

TECHNOLOGICAL BASED DISTRIBUTION CHANNEL INITIATIVES ON FINANCIAL COMMERCIAL BANKS

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Abstract

Financial inclusion is the delivery of major financial services at a reasonable cost to the major sections of the low-income groups. It is the process of commitment leads to financial services with correct timings and offer adequate credit needed by requested groups such as weaker sections and low-income groups at an affordable cost". The function of the commercial bank includes the fund transfer, deposit acceptance, and deposits as loans for the development of industries, purchase of houses, equipment, capital investment purposes, tax collection and refunds, payment of pensions, etc.

Keywords: financial services, commercial bank, capital investment, microfinance, environmental projects, high-quality service

Objectives of the Study

To highlight and understand the variations on the financial inclusions and its development To study the details about the development and its importance of the distribution channels on commercial banks

Methodology

The study is based on secondary data collected from different sources and its variations information's changes of annual reports of government suggestions through the Books, Journals, Research Papers, brochures, advertisements and other print media.

Commercial Banks in India

Commercial Banks in India are broadly categorized into Scheduled Commercial Banks Non-scheduled Commercial Banks Commercial banks can step in to augment financial inclusion in two ways:

1. Providing banking and other related services: these include basic bank account, low-cost bill payment system, technology-driven products, bio-metric ATMs, prepaid cards, internet kiosks, insurance products, retail loans through self-help groups, and microfinance institutions.
2. Providing non-banking services and support: these services include
3. Supporting social and philanthropic activities such as education programmers for under-privileged, environmental projects related to water harvesting, afforestation, pollution control, etc.
4. Supporting projects which provide sustained employment to vulnerable and disadvantaged groups and upliftment of the weaker section of the society
5. Supporting organizations which provide high-quality service for most disadvantaged groups and individuals in rural communities by providing small infrastructure projects and IT-enabled services

Distribution Channel based Initiatives Business Facilitator (Bf)

The Business Facilitator are the intermediaries used by banks. These can be NGOs/ Farmers' Clubs, cooperatives, community-based organizations, IT-enabled rural outlets of corporate entities, Post Offices, Insurance agents, well-functioning Panchayats, Village Knowledge Centres, Agri Clinics/ Agri-Business Centers. The services provided by BFs may include:

1. Identification of borrowers and fitment of activities;
2. Collection and preliminary processing of loan applications including verification of primary information/data;
3. Creating awareness about savings and other products and education and advice on managing money and debt counseling;
4. Processing and submission of applications to banks;
5. Promotion and nurturing self-help groups/ joint liability groups;

6. Post-sanction monitoring;
7. Monitoring and handholding of self-help groups/ joint liability groups/ credit groups/ others;
Follow-up for recovery

In engaging such intermediaries as Business Correspondents, banks ensure that they are well established, enjoying the good reputation and having the confidence of the local people. Banks give wide publicity in the locality of the intermediary engaged by them as Business Correspondent and take measures to avoid being misrepresented.

The Services Provided by BCs Include

- 1) All activities of Business Facilitator
- 2) Disbursal of small value credit,
- 3) Recovery of principal / collection of interest
- 4) Collection of small value deposits
- 5) Sale of micro insurance/ mutual fund products/ pension products/ other third-party products
- 6) Receipt and delivery of small value remittances/ other payment instruments.

The business correspondent (BC) model allows the bank to use third-party financial institutions to handle account opening, transaction management, and other financial services. In the non-business correspondent model, the business correspondent is excluded from the system, and the customer himself is provided with a mobile device. The Unique Identification Number (UID), which identifies individuals uniquely by their demographic information and biometrics, gives individuals the means to establish their identity to public and private agencies across the country. One of the key objectives of constituting UIDAI is to extend the delivery of services to the currently excluded and is actively looking to facilitate the delivery of financial services. This would not only reduce the customer acquisition cost but also ease out the process, while still ensuring a strict check on customer's identity due the biometric authentication is done through UIDAI. With Aadhaar Most frequently financial transactions will be supported by Aadhaar enabled micro-ATM. These interoperable ATM standards that NPCI has drawn up and planning to implement for banks would eventually also have an option to make remittance to customers having a mobile number and Mobile Money Identifier (MMID).

The Role of Post Offices

In many developing countries, postal networks offer several basic financial services, such as money transfers and savings accounts. The only way to include the excluded masses into the banking stream is to reach them at their place of residence or work, i.e., by providing doorstep banking through cost-effective technology-driven model. Post Offices have a physical presence in every nook and corner of the country. So the department of post, with its presence and skilled employees, can become the agent of change to bring about financial inclusion. Postal Network has three complementary dimensions: Physical locations, Electronic Network, Financial Services. In the latter case, the postal network distributes the financial products of the bank on an agency basis, which may be exclusive or non-exclusive. While deposit taking is normally regulated by the central bank or a national financial regulator, postal deposit-taking functions are sometimes regulated by the postal ministry and the ministry of finance and therefore not subject to standard banking requirements.

Conclusion

In Some areas, customers cannot be expected to come to branches given opportunity cost, distance and time. Hence, banks will have to reach out through a variety of technology-driven delivery or distribution channels such as Micro ATMs, Bio-metric ATMs, Mobile ATMs, Smart Cards, Mobile Banking, Post offices, e-Seva. But the government schemes of pensions distributed to the old peoples are through banks & post offices of them.

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