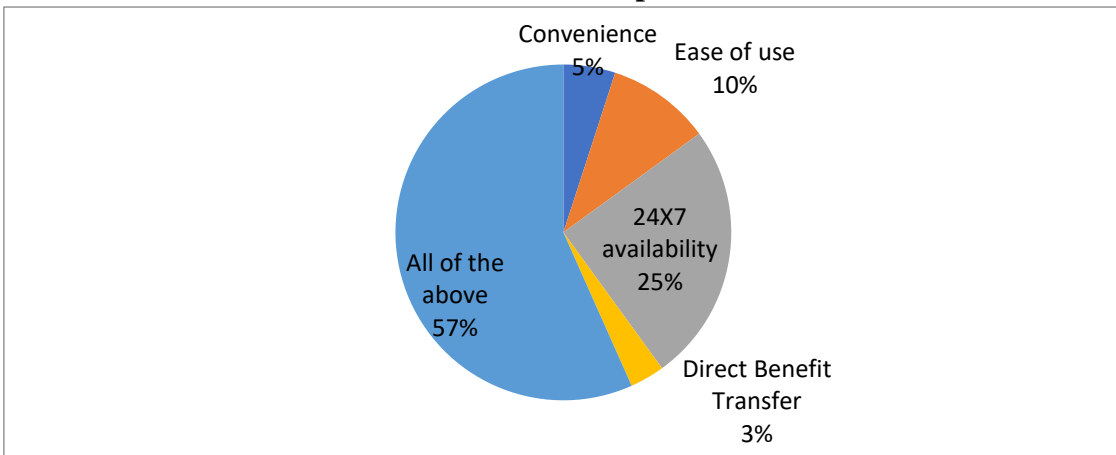
Graph7



Graph 7 reveals that 97% of respondents are motivated towards financial inclusion because of digital banking. Only 3 % says that they are not being motivated because of digital banking.

8. Factor affecting motivation towards Digital financial inclusion

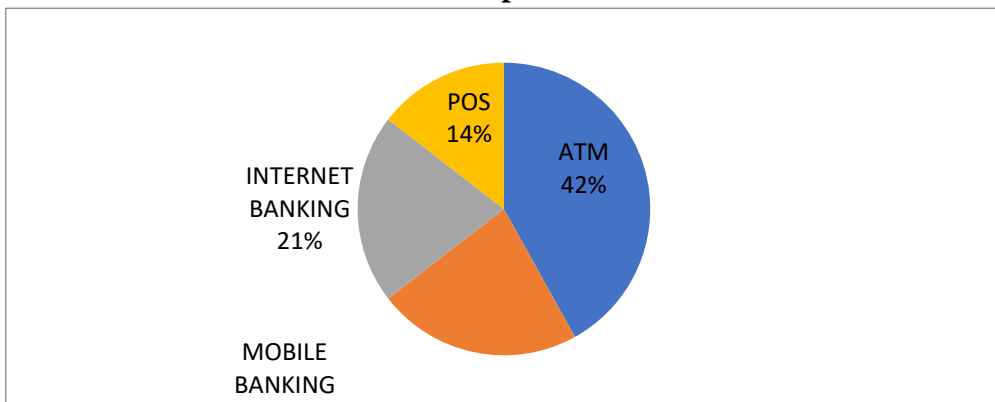
Graph 8



Graph 8 represents that 57% respondents are motivated towards digital financial inclusion because of all of the above factors. 24X7 service of digital banking is the choice of maximum respondents that motivated them towards digital financial inclusion.

9. Most preferred digital banking channel.

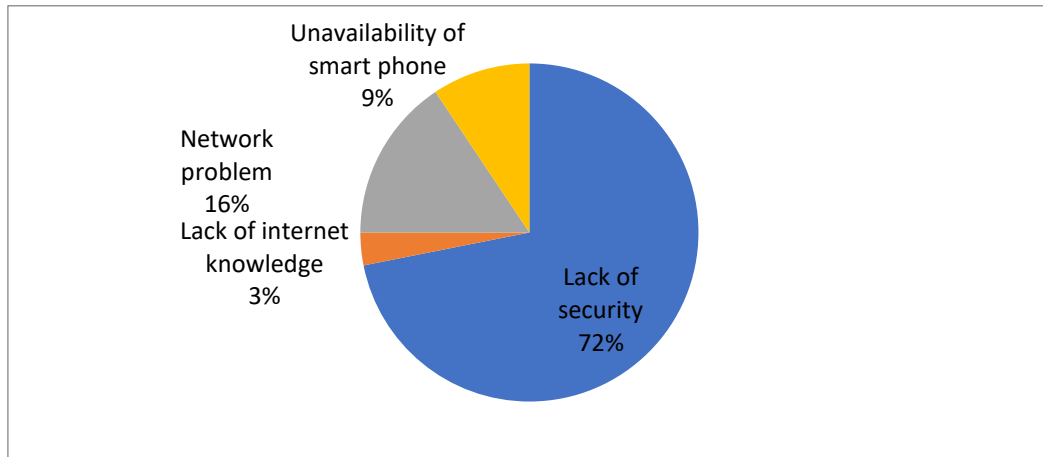
Graph 9



Graph 9 shows that ATM is first preference of maximum of respondents among the selected channels while they go for digital banking followed by mobile banking and Internet banking. POS machine is preferred by only 14% respondents over all the other channels.

10. Barriers in Digital Banking

Graph 10



Graph 10 represents that 72% of respondents find digital banking is not secure and this is a very big hurdle for not using all the digital channels in equal proportion. Network problem is followed by lack of security which does not allow respondents to access hassle free digital transactions.

Hypotheses 1:

H0: There is no significant relation between digital banking and financial inclusion.

H1: There is significant relation between digital banking and financial inclusion.

To test the null hypothesis and check whether any relation exists or not, one way ANOVA was calculated and the results are shown in the following tables:

TABLE 1: ANOVA: SINGLE FACTOR

SUMMARY						
<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>		
Column 1	63	194	3.079365	5.106503		
Column 2	61	63	1.032787	0.03224		
Column 3	60	238	3.966667	1.693785		

ANOVA						
<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	274.8715	2	137.4357	59.44467	1.43E-20	3.045866
Within Groups	418.4709	181	2.311994			
Total	693.3424	183				

Table 1 shows that the calculated value of F is 59.44, which is considered significant, since it is greater than F critical i.e. 3.04. Thus, the hypothesis that there is no significant relation between digital banking and financial inclusion is rejected. In other words, it can be stated that digital banking has highly positive impact on financial inclusion.

Hypotheses 2:

H0: There is no significant relation between digital banking channels and promotion of financial inclusion.

H2: There is significant relation between digital banking channels and promotion of financial inclusion.

To test the above stated null hypothesis, one way ANOVA was calculated and the results are shown in the following tables:

TABLE 2: ANOVA: SINGLE FACTOR

SUMMARY

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Column 1	61	314	5.147541	2.627869
Column 2	63	54	0.857143	1.511521
Column 3	60	110	1.833333	1.259887

ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	622.5194	2	311.2597	172.9647	1E-42	3.045866
Within Groups	325.7198	181	1.799557			
Total	948.2391	183				

Table 2 shows that the calculated value of $F=172.9$ is greater than F critical= 3.04, which is considered significant. Hence, the hypothesis that there is no significant relation between digital banking channels and promotion of financial inclusion is rejected. In other words, it can be said that digital banking channels play major role in the promotion of financial inclusion.

Findings of the study

- 100% respondents are aware of financial inclusion that represent every respondent use at least one of the selected financial services.
- 38% of respondents are aware of all the three financial products followed by awareness of bank account and insurance.
- 38% of respondents are aware of all the financial products but only 14% respondents use all of these. 44% of respondents have bank accounts and 31% respondents have both bank account and insurance. But most of the respondents do not use insurance and post payment bank account.
- 98% of respondents are aware of digital banking which is a very good number in itself.
- Only 3% respondents prefer traditional banking. 97% respondents prefer digital banking over traditional banking.
- 75% of the respondents seek all of the above benefits while using digital banking to avail financial services. Individually discounts and cash back influenced people to do digital transactions.
- 97% of respondents are motivated towards financial inclusion because of digital banking. Only 3 % says that they are not being motivated because of digital banking.

- 57% respondents are motivated towards digital financial inclusion because of all of the above factors. 24X7 service of digital banking is the choice of maximum respondents that motivated them towards digital financial inclusion.
- ATM is found to be the first preference of maximum of respondents among the selected channels while they go for digital banking followed by mobile banking and Internet banking. POS machine is preferred by only 14% respondents over all the other channels.
- 72% of respondents find digital banking is not secure and this is a very big hurdle for not using all the digital channels in equal proportion. Network problem is followed by lack of security which does not allow respondents to access hassle free digital transactions.
- As the calculated value of $F = 59.44$ is greater than F critical i.e. 3.04, which is considered significant, so the hypothesis that there is no significant relation between digital banking and financial inclusion is rejected and it is concluded that digital banking has highly positive impact on financial inclusion.
- As the calculated value of $F = 172.9$ is greater than F critical = 3.04, which is considered significant, so the hypothesis that there is no significant relation between digital banking channels and promotion of financial inclusion is rejected and it is concluded that there is significant association between digital banking channels and its role in promoting financial inclusion. In other words, it can be said that digital banking channels such as ATM and Mobile Banking play major role in the promotion of financial inclusion by providing anytime banking services.

Recommendations & Suggestions

- Concerned authorities should take initiatives so that awareness could be create among youngsters about benefits of all the financial services such as insurance and post payment banks to get benefitted from these services also.
- Security and network issues must be resolved to build confidence among people to increase the frequency of transactions.
- Educational institutions must be approached by banks to connect with the students so that they could spread their wings beyond cash transactions.
- Emphasis should be given to motivate people to access all the digital channels in equal proportion to avail the services as per circumstances and requirement.

Conclusion

Although RBI and Government have launched new digital channels to promote financial inclusion yet only few channels are being frequently used. Young generation is more prone towards digital banking channels. ATM is highly used digital banking channels among all the respondents. It is concluded that financial inclusion is positively impacted by digital banking and digital banking channels have affirmative association with promotion of financial inclusion. Usage of digital banking channels in unequal proportion by youngsters is still a challenge that needs to be tackled. Security and Network issues are the problems that must take into consideration on priority basis to make digital banking hassle free and include the excluded section.

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