

“A Study Of The Effect Of Financial Inclusion And Digitization On Retail Banking Sales”

Dr. Tausif Mistry

Asst. Professor Indira School of Business Studies.

ABSTRACT: The aim of this paper is to analyze the effect of financial inclusion and digitization on retail banking sales. Previously, Financial inclusion was seen from a perspective of social welfare and the regulatory body has been successful in implementing various programs and strategies for the same. For the private sector compliance was a major point of view for financial inclusion. This paper suggests that it could be seen from a market building approach for the private sector banks. Digital Transformation is far beyond just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, interact with and satisfy customers. An efficacious Digital Transformation begins with an understanding of digital customer behavior, preferences, choices, likes, dislikes, stated as well as unstated needs, aspirations etc.. And this transformation leads to the major changes in the organizations, from product-centric to customer-centric view. This paper quantitatively shows how the digitization has been affecting the sales of banking sector from the point of view of sales representatives.

Keywords: Financial Inclusion, Digitization, Retail Banking, Sales

1. INTRODUCTION

Financial Inclusion

Financial inclusion enables improved and better sustainable economic and social development of the country. It helps in the empowerment of the underprivileged, poor and women of the society with the mission of making them self-sufficient and well informed to take better financial decisions. Financial inclusion takes into account the participation of vulnerable groups such as weaker sections of the society and low income groups, based on the extent of their access to financial services such as savings and payment account, credit insurance, pensions etc. Also the objective of financial inclusion exercise is easy availability of financial services which allows

maximum investment in business opportunities, education, save for retirement, insurance against risks, etc. by the rural individuals and firms.

The penetration of financial services in the rural areas of India is still very low. The factors responsible for this condition can be looked at from both supply side and demand side and the major reason for low penetration of financial services is, probably, lack of supply. The reasons for low demand for financial services could be low income level, lack of financial literacy, other bank accounts in the family, etc. On the other hand, the supply side factors include no bank branch in the vicinity, lack of suitable products meeting the needs of the poor people, complex processes and language barriers.

Since 2005, the Reserve Bank of India (RBI) and the Government of India (GOI) have been making efforts to increase financial inclusion. Measures such as SHG-bank linkage program, use of business facilitators and correspondents, easing of Know Your Customer (KYC) norms, electronic benefit transfer, separate plan for urban financial inclusion, use of mobile technology, bank branches and ATMs, opening and encouraging 'no-frill-accounts' and emphasis on financial literacy have played a significant role for increasing the use of formal sources for availing loan/credit. Measures initiated by the government include, opening customer service centers, credit counselling centers, Kisan Credit Card, Mahatma Gandhi National Rural Employment Guarantee Scheme and Aadhar Scheme. These renewed efforts are more focused than the earlier measures which were more general in nature having a much wider scope. Though the measures were initiated earlier, their impact on the rural population needs to be analysed and reframed in order to understand the present scenario in the rural areas.

Digitization

Digital Transformation is far beyond just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, interact with and satisfy customers. An efficacious Digital Transformation begins with an understanding of digital customer behavior, preferences, choices, likes, dislikes, stated as well as unstated needs, aspirations etc.. And this transformation leads to the major changes in the organizations, from product-centric to customer-centric view. A study by CGI entitled, Understanding Financial Consumers in the Digital Era sheds some light on the desires of today's digital consumer. Interestingly, at a time when financial institutions seem to be in a lock-step with each other, consumers are raising the bar on their expectations. And, according to the study by CGI, they are willing to leave where they currently bank if their needs are not met.

As customers continue to change their channel usage patterns, banks and credit firms need to focus on delivering a seam- less customer experience across various touch points. More than just an axiom, Omni-channel banking is a prospect to take bottom-line on higher note by gaining insights from customers' channels, behavior and preferences. Today's custom- ers are more sophisticated and tech savvy, and to cater to their specific needs, each customer needs a unique experience from banking. They want the companies to understand their unstated needs as well as their likes. So, it

should come as no surprise that these customers are expecting similar kind of response and service from banking institutions too. From researching new services, opening an account, checking balance, conducting transactions, loans, credits, wealth management, customer support, delivering an Omni-channel experience has become a key to success in this competitive market place

LITERATURE REVIEW

1. EMERGING TRENDS IN BANKING SECTOR IN INDIA (With Special Reference to Digitization) by Dr. Karuna Gupta, Mr. Ravindra Arya, Mr. Vineet Goel

The Banking sector is now witnessing a new wave of evolution with innovations in the fin-tech space, especially with the proliferation of prepaid wallets. Indian Banking Industry has shown considerable resilience during the return period. The second generation returns will play a crucial role in further strengthening the system. Indian banking system will further grow in size and complexity while acting as an important agent of economic growth and intermingling different segments of the financial sector. It is sure that the future of banking will offer more sophisticated services to the customers with the continuous product and process innovations. Adoption of stringent prudential norms and higher capital standards, better risk management systems, adoption of internationally accepted accounting practices and increased disclosures and transparency will ensure the Indian Banking industry keeps pace with other developed banking systems. Finally the banking sector will need to master a new business model by building management and customer services. Banks should contribute intensive efforts to render better services to their customer. Nationalized and commercial banks should follow the Recent trends and to get advantage of opportunities in changing banking scenario.

2. Capgemini and MIT Center of Digital Business, “The Digital Advantage: How Digital Leaders Outperform Their Peers in Every Industry”, November 2012

Banks need to consider the amount of cultural change that will accompany transformational initiatives for process digitization to be successful. Transformational solutions need the backing of management at all levels because they bring about radical changes in a bank’s operations.

The key is to introduce the practice of end-to-end process ownership, adopt new ways of working and better integrate the different organizational entities - such as the business, IT and change management units. Banks should appoint a digital czar or a digital steering committee with top management representation in order to help drive acceptance of transformational programs across the organization. Banks should also set up digital units or centers of excellence to promote the re-use of business processes and best practices across the organization.

Process digitization is as much a people journey as it is a technological one. Its impact will be felt across the organization through better, faster and more efficient ways of doing things from launching and marketing new products, to delivering compliance, and tracking benefits delivered on large programmes. The possibilities offered by process digitization, therefore, are not limited

only to achieving efficiency in the process itself, but expand into the significant opportunities of managing the business

3. FINANCIAL INCLUSION IN INDIA: AN ANALYSIS by DR. ANURAG B. SINGH, and PRIYANKA TANDON

Access to financial services such as savings, insurance and remittances are extremely important for poverty alleviation and development. In order to achieve the goal of total financial inclusion, policymakers, banks, MFIs, NGOs and regulators have to work together. In addition to cooperating with other stakeholders, policymakers who believe that microfinance can help them to speed up financial education programs that allow their citizens to realize the economic potential of microfinance. Basic financial literacy programs can help achieve better results in poverty alleviation.

Two other factors have often been cited as the consequences of financial exclusion. First, it complicates day-to-day cash flow management being financially excluded means households, and micro and small enterprises deal entirely in cash and are susceptible to irregular cash flows. Second, lack of financial planning and security in the absence of access to bank accounts and other saving opportunities for people in the unorganized sector limits their options to make provisions for their old age.

OBJECTIVES

Primary Objectives

- To study the effect of financial inclusion on sales
- To study the effect of digitization on sales
- To study the role of banks in financial inclusion

Secondary objective

- To study the overall digital transformation in banking

RESEARCH METHODOLOGY-

The research is partly exploratory and partly descriptive in nature. The effect of digitization on sales is exploratory as it is a new vertical, a lot of research has been done over the effect of digitization over operational efficiency or effectiveness but very less on how it affects sales. The effort has been to understand how the ways that customer gather information has changed rapidly and sales representatives were chosen for the survey and data collection has been done through interviews of 40 sales representatives spread across hierarchical job titles to avoid a particular perspective or myopic version of responses. The effect of financial inclusion has been studied through the already existing extensive research over market building approach and change in statistics since the launch of Pradhan Mantri Jan Dhan Yojana as well as market penetration of

rural areas. The sources of secondary data were credible and from Bill and Melinda Gates Foundation working on financial inclusion in developing countries as well as the RBI reports over the years

- **Type of research**

The research methodology for this project is partly exploratory and partly descriptive in nature.

- **Data Type**

Quantitative data has been collected through the interviews and interpretations has been done

- **Sources of Data**

The primary data has been collected through the interviews of the sales representatives and secondary data has been collected through research statistics of Bill and Melinda Gates Foundation, RBI reports, relevant research papers and websites

- **Tool for data collection :**

Interview of the sales team to collect the primary data for exploratory research.

- **Sampling method**

Simple Random Sampling. .

- **Population**

Sales team from home branch, people from other branches. Total of 40 people for survey.

- **Size of population : 280**

- **Sample size: 40**

- **Sampling Unit: Individual**

Findings

- The web registrations are very much lower to the branches located in the not so developed areas. People do not go to bank websites and click on applications on products
- 33 people that is 82.5 % responded that yes, the digital transformation is affecting sales positively
- 7 people that is 17.5 % responded that No, that it is not affecting positively and with
- Around 47.5% percent of people responded that the conversion rate of those leads is high. 22.5% said that it is low and only 5 % said that it is very low
- 16 people replied that following up the leads takes most of their time.
- Equally 8 and 8 people said they need more time with information providing and calling new leads. While 2 people said that meeting customer takes most of their time.
- Around 40 percent of the respondents feel that the website of axis bank is mobile friendly as well when 42 percent think that it is simply friendly and not more friendly
- Most of the information gathering according to the respondents is done through internet and directly at branch. Then at bank website and advertising and sales promotions and least by friends and family.

- There were 6 people that is 15%, who said that no, the CRM system does not give adequate information about the customers. The same people replied yes to the followed question that they would be able to close the sales call much effectively when they had more information
- These are the responses for 40 people only 7.5% of people think that leads can be generated through strategic alliances. While 47.5% think that the CRM gives maximum number of leads through registrations.
- 15% of the respondents accepted the fact that their competitors were more acquainted with respect to data. A whopping 58 % said they can't say anything about it and 27 percent replied that no they were not more digitally acquainted. People who replied yes gave some following reasons for it
 - Chatbot on websites
 - More data AMD leads they have
 - Quick to respond on internet
 - More advertising
 - Do more sales hence they must be

CONCLUSION

The digitization has effect on sales from various angles. One angle is from the customer point of view and another one is from the bank's point of view. In this paper we talked about the bank's point of view. The lead generation system and the effect of digitization on it, as well as the various platforms where customers visit to gather information plays important role in how the complete sales cycle takes place. The ways in which customer gains information, approaches the bank and what are their expectations from the bank after the sales are all vital to study the effect on sales.

For standing out on a global platform India has to look upon the inclusive growth and financial inclusion is the key for inclusive growth .There is a long way to go for the financial inclusion to reach to the core poor according to K.C.Chakrabarty RBI Deputy Governor "Even today the fact remains that nearly half of the Indian population doesn't have access to formal financial services and are largely dependent on money lenders". Mere opening of no-frill bank accounts is not the purpose or the end of financial inclusion while formal financial institutions must gain the trust and goodwill of the poor through developing strong linkages with community-based financial ventures and cooperative. Financial Inclusion has not yielded the desired results and there is long road ahead but no doubt it is playing a significant role and is working on the positive side.

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