



ICT-enabled Financial Inclusion: Issues and Challenges

V G Sekar

**Deputy General Manager & Faculty Member
College of Agricultural Banking
RBI, PUNE**





Issues for Successful ICT

- Strategic Issues
 - Pricing policy, regulation, etc.
- Technology Issues
 - Cost of infrastructure, communication infrastructure
- Social Issues
 - Acceptability of e-Money and its methods of usage
- Practical Issues
 - Training of customers, BCs & staff, Cash Management
- Marketing and Communication Issues
 - E-banking can reduce costs but will be rejected if no value is added to customer



ICT-implementation: Approach

- Technology is not a constraint
- Systems to reach the villagers and not vice versa
- Suitable product design is necessary: Converting 'need' to 'demand'
- Banks to move over to hybrid channels
- Need to focus on people & processes
- Vision, planning, technology without effective implementation benefiting the target is worthless



Five Pillars for appropriate ICT

- An appropriate ICT solution would have to satisfy the following criteria:
 - Performance & Scalability
 - Availability
 - High Fault Tolerance
 - Security
 - Interoperability



ICT – Capability & Solutions

- Overcome the four fold challenges for rural financial inclusion: Availability, Affordability, Awareness and Accessibility
- Some important solutions: Low cost, multi-purpose ATMs with regional language interface, Point of Sale instruments, smart cards, mobile SIM cards as multi-application smart cards, Kiosks...



Credit-Plus Services using ICT

- NCDEX: Online price quotes, historic price data, online settlement with clearing bankers, warehousing and delivery process, weather data, etc.
- Insurance Services
- AIC, as a pilot, offers insurance cover for the wheat crop based on satellite imagery
- RBI's NEFT Scheme/mobile banking guidelines may be leveraged for faster remittances and receipt of funds



Delivery Channels

- IT-enabled PACS as BCs can be the rural hubs for delivery of banking services
- ICT-based Tie-up with India Post
- National e-Governance Plan - Common Service Centres (CSCs)
- ICT-enabled MFIs as BCs



Regulatory Facilitations

- **Nationalisation of banks, LBS & its review, setting-up of RRBs**
- **No frills a/c, KCC, GCC**
- **BC / BF employment by banks**
- **Financial Literacy Programme**
- **Liberalised policy for ATMs & PoS**
- **RBI's Funding Support for V SAT connectivity**
- **Mobile banking operative guidelines**
- **Policy Guidelines for Issue of Pre-paid instruments**



Points to Ponder...

- Proactive involvement of local community groups like farmers clubs or the gram panchayat in ICT-based initiatives
- Technology-assisted Credit Scoring methodologies to be evolved by banks
- National Unique ID Project – Banks to look at the opportunities
- Lead Banks may support establishment of block level help desk for maintenance services and cost-effective shared solutions
- Select a Business Model which is appropriate and sustainable



Conclusion

- The success/failure or the magnitude of the impact is not a function of ICT itself, but rather of *how* the organisation uses it.



Discussion

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Thank You

