

ICT for Rural Financial Services

Some experiences of CARE

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CARE's experiments with ICT

- Computer Munshi- pilot project with PRADAN
- MIS software development support for partner MFIs (Java Softech, Syscon and BASIX)
- SHG Tracker software (for RRBs-BAGB and RGB)
- SHG Accountant software (for SHGs)
- Support to ekgaon technology-CAM project pilot

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Issues in Rural Finance (vis a vis ICT)

- Low access to formal financial services
 - Majority of people do not have a Bank account and do not have credit access from a formal source
 - KYC norms take Banking service away from majority
- Low level of technology penetration in Banks in semi urban and rural areas
 - Low levels of computerisation in RRBs and Cooperative Banks
 - Very few have implemented Core Banking

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Study on Technology in microfinance- key findings

- Number of technologies piloted
 - to expand outreach, increase productivity and efficiency and improve monitoring systems and portfolio quality
- Small MFIs do not invest much in technology.
 - MFIs neither have capacity nor finances to invest in technology
 - For small scale operations, it is unviable to invest in technology
 - Low investment in technology stifles growth
- Computerised MIS is the most commonly adopted technology investment in MFIs

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Key findings ... contd.

- Larger MFIs have carried out a number of innovation pilots on technology (sometimes with donor support)
 - High failure rate with such experiments/ pilots.
 - Low commitment of MFI management to make technology pilots successful
 - Many experiments abandoned after pilot

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Status of MIS in MFIs

MFI Type	Status of MIS	Future Plans
Tier- I MFIs	Well developed, sturdy, automated, computer based MIS system	Upgrade to superior technology, connecting branches and internet connectivity
Tier-II MFIs	Automated/ semi-automated systems (EXCEL/ ACCESS based), does not meet requirement completely	Stabilising MIS to meet organisational growth needs
Tier-III MFIs	Manual/ rudimentary paper based MIS systems	To identify vendors for suitable MIS system

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Reasons for Failure

- Key reasons for failure of technology initiatives in Indian microfinance
 - Hardware / software used not robust (BASIX- portfolio manager, BASIX- Simputer. CASHPOR- Simputer)
 - Lack of scalability (Gyandoot)
 - High cost (SKS- Smart card/ low utility, BASIX-POT: Sudama)
 - Lack of technological support/ after sale support (BASIX- portfolio manager, CASHPOR- Simputer)
 - Infrastructural constraints- connectivity, electricity (BASIX- POT: Sudama)

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Learnings from success and failures

- Adoption rate of technologies needed by MFIs is high
- Technologies that lead to demonstrable impact on cost saving, increasing efficiency and improving portfolio quality are better adopted
- Technologies that empower people by giving them access and control over information has greater chances of succeeding
- Rural Financial institutions like RRBs can also benefit from technology and adopt
- Technology solution has to fit in in the overall operating environment of the organisation and not offered as a piece-meal solution.

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Learnings .. continued

- Scalability is a key requirement
- Solves a real life problem
- Easy to implement
- Robust hardware and software
- Easily accessible technical support for troubleshooting
- Client appeal
- Requires collaborative effort of technology provider and the institution
- Technology provider must build their domain knowledge and understand the operating environment

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Opportunities for potential applications

- Majority of transactions in informal sector, agriculture and allied sectors take place outside Banking channels
- Technologies exist. Applications need to be piloted, customized and implemented
- Cost of connectivity has come down drastically. Low cost internet access, wireless internet access and mobile networks now available almost everywhere.
- New technologies like WLL, low cost ATMs, bio-metric fingerprinting, Smart Cards could lead to cost reduction through scalability and appropriateness for rural markets

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Opportunities ... contd.

- Banks have robust back-end technology platforms. MFIs have the customer relationship. Opportunities for fruitful partnerships
- Banking correspondents and Banking facilitators could play a significant role in increasing rural outreach.
- Many more financial services could be extended in rural areas.
 - Micro-insurance is catching up
 - Warehouse receipts, Weather risk insurance have huge potential
 - Pension products, housing financial, life insurance and capital market linked products (ULIPs, Mutual Funds etc) have not penetrated rural markets

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Opportunities ... contd.

- Very large untapped/ informal market for remittance services
- If incomes of individuals in informal sector could be established, credit delivery will be easier
- Clients demonstrating good credit history may be provided with larger enterprise loans. Need to establish income and credit history

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THANK YOU !!!

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