

Mobile Banking in Micro Finance

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Abstract

Research purpose: This paper aims to discuss the mobile banking scenario in the Micro finance system which is being used for better and speedy disbursement of Micro finance.

Research design/methodology/approach: The paper employs the archival method of reviewing related literature-theoretical, applied and empirical and presenting the topic to provide an overview of mobile banking in Micro finance.

Key results: The major contributions and findings of this paper include few areas of mobile banking in micro finance such as transaction costs, customer adoption and regulatory challenges.

Impact: The paper brings some scattered information and data about mobile banking in micro finance under one umbrella that would make scholars, practitioners and players aware of present scenario in Mobile banking financial services as a tool of financial inclusion.

Value added/ Originality: The main value or contribution of this paper is bringing together most of available literature, advances, innovations, in order to provide ideas to scholars for further research in this area and directions to policy makers.

Introduction

Access to finance by the poor and vulnerable groups is a tool for poverty reduction and social cohesion. This has become an integral part of India 's efforts to promote inclusive growth⁶⁹. Financial inclusion denotes delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include credit, savings, insurance and payments and remittance facilities. The objective of financial inclusion is to extend the scope of the financial services of the organized financial system to include within its ambit people with low incomes. In India, through graduated credit with the advancement of technology, the attempt is being made to lift the poor from one level to another so that they come out of poverty. One such technology used prevalently all over the world especially the most appropriate one for the developing countries for the alleviation of poverty, as financial inclusion project, which formulate the strategies for low transaction cost is mobile banking.

The mobile banking services like M-Pesa of Kenya, GCash of Philippines and Easy Paise of Pakistan provide a greater learning in the adoption of mobile banking as a tool of poverty alleviation. In India, as a tool of financial inclusion, few pilot projects on mobile banking services are being carried out in Andhra Pradesh, New Delhi and Karnataka. Hence, mobile Banking, a symbiosis of technology and financial services, is the hottest area of development in order to reduce poverty around world by reaching out to the unbanked⁷⁰ very specifically, the developing countries.

⁶⁹ Special address by Ms. Shyamala Gopinath at BANCON-2006 at Hyderabad on November 4, 2006.

⁷⁰ The unbanked are people without formal bank accounts who operate in a cash economy; they are limited in their ability to take out loans, maintain savings, or make remote payments, and these constraints can inhibit their economic opportunities.