

# [Eko india financial services – simplibank](https://assignbuster.com/eko-india-financial-services-simplibank/)

[Literature](https://assignbuster.com/essay-subjects/literature/), [Russian Literature](https://assignbuster.com/essay-subjects/literature/russian-literature/)

Pappu is a migrant labourer from Bihar who lives at Uttam Nagar west. He like thousands of others does not have access to formal banking and is often at the mercy of the informal ways of savings and remittances. One day he learns about a mini savings bank account, a joint initiative by Eko India Financial Services and SBI. So he approaches the customer service point, who also happens to be his next door chemist. All he needs is a mobile phone and an identity proof.

The chemist helps him fill the account information form and explains to him that all transactions are conducted by simply dialing, without hassles of composing an sms. Pappu is now a proud bank account holder. He proceeds to make a deposit. To his surprise he finds that making a deposit is as simple as making a talk time recharge. The customer service point transfers account to Pappu’s account by simply dialing. Pappu has made his first deposit. Sometime later in Bihar, Pappu’s brother remembers that he needs to buy fertilizers for the crops.

So he promptly rings up Pappu who promises to send him the money immediately. Pappu transfers the amount again by simply dialing. His brother is a happy man indeed to receive the money so easily and so quickly. The above story is one of the many happy customers of the Simplibank service offered by Eko India Financial Services. Eko India Financial Services Pvt. Ltd (Eko), a Delhi based financial services company was founded to serve the section of the population which was financially excluded. The company believed that a basic saving account is important for financial inclusion.

Eko realized that people from financially excluded communities owned mobile phones and the mobile penetration in India was rising rapidly. The company decided to develop its product based on mobile phone. It chose to use mobile phones as the mode of communication between banks and the end users. Financial Inclusion Financial inclusion is delivery of banking services at an affordable cost to the vast sections of disadvantaged and low income groups. Unrestrained access to public goods and services is the sine qua non of an open and efficient society.

As banking services are in the nature of public good, it is essential that availability of banking and payment services to the entire population without discrimination is the prime objective of the public policy. The term " financial inclusion" has gained importance since the early 2000s, and is a result of findings about financial exclusion and its direct correlation to poverty. Financial inclusion is now a common objective for many central banks among the developing nations.

Scope of Financial Inclusion The scope of financial inclusion can be expanded in two ways viz. by state-driven intervention through statutory enactments (For example in the US, the Community Reinvestment Act and making it a statutory right to have bank account in France) and through voluntary effort by the banking organizations to create strategies which involve bringing together a large section of the society within its customer base. When the Banks do not pay attention to some sections, it is the responsibility of the Government and the Central Bank to help the situation. That is the reason why the Government is placing more importance on financial inclusion.

Financial Inclusion should be looked at from a very wide perspective. If a person has just access to a current/savings bank account without any extra frills, it is not regarded as a good indicator of financial inclusion. There are many levels of financial inclusion and exclusion. It is possible to identify easily the extremes of the gambit of inclusion and exclusion. At one end, there are the ‘ super-included’ who have access to a wide range of financial services and products. This section of customers is regarded as the target market for most of the banking organizations.

At the other extreme, there is also the ‘ completely excluded’ section of people who are denied access to even the basic of financial products and services. In between these two extremes lie multiple levels of customers who use banking services for just deposits and withdrawals, in other words as ‘ safe-keeping’. These levels may have only restricted access to banking services and do not enjoy the flexibility that is offered to the affluent class. Consequences of Financial Exclusion Consequences of financial exclusion will vary depending on the nature and extent of services denied.

It could lead to increased travel requirements, higher incidence of crime, general decline in investment, difficulties in gaining access to credit or getting credit from informal sources at exorbitant rates, and increased unemployment, etc. Small businesses could suffer due to loss of access to middle class and higher-income consumers, higher cash handling costs, delays in remittances of money. According to certain researches, financial exclusion could lead to social exclusion. International Scenario One can see a pattern emerge if we take a look at the problem of financial exclusion from a global perspective.

The thrust on empowerment of the common man and low income groups increases with the development of a society, i. e. more developed a society, greater focus on empowering the common man. International experience would definitely help in solving the problem of financial exclusion locally. For example, in the United Kingdom, the Financial Inclusion Task Force was set up to provide greater access of financial services to the lower income groups. The task force identified three priority areas which were: (i) access to banking, (ii) access to affordable credit and (iii) access to free face-to-face money advice.

In addition the Community Finance Learning Initiatives (CFLIs) were introduced with a view to promote basic financial literacy among housing association tenants. The Indian Scenario Nationalization of Banks in India led to a paradigm shift in the focus of banking from class banking to mass banking. Regional rural banks were also created to take the Banking servies to poor people in villages. The branches of commercial banks and the RRBs have increased from 8321 in the year 1969 to 68, 282 branches as at the end of March 2005.

The average population per branch office has decreased from 64, 000 to 16, 000 during the same period. However, there are certain under-banked states such as Bihar, Orissa, Rajasthan, Uttar Pradesh, Chattisgarh, Jharkhand, West Bengal and a large number of North-Eastern states, where the average population per branch office continues to be quite high compared to the national average. The new branch authorization policy of Reserve Bank also encourages banks to open branches in these under banked states and the under banked areas in other states.

One of the benchmarks employed to assess the degree of reach of financial services to the population of the country, is the quantum of deposit accounts (current and savings) held as a ratio to the adult population. In the Indian context, taking into account the Census of 2001 (ignoring the incremental growth of population thereafter), the ratio of deposit accounts (data available as on March 31, 2004) to the total adult population was only 59% (Exhibit 1). Within the country, there is a wide variation across states.

For instance, the ratio for the state of Kerala is as high as 89% while Bihar is marked by a low coverage of 33%. In the North Eastern States like Nagaland and Manipur, the coverage was a meager 21% and 27%, respectively. The Northern Region, comprising the states of Haryana, Chandigarh and Delhi, has a high coverage ratio of 84%. Compared to the developed world, the coverage of our financial services is quite low. For instance, as per a recent survey commissioned by British Bankers' Association, 92 to 94% of the population of UK has either current or savings bank account.