

## A Study on Kiosk Banking In Inclusive Growth of Rural India

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### ABSTRACT

**Purpose** - The purpose of this study is to find the significant effort by the government of India to promote the kiosk banking services. This paper provides the first overview of important implications of financial inclusion, to investigate the purpose and role of Kiosk banking in unbanked and under banked area of India.

**Design/methodology/approach** - This research study mainly uses the deductive approach to consider secondary sources of data where research questions have been developed in order to demonstrate the findings. An initial literature review has been done to know the current status and involvement of kiosk banking in rural area.

**Findings** - There are still lots of unbanked area in India where the banking facilities outreach from the people. There is a lack of financial literacy among the villagers in rural area which is the main barrier of people to use banks and banking facilities. Kiosk bank provides the banking facilities like deposit, withdrawn, and money transfer of cash through bank mitra with the use of few easy steps.

**Research limitations/implications** - More efforts have to be made to mitigate the challenges of adoption of banking facilities in rural unbanked and under banked area. The results of this study show that the lack of research cited as one of the most serious limitations of kiosk banking and hence the limited use for transaction purposes. One of the vivid implications of kiosk banking is the awareness and trust of the rural population and the facilities provided by the kiosk banks are limited in nature then the bank branch in India.

**Practical implications** - This paper has some relatively important marginal implications. First, the fact of having a licence from nationalised bank like, SBI. From this, the paper identified the role of SBI kiosk banking and its registered BC (Business Correspondent) as a portable ATM/Branch of correspondent bank.

**Originality/value** - This paper is first to analyse the suitability and functionality of Kiosk Banking in unbanked area of India. It also proposes alternative mode as an entrepreneur for job creation for the youngsters in rural area that provide a

*better fit with potential business medium in India.*

**KEYWORDS: Kiosk banking, financial literacy, financial inclusion, Cashless transaction, Inclusive growth.**

**Paper type** Research paper

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## INTRODUCTION

Inclusive growth has gained a lot of impetus in India. It means that all sections of society contribute to benefit from economic growth of the country. Financial inclusion has come up as a key measure for achieving inclusive growth <sup>[1]</sup>. Financial inclusion is defined as “the process of ensuring access to appropriate financial products and services needed by all sections of the society in general and susceptible groups such as weaker sections and low income groups in particular, at an affordable cost in a fair and transparent manner by regulated typical institutional players” <sup>[3]</sup>. It is a process to access financial services and timely and adequate credit where needed by vulnerable groups such as weaker sections and low income groups at an affordable cost <sup>[1]</sup>. In reality, there is a vast range of different financial products and processes that financial institutions use in their processes, investors use to mitigate the risk.

Banking firms are now using innovative tools and services in their transactions and daily operations like, Green Channel Counter (GCC), visitor’s token system, e-lobby etc. In 1990s, Indian banking sector realized the need of modernization of the services and infrastructural development. Most of banks have adopted the technology to cater the needs of the customer. Financial innovation like mobile banking, internet banking, GCC, Kiosk banking reduce the cost of transactions, better allocation of resources and speedy settlement. Now all the banks have now started with the multi-functioning channel, like ATMs, credit cards, debit cards, call centres, including telephone/mobile banking, internet banking etc. Kiosk banking is an important phenomenon and basically developed for unbanked and under banked areas of country where less number of banks are and people can’t reach to the bank to use their services. The role of banking is redefined from a mere financial intermediary to service provider of other financial services under one roof acting like a financial supermarket <sup>[16]</sup>.

The primary objective of the study is to mitigate the challenges of the kiosk banking through extensive literature review and recommend the method to promote the

kiosk banking in unbanked and under banked rural area of the country.

## **HISTORICAL BACKGROUND OF BANKING INDUSTRY**

*“A bank is a financial establishment which uses money deposited by customers for investment, pays it out when required, makes loans at interest”* <sup>[15]</sup>

*“A bank is an establishment which makes to individuals such advances on money as may be required and safely made, and to which individuals entrust money when not required by them for use”* – According to Professor Kinley.

Banking industry is one of the oldest industries of the world. In around 2000 BC, the first entry of banking activity recorded in Assyria and Babylonia when merchants of ancient time made loans to farmers and traders that carried goods. Later in ancient Greece and during the Roman Empire lenders based in temples made loans but also accepted deposits and changing money.

In India, the banking industry was started in 18<sup>th</sup> century when the General Bank of India and Bank of Hindustan were come into existence in 1786 and 1790 respectively. Later on, under the charter of British East India Company three more banks like Bank of Bengal, Bank of

Bombay and the Bank of Madras were established. These banks were merged in 1921 and formed a common bank namely; Imperial Bank of India, which later became the State Bank of India. The period between 1906 and 1911 witnessed the establishment of some more banks such as Bank of Baroda, Bank of India, Indian Bank, Canara Bank, Corporation Bank, and Central Bank of India; these banks have survived to the present.

The banking sector in India can be divided into two parts i.e. pre-liberalization and post-liberalization since 1991 <sup>[6]</sup>. In the pre-liberalization, the Government of India (GOI) nationalized the 14 largest commercial banks in 1969. In second phase, GOI nationalized six more commercial banks followed in 1980. The reason for the nationalization was to give the Government more control of credit delivery <sup>[5]</sup>. In the year 1993, the Government merged New Bank of India with Punjab National Bank with this the number of nationalized bank reduced from 20 to 19. The banking sector has seen a tremendous amount of change in early 1991 i.e. post liberalization; then Narsimha Rao Government embarked the policy of liberalization. Small number of private banks also got licences for banking like,

Global Trust Bank which later merged with Oriental Bank of Commerce <sup>[6]</sup>, Axis Bank (earlier Unit Trust of India (UTI)), Industrial Credit and Investment Corporation of India (ICICI) bank and Housing Development Finance Corporation (HDFC) bank. This move had increased the growth in Indian Banking. Along with the quick growth in the economy of India, followed by the growth with healthy input from all the three sectors of banks, i.e. Government banks, Private banks, and Foreign banks.

#### **Current Banking Scenario:**

*“Bank is that institution which performs functions of banking”* – According to Sir John Paget.

*“Banking means the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque, draft, order or otherwise”* – According to section 5(b) of Banking Regulation Act, 1949.

In terms of regulations and structural changes Indian Banking caused many changes due to globalization. With the variable environment, many different strategies have been adopted by this sector to remain efficient and to surge at the forefront in the global arena. In the last

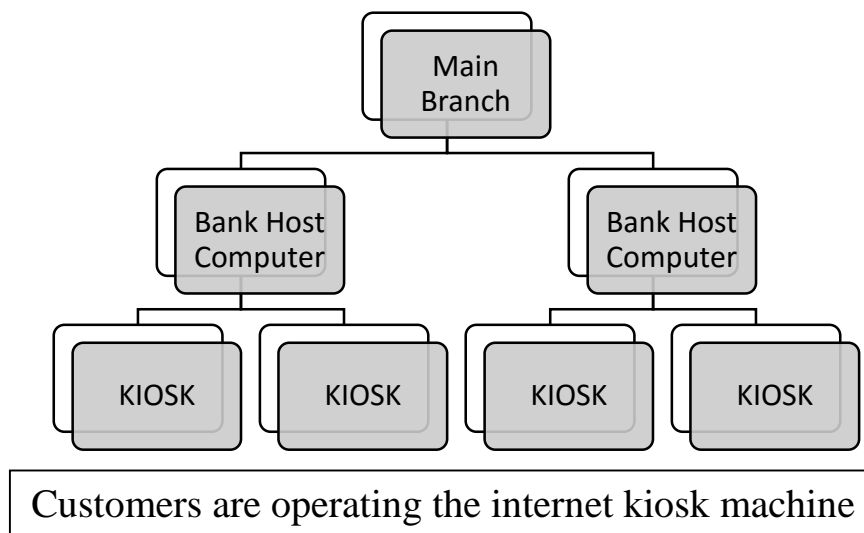
decade, the Indian banking system has evolved to provide several types of remote banking channels like ATMs, credit cards, debit cards, call centres, telephone/mobile banking, internet banking etc. The objective of all types of remote banking is to provide extra facilities and convenience to customers and save service cost to the bank. In late 1980s, ATM came into existence and mitigates the 75-90% queue from the bank branch <sup>[2]</sup>. ATM outlet introduced to perform personal banking transactions like withdrawals, balance enquiry, fund transfer etc. Now this outlet turned into e-Lobby which offers additional services like deposit of cash, deposit of checks, pass-book entry, bill payment, mobile top-ups etc <sup>[14]</sup>. This has forced banks to devise methods of shifting non-cash transactions out of ATMs into self-service kiosks, installed beside the ATM machines. The Latest buzzword is that banks are look at introduction of kiosks alongside ATMs that are tamper-proof and spill-proof, or are enabled to perform activities like cheque truncation, internet banking, cash withdrawal, cash deposit, printing of account balance statements etc.

#### **KIOSK BANKING**

“KIOSK” is a small store in which some vendors sell their small and inexpensive consumables like, newspaper, magazines,

cigarettes, confections etc. The Reserve Bank of India (RBI) defines financial inclusion as the process of ensuring access to financial services with timely and adequate credit where needed by inclined groups such as weaker sections and low income groups at an affordable cost [9]. In the essence of financial inclusion, KIOSK is a new face of banking. It is an important concept and basically introduced for unbanked and under banked areas of country where less number of banks are and people can't reach to the bank to use their services. A kiosk requires a simple user interface that can be used a small formal training or documentation, and the hardware must be capable of operating unattended for long periods of time. It is estimated that kiosks can help to achieve 90% transaction automation in retail banking. A retailer can open a no-frills bank account for a customer by recording

fingerprint details as KYC (Know Your Customer) and taking a photograph of the customer. The details along with other documents are forwarded to the affiliated bank branch to carry out the KYC process. Once the account is open, a customer can withdraw, deposit or remit a maximum of Rs. 10000 per day (before demonetization) through the internet-enabled kiosk branch. Kiosks can perform all cashless transactions like balance enquiry, internet banking, bank statements, demand drafts, fund transfers, bill payments, cheque truncation, information display etc. It is conceived that the kiosks will functions with the support of leading banks in the private, public and cooperative sectors and using the shops as a centralised-point for basic banking services such as cash deposits, withdrawals and remittances apart from micro-credit and insurance. The functionality of kiosk banking is as follow:



Kiosks will offer all the banking facilities like the ordinary bank branches. Kiosks are now accepted as a medium of information and have caught the fancy of other users like - Corporate/HR, Banking, Hospitality, Entertainment, Industrial, Education, Telecom, e-Government, Medicals, Retail, Hotels, Shopping malls, Museums, Town halls, Cities etc. Kiosk is a latest development to promote banking services in unbanked area. Currently, very few banks like State Bank of India, ICICI bank, IDBI bank offer kiosk facility. Unlike an ATM which is used for cash withdrawn, kiosk primarily used for non-cash transactions, like cheque book request, printing bank account statement, and fund transfer etc. Kiosks have full keyboards and documents printers, ATM generally don't have such kind of printers.

### **FUNCTIONS OF KIOSK**

The functions and features performed by the kiosk banks are as follows:

**Cheque Deposit-** Customer receive a electronic receipt, with a scanned image of

- Touch and non-touch display
- Integrated full page thermal printer
- Integrated speaker
- Keyboard with trackball
- Barcode scanner
- Magnetic card reader
- Video camera
- Cash acceptor

the cheque while deposit cheque with kiosk centre. The cheque further endorsed at the bank, while the transaction details are generated for the bank's interface.

**Personal Inquiries-** Enquiries like, cheque book request, mini statement request, balance enquiry etc. can be requested by the customer easily.

**Internet Banking-** Customer can use e-Banking for transactions easily through kiosks.

**Customer Tool Support-** A webcam in the kiosk allows the customer to reach the agent through video conferencing to any query. Financial calculators and loyalty programs can also improve customer utilization.

**MIS reporting-** Data generated from kiosk transaction are further used for MIS reports and database creation. This leads to minimize back-end operations of the bank. There are many features in kiosk machine which help the customer to make cashless transactions, like <sup>[11, 12]</sup>:

Kiosk is the innovative model of banking which contribute the banking facilities in unbanked area. It contributed in financial inclusion also and provides banking facilities to the outreach of the customer lives in rural and unbanked area of the country<sup>[11]</sup>. There are lots of advantages of kiosk banking through which it reaches a major point in the history of banking. The advantages of kiosk banking are as follows:

- Online banking reduces cost of transactions.
- Acquiring new customer via opening of no-frill accounts.
- Providing financial literacy by educate new and existing customers about services and product offered by kiosk banking<sup>[8]</sup>.
- Bridges language barriers with non-English lingual customers.
- Enhance customer satisfaction by providing online banking services at nearby place.
- Provide reward in form of loyalty points earned while using internet banking.
- Provide service 24x7 in centralized location<sup>[9]</sup>.
- Provide training and educational services to employees working with kiosk.

## **KIOSK ARE USED IN SOME OF THE BANKS FOR INCLUSIVE GROWTH**

**ICICI Bank:** There are three firms manage the project of kiosk banking including World Bank, technology firms, and local government. “ICICI bank has over 2000 kiosks across India and plan to make the figure to 5000,” says Nachiket Mor, executive director, ICICI Bank. Bank established kiosks all over the country, including Andhra Pradesh, Rajasthan, Tamil Nadu, Karnataka, Kerala, Maharashtra, Gujarat and UP.

**State Bank of India:** SBI which has the largest branch network in the country invites eligible individuals/NGOs/Companies/Other entities to join hands to take banking to all. SBI targeted the interior villages that are outreach the facilities of banking. SBI kiosk transactions are bio-metrically secured; printed acknowledgment for each transaction is issued to the customer and has end-to-end process of account opening & transactions online. Micro savings and Micro payment are done through no-frills savings bank account.

**IDBI Bank:** Bank focuses on customer relation management (CRM) and provide a “single sign-up code word” to customers

which strengthening the usage of kiosk in rural area.

### **KIOSK SCENARIO IN INDIA**

From financial literacy to market access, from telecom to healthcare, from financial intermediation to entertainment, Information technology has a potential to address the unmet needs of the Indian villagers. Kiosk bridges the gap between rapid growing India and the lagging old India. These kiosks represent a paradigm shift in the delivery of services to rural India by serving villagers directly instead of via intermediaries. Moreover, the increasing prevalence of such kiosks is already helping to mitigate the gap particularly wide digital divide in India. Customers in Bangalore to collect monthly pension, people travel lots of miles from village to taluk spending travelling expenses and using up the whole day. Now, they have kiosks which allow them to withdraw the amount under few minutes, without spending time and travel expenses<sup>[9, 10]</sup>. Through rapid growth in the kiosk in banking sector, other sectors like retail and tourism are likely to adopt a more plodding approach. But in any case, the concept of kiosks is all set of go the ATM way explosively growth in numbers of usage. After the successful achievement of kiosk outlet of SBI, ICICI, Citibank, IDBI,

there are many other banks are going to introduce kiosk in their banks promises. In future rural area people will not face any problem in interacting with banks. As estimated, soon there will be kiosk machines of banks in each and every village and villagers don't need to travel long to get there salary/wages/pension or to withdraw money from banks or to pay their premium. By utilizing kiosks in bank branches or even non-traditional locations like, shopping malls, grocery stores etc. banks can increase their customer base as well as increase the level of service they offer existing clients. Banking convenience, non-interest generated revenue, increased carrying capacity, customer retention etc. leads the role of kiosks always stay on.

### **CONCLUSION**

Finally the research conclude that kiosk banking is a new and innovative invention in the banking sector which is used in other sectors also like, Corporate/HR, Hospitality, Entertainment, Education, Telecom, e-government, Medical, Retail, Hotel, Shopping malls, Museums, Town halls, Cities and Communities, Research facilities, Insurances, Public authorities, Commerce, Airports, Refilling Stations, Media etc. Indian rural population are very satisfied with the functioning of kiosk.



Government also try to upgrade the facilities of kiosk, so that illiterate or financially illiterate people can use the kiosk machine easily. Kiosks can also help companies to better serve the needs of a different type of customer. Kiosks can help the employee self-service from the factory floor, where there are large numbers of employees at satellite sites without access of computers. Government should promote the kiosk banking by allotment of licence to the eligible employee. Government should motivate the people to use the kiosk for banking purpose so that the customer can trust and families with information technology and cashless transaction of the economy.

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