



FIBAC productivity report on Indian Banking Industry 2018

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According to the annual FIBAC productivity report on Indian Banking Industry 2018 released by the Boston Consulting Group, FICCI and Indian Banks' Association, southern states are performing better than the rest of India in mobile banking adoption in savings accounts.

Key Findings

Mobile Banking

- States such as Manipur and Telangana lead the way in internet banking, although mobile banking now seems to be the preferred mode among digitally-active users.
- Mizoram, Andhra Pradesh, and Puducherry make up the other top three States that are high on using internet banking services.
- The rising smartphone and internet penetration, combined with the rising 'e-literacy', has set the tone for India to move from branch banking to electronic banking channels, such as mobile banking and internet banking.
- Transactions through these digital channels have almost doubled up in 2016-17, while both branch-based and ATM transactions have witnessed a slight decline.
- There now seems to be a shift in preference from internet banking to mobile banking for digital customers across bank categories.

MSME

- The MSME segment has a huge untapped potential for credit and digital lending to the sector, and could become a Rs 15-lakh crore opportunity for lenders over the next five years. Currently, digital lending accounts for only 4% of total MSME lending. However, it is expected to rise to 21% over the next five years.
- This significant jump will close the gap with digital retail lending, which is expected to reach around 48% of total retail lending in five years,

- Currently, in India, out of the total formal credit of around ₹100 lakh crores, only 25% is extended to MSMEs. Spurred by the introduction of the Goods and Services tax (GST), small businesses are increasingly getting formalized as well as digitised. The percentage of MSMEs using digital channels has increased from 41% before the introduction of GST to 47% after GST.

Money Lending and Credit Facilities

- 9% growth has been observed in terms of credit in 2018 as compared to 2017. With financial institutions providing easy credit facilities, consumers are encouraged to further discover money lending and credit facilities.
- Metro cities are driving growth in current account balances and rural areas have grown with respect to savings account balances.
- There has been a steady shift in investments preferences from term deposits to mutual funds, and banks are earning from these third party products like mutual funds.
- With 80% of the adult population bearing bank accounts, India is on the cusp of achieving financial inclusion.

Financial Inclusion in India

- Financial Inclusion refers to universal access to a wide range of financial services at a reasonable cost. These include not only banking products but also other financial services such as insurance and equity products.
- Financial education, financial inclusion, and financial stability are three elements of an integral strategy to ensure the sustainable economic growth of society. While financial inclusion works from the supply side of providing access to various financial services, financial education feeds the demand side by promoting awareness among the people regarding the needs and benefits of financial services offered by banks and other institutions. These two strategies promote greater financial stability.
- **Financial Stability Development Council (FSDC)** has explicit mandate to focus on financial inclusion and financial literacy simultaneously.
 - FSDC was constituted by the government in 2010. It is chaired by the Union Finance Minister.
 - The Council deals with issues relating to financial stability, financial sector development, inter-regulatory coordination, financial literacy, financial inclusion and macro-prudential supervision of the economy including the functioning of large financial conglomerates.

Steps taken by the government

- The government opened over 30 crore bank accounts with almost 60% being in rural areas under its **Jan Dhan Yojana**. The zero balance accounts amongst these have significantly declined implying the government's success in getting unbanked people to actively use it.
- Part of this has been driven through the **linking of Aadhaar and doing Direct Benefit Transfer (DBT) to these Jan Dhan accounts**.
- A multitude of solutions, like UPI, BHIM, NeSL, and BBPS amongst others have been developed as the infrastructure that could handle all aspects of servicing such a large segment of the population.