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A CASE STUDY

Management of commercial banks in Ethiopia from the perspective of financial inclusion

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ABSTRACT

Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream institutional players like banks. Expectations of poor people from the financial system is security and safety of deposits, low transaction costs, convenient operating time, minimum paper work, frequent deposits, and quick and easy access to credit and other products, including remittances suitable to their income and consumption. Several countries across the globe now look at financial inclusion as the means to more comprehensive growth, wherein each citizen of the country is able to use earnings as a financial resource that can be put to work to improve future financial status and adding to the nation's progress. Initiatives for financial inclusion have come from financial regulators, governments and the banking industry. NBE should encourage expansion of bank branches, especially in rural areas and semi urban areas resulting in multifold increase in branch network, spread across the length and breadth of the country, because a significant proportion of the households, especially in rural areas, still remained outside the coverage of the formal banking system. Engaging business correspondents can permit banks to engage business facilitators (BFs) and business correspondents (BCs) as intermediaries for providing financial and banking services. The BC model allows banks to provide doorstep delivery of services, especially cash in-cash out transactions, thus addressing the last-mile problem in reaching the remote villages. To sum up, financial inclusion is the road that Ethiopia needs to travel toward becoming a stimulant player in the economic development of the country.

Key words **:** Financial inclusion, Use of ICT, Commercial banks, Management

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Financial inclusion is the process of ensuring access to appropriate financial products and services needed by vulnerable groups such as weaker sections and low-income groups at an affordable cost in a fair and transparent manner by mainstream institutional players like banks.

Financial inclusion has become one of the most critical aspects in the context of inclusive growth and development. The importance of an inclusive financial system is widely recognized in policy circles and has become a policy priority in many countries.

Unrestrained access to public goods and services is an essential condition of an open and efficient society. It is argued that as banking services are in the nature of a public good, it is essential that the availability of banking services to the entire population without discrimination should be the prime objective of public policy of any country. Expectations of poor people from the financial system is security and safety of deposits, low transaction costs, convenient operating time, minimum paper work, frequent deposits, and quick and easy access to credit and other products, including remittances suitable to their income and consumption.

It is now well understood that commerce with the poor is more viable and profitable, provided there is ability to do business with them. The provision of uncomplicated, small, affordable products can help bring low-income families into the formal financial sector. Taking into account their seasonal

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