Chapter 12

The Case of the Missing Customer!

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ABSTRACT

India’s financial inclusion journey started more than a decade ago. While several technological and access-related challenges have been overcome against the backdrop of a favorable policy-making and governmental climate, the adoption issues still remain largely unaddressed. This chapter discusses these issues and provides an alternate approach to customer adoption at the bottom of the pyramid while using time-tested consumer behavior frameworks. It puts the onus on implementing agencies such as banks to adopt this customer segment in an unbiased manner to bring in the benefits of financial inclusion for all stakeholders including the unbanked customer.

THE PURSUIT OF FINANCIAL INCLUSION IN INDIA

After all, should we not give everyone access to the (banking) services we all in this room enjoy? (Dr Raghuram Rajan, 2016) (While speaking at the National Seminar on Equity, Access and Inclusion organised by National Institute of Rural Development and Panchayat Raj in Hyderabad July 18, 2016)

Indian banking system has always had a social side to it, subscribed in part due to its legacy, RBI guidelines and government initiatives. Hence, it is no surprise that Financial Inclusion (FI) as a term has gained traction over the last decade or so started by the UPA government and continued by the NDA government. India has witnessed multiple waves of FI each stronger than the previous one in its zeal and

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The Case of the Missing Customer!

rigor, while building upon the technological advancements in the Fintech space. Each of these waves or phases have attained success in enrolling more and more beneficiaries in the banking system.

UPA government led ‘Swabhiman’ launched in 2011 garnered more than 25 crore ‘no frills accounts’, while the more recent Pradhan Mantri Jan Dhan Yojna (PMJDY) has managed to open a staggering 30.26 crore accounts as of September 30th, 2017 (estimates may vary based on reporting agencies, but will broadly be of this magnitude).

The initial pillars of the program were related to bringing to focus this overlooked segment and in overcoming infrastructural and access related challenges. These pillars largely defined the smart-card based approach, offline POS devices used for enrolment and transactions, introduction of business correspondent model to address lack of physical branches as the key drivers of the program. Subsequently with the advent of AADHAR, development in mobile connectivity and devices, launch of NPCI’s RuPay card and other past learnings, the model was tweaked and PMJDY was evolved. This AADHAR enabled scheme created a bouquet of products and tools for the unbanked customer comprising a basic banking account, a RuPay debit card, a built-in overdraft facility and an insurance product. It further incentivised the customer to transact via freebies and touted easy access for operations via 8-lac POS devices, 1.8 lac merchant terminals and all ATMs in India subscribing to the RuPay network.

Data from RBI Annual report 14-15 (Table 1), and the World Bank Findex data 2014 (Table 2), measuring various parameters of inclusion in terms of progress in number of accounts opened, number of cards, number of villages with some form of access to financial services shows an impressive achievement on the dimension of ‘coverage’. Banking outlets in villages have grown more than 7 times from 67,694 to 553,713 from 2010 to 2015. Even urban outlets covered by BCs has increased to a staggering 96,847 in 2015 from a meagre 447 in 2010. The number of basic banking accounts (BSBDAs) have increased 4 times from 73 million in 2010 to 398 million in 2015. Other statistics related to enrolment and coverage also show similar growth trajectories (RBI, 2015; Demirguc-Kunt, Klapper, Singer, & Oudheusd, 2015).

This progress has been possible mainly due to the concerted efforts of multiple stakeholders:

- RBI and NPCI in creating an enabling policy making environment and setting up governance with banks towards its execution.
- Government - Irrespective of the political affiliations, this initiative has had the required continuity and thrust from UPA to NDA. The recent decision of Government of India (GoI) to enable Direct Benefit Transfer (DBT)
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