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Branchless Banking – A narrative review

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***Abstract*— This article provides insights about Branchless banking in India, its growth and development over the years. The article also emphasis on current customer concerns about the same and future scope of Branchless banking in our country. Currently, there are no specific redressal mechanisms for customers of Branchless Banking, the customer issues from the same is also increasing. However, RBI, the regulator, has been continuously examining these issues and bringing guidelines and measures to strengthen the existing redress mechanism of consumer complaints, be it general banking or branchless banking. The article also talks about the financial inclusion initiative by Govt of India, and about the positive effects of demonetisation on the future scope and development of Branchless banking in our country.**

Keywords*— Branchless banking, digital banking product , financial inclusion

I. Introduction

Branchless banking is the modern concept in the digital era wherein customers can avail the banking services by resorting to electronic means of banking services rather than having to approach respective banks for availing banking services. Branchless banking is the delivery of banking services outside the normal bank branches, using information and communications technologies to transmit transaction details – like for example ATMs, CDMs, and net Banking & Mobile phones etc.

The banking industry has witnessed major changes after the implementation of financial inclusion programmes in 2006.The objective has been to deliver financial banking services to all unbanked areas or villages in our country. This is to be achieved with the help of branchless banking system leveraged by information and communication technology (RBI, 2010).

II. Branchless Banking in India

First, Today, use of technology for online banking services has increased to a greater extent. It has increased up to 67% in FY 2016-2017 (IBA), which depicts the same. The post demonetisation trends also depict much better participation of customers on digital banking products. The convenience of time and place, ease of use, real-time transactions, cost all add to the increased use of the same.

The problems associated with branchless banking comes from technology and fraud. Security related complaints addressed to Banking Ombudsman are on the rise. Since rural populations seem to have low financial literacy, more risks are involved in transactions through third-party agency leading to fraud and allied complications. Moreover, many a times customers face problems on online transactions, and many a times even the banks may not be in a position to help them as even they may not be in position to detect the online cash. So, let's just say that there are loop holes in the system which needs to be rectified.

Branchless banking services are considered to be 19% less cheap than the products offered by traditional branch banking products (CGAP,2010). If more consumers resort to online banking services, then the need of branches in every nook and corner would no longer be necessary. Thereby, the operational costs involved in branch banking could also be reduced to a considerable extent.

The Government of India has been encouraging the use of digital banking products as part of the financial inclusion with a view of moving towards a cashless economy in future. The more the transparency in online transactions more will be benefits that passes to the society. We still have unbanked people in our country due to the illiteracy rates, poverty, lack of proper knowledge etc. The online banking solutions is considered to provide the banking services to rural people also as part of the financial inclusion objectives.

With the financial inclusion plan as part of the development objective, the govt has set a target of providing banking services for villages with a population of quite 2000 individuals. This target is with regard to making banking services available to all sections of the society. For the successful implementation of the same, it is to be done in conjunction with the Indian government i.e. as per their plans of opening more brick and mortar branches in states, districts, taluks and villages, identified by the government of India.

The newer wide range of digital products are all examples of the wider acceptance of digital products by the customers.

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Branchless banking indeed would have greater potential in the coming years and would be able to meet the requirements of all sections of the population having diverse financial requirements.

In India, the business correspondents (BCs), accounted for about 51% of total banking outlets as on March 2010. By March 2015, the number of banking outlets had increased dramatically to 553,713 i.e. 91% represented branchless outlets, mostly business correspondents (Reserve Bank of India, 2015). The BC model as part of the financial inclusion is considered to be a greater success due to its various advantages. One among which is the fact that most of the correspondents are from the local community i.e. being well known in the community would motivate them to work with the community networks and encourage them to be a part of the banked population. But then, they also face a set of challenges in the process. Many a times they face resistance from unbanked population due to illiteracy and lower economic status which BC's are trying to overcome by sustained financial literacy training. The Bank's ability to accept the liability of BC's, the restrictions on the eligibility criteria as forwarded by RBI all fall into the challenge category for BC's.

Even when we talk about the increasing acceptance and penetrability of the digital products and how they carve path for a cashless and branchless economy, but still we cannot overlook certain concerns with revolving the usage of digital banking products.

III. Digital banking – Concerns

Security of online financial transactions continues to be one of the major customer concerns when it comes to the use of digital banking process. Every e-banking channel may face its own security related problems in the form of hackers, crackers, bugs, phishing, identity theft etc. The news of ATM frauds is no longer new to people, ATM robbery cases are also a matter of concern now. There are also cases of theft of identity data and misuse of the same through infiltration systems.

Technological skills are another important concern. Even though our country wants to move towards a cashless economy, we still are not 100% self -sufficient in literacy and then computer literacy is a long way down the lane. As such, a lot of customers still are not much familiar with the usage of digitally enabled banking products and services.

Infrastructure is another concern i.e. adequate infrastructure and telecommunications systems are essential for achieving transparency. Thus, these networks must satisfy minimum requirements regarding security, capacity and bandwidth.

Personal contact is another crucial factor that gets struck hard when we talk about branchless banking. There are customers who still prefer interaction with the banking personnel, which availing banking services. A face to face contact provides them with more customer satisfaction and that would also act as a factor for customer retention.

IV. Grievance redressal mechanism

As per the BCSBI code of conduct, all member banks should provide for a helpdesk at their bank branches and should mandatorily display the branch name, contact number of the code compliance officer & address of the Banking ombudsman. In case of grievance, the customer may approach the bank and if its not resolved, he/she may approach the code compliance officer. In case the customer is not satisfied, he may approach the Banking Ombudsman. The customer may also approach the consumer courts at district, state and national levels under the Consumer Protection Act,1986.

Technology related problems with ATMs have been taken care of by the banks as per RBI guidelines to settle the issue within 7 days. To avoid security related problems with ATMs, banks have introduced biometric solutions in ATMs. The customer issues whether it is general banking or branchless banking are redressed under hosts of Acts like Indian Contract Act 1872, Negotiable Instruments Act 1881, Indian Limitations Act 1963, Indian Stamp Act 1899, Banking Regulation Act 1949, RBI Act 1935, Consumer Protection Act 1986 and Information Technology Act 2000 etc. The Damodaran Committee has recommended for a comprehensive Act which will take care of the total banking system that serves that is now advanced technology savvy. It should be easing to follow with flawless interpretation to build stronger banker-customer relationship.

V. Impact of demonetisation

Post demonetisation, along with the urban citizens, people in rural areas are also getting used to digital transactions. Demonetisation has triggered the upscaling of digital platforms. Government initiatives like Aadhar and Jan Dhan Yojana are all motivators to move towards digital banking platforms. SBI claimed that non-cash transactions rose from 30 per cent (of total) in March 2016 quarter to 40 per cent in March 2017 quarter. The digital transaction share was 38 per cent in December 2016 quarter.

The increasing number of online payment applications like Paytm, BHIM, Paypal, TEZ are all positive symptoms of wider acceptance of digital products by customers. As per the Reserve Bank of India (RBI) data, the value of both debt and credit card transactions at Point of Sales (PoS) & ATMs are around Rs 26.22 lakh crore during November 2016 to August 2017. The volume of transaction for both debt and credit card at POS and ATM, post demonetisation went up from 9,132 million to 10, 612 million. In the mobile banking the volumes jumped by 100 per cent from 524 million transactions to 1,048 million transactions in the same period. The value of transactions jumped by 137 per cent from Rs 6.06 lakh crore to Rs 14.40 lakh crore. the value of mobile wallet transaction swelled from Rs 24, 174 crores to Rs 67, 472 crores. All these data could be considered as positive pathways of wider acceptance and penetrability of digital banking products and services. The wider usage and acceptance would indeed mean that the government's plan of

financial inclusion and the dream of a cashless economy could be possible.

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