



# Financial Inclusion: India Perspective



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# Early Inclusion efforts in India

- Socialization of the banking sector, 1969
- Self Help Groups, 1995
- Regional rural banks, mid 90s
- Kisan Credit Cards (KCC), 1998
- No Frill Accounts, 2005

# India Today

- 70,000 bank branches (12 international, 27 national and 20 private banks)
- 1,853 urban co-operative banks with 7,217 branches
- 398 rural co-operative banks
- 100,000+ primary agricultural credit societies
- 35,000+ ATMs

- 91% of villagers do not have a branch within 2 Km and almost one in four does not have a branch within 10 Km radius
- Around 1.5 billion \$ in micro credit against a demand of 15 billion \$.
- 185 million adults (above poverty line and age group of 19 to 60 years) do not have a bank account
- About 70% GDP of rural India out of banking reach.

# Challenge 1: People are hesitant to go to bank



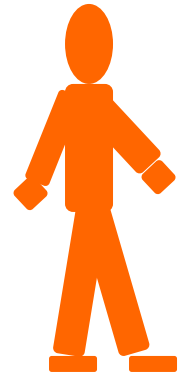
Village/ Rural  
people

To deposit/ withdraw \$2 from the bank,

Cost of travel from village to bank = 1/2 day wage + (\$0.12 ~ \$0.48)

# Challenge 2: Social and environmental issues

- Transparency & Trust
  - Prior experiences with microfinance institutions
- Illiteracy
  - Financial: Savings and money management
  - Language: Communicate with the banks
- Bank
  - Timings interferes in daily routine
  - Local availability of staff
- Capital Expenditure accounts Vs Lifestyle accounts



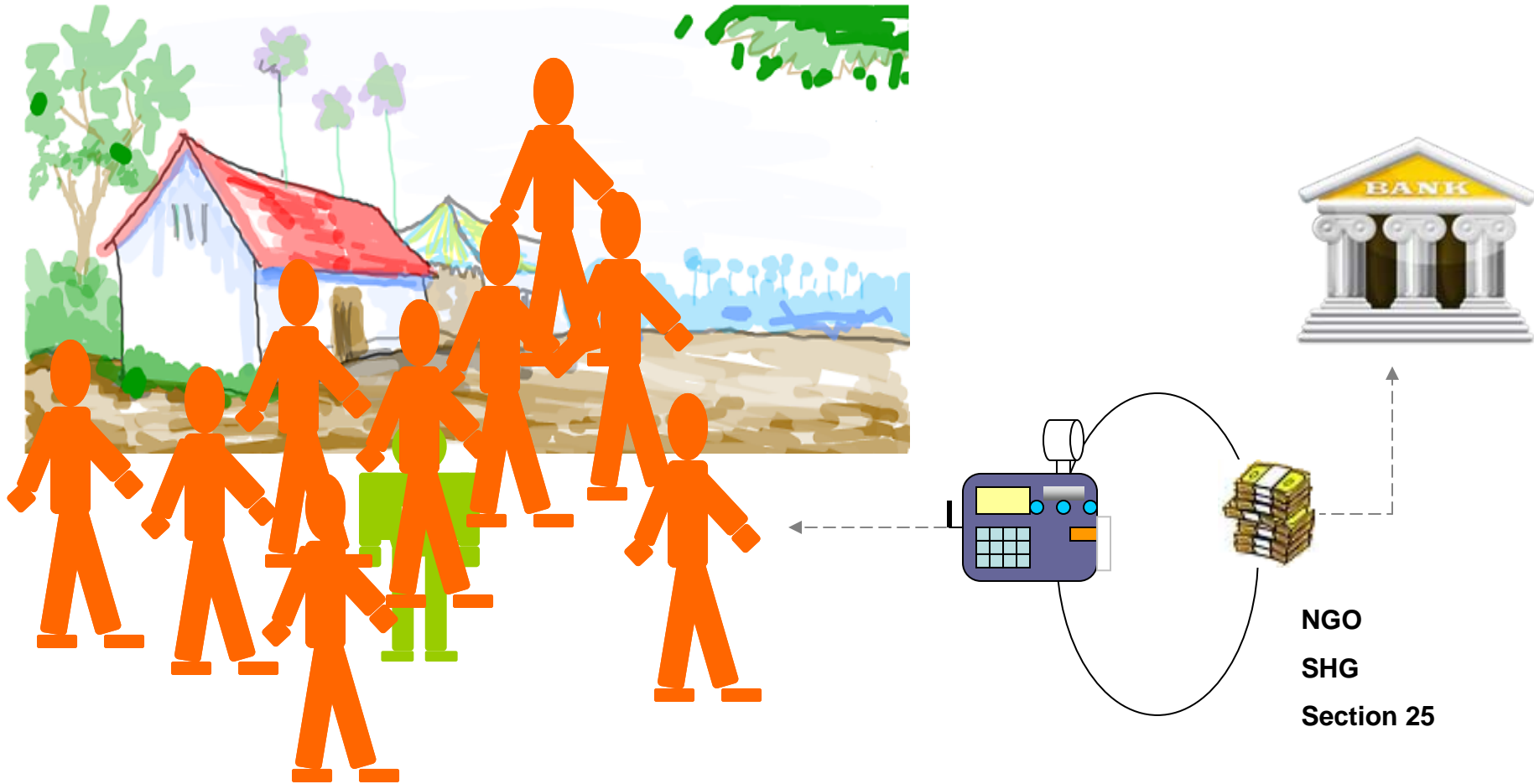
# Challenge 3: Prohibitive costs for banks

- Banks find it difficult to serve the excluded population
  - Unsustainable cost of transaction with existing systems
    - Low value and low volume of transactions
    - Inefficient payment and settlement systems for low value transactions
    - Existing costs per transaction ~\$1+ to the bank branch, ~0.40 at ATM and \$0.10 for internet
  - Infrastructure Issues, Staff availability, Security

# Initiatives, 2006 onwards

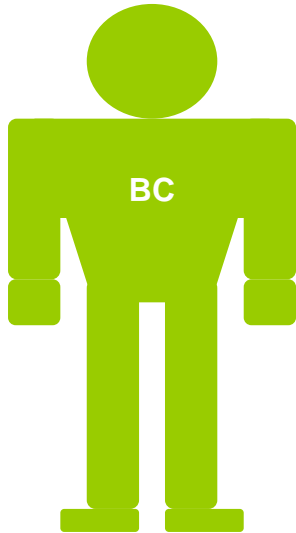
- Rangarajan Committee
  - Business Correspondent (BC) model
  - Use of ICT to simulate an ATM
  - General Purpose Credit Card (GCC)
  - Electronic Benefit Transfers

# Business Correspondent: The Village Banker





# The Village Banker



- Is trustworthy amongst his community
- Educates on financial literacy in a language understood by the community
- Liaises with the bank and his community
- Implements door step banking
- Opens up accounts for his people
- Withdraws and deposits money with the bank branch on behalf of his community through the use of technology

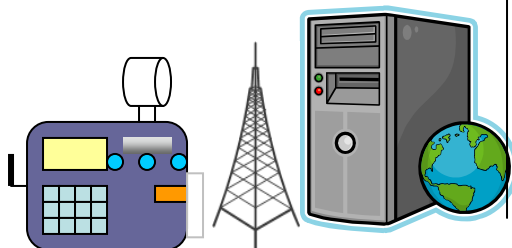
# ICT, Smart card and Biometrics

## ICT

- Taking the bank to where it is needed :

### Branchless Banking

- Secured communications over GPRS, Internet, USB
- Standard communication protocols with bank's core systems



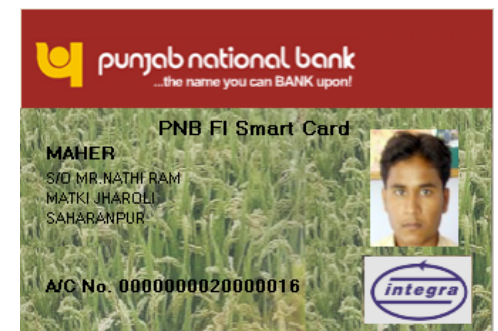
## Biometrics

- Use of fingerprints
- Proven identification and authentication mechanism



## Smart Cards

- Photo Identification
- Storage
  - Personal details
  - Fingerprint
  - Encrypted access key
  - Last 5 transactions: electronic passbook



# Branchless Banking terminal

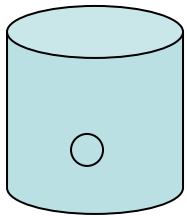


- Hand held hardware that can be easily carried to villages by a BC
- A combination of
  - Fingerprint reader
  - Smart card reader
  - Printer
  - Voice Guidance for illiterates
  - GPS
  - Secured communications over GPRS, Internet, USB
- Communicates with back end core banking systems

**Gold Award at Lockheed Martin India Innovation**

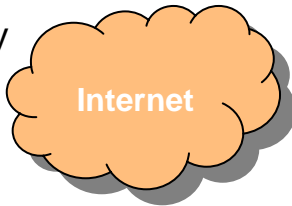
**Gold Winner at GSM Asia Congress, Macau**

# Opening bank accounts and generation of smart card

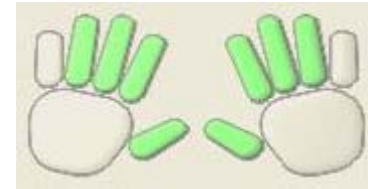


Central Repository

Open account with bank



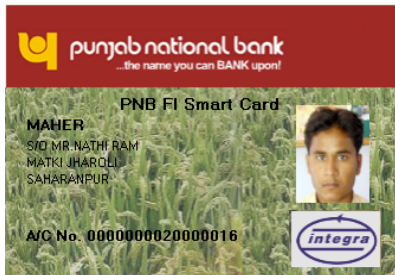
Internet



Smart card printer

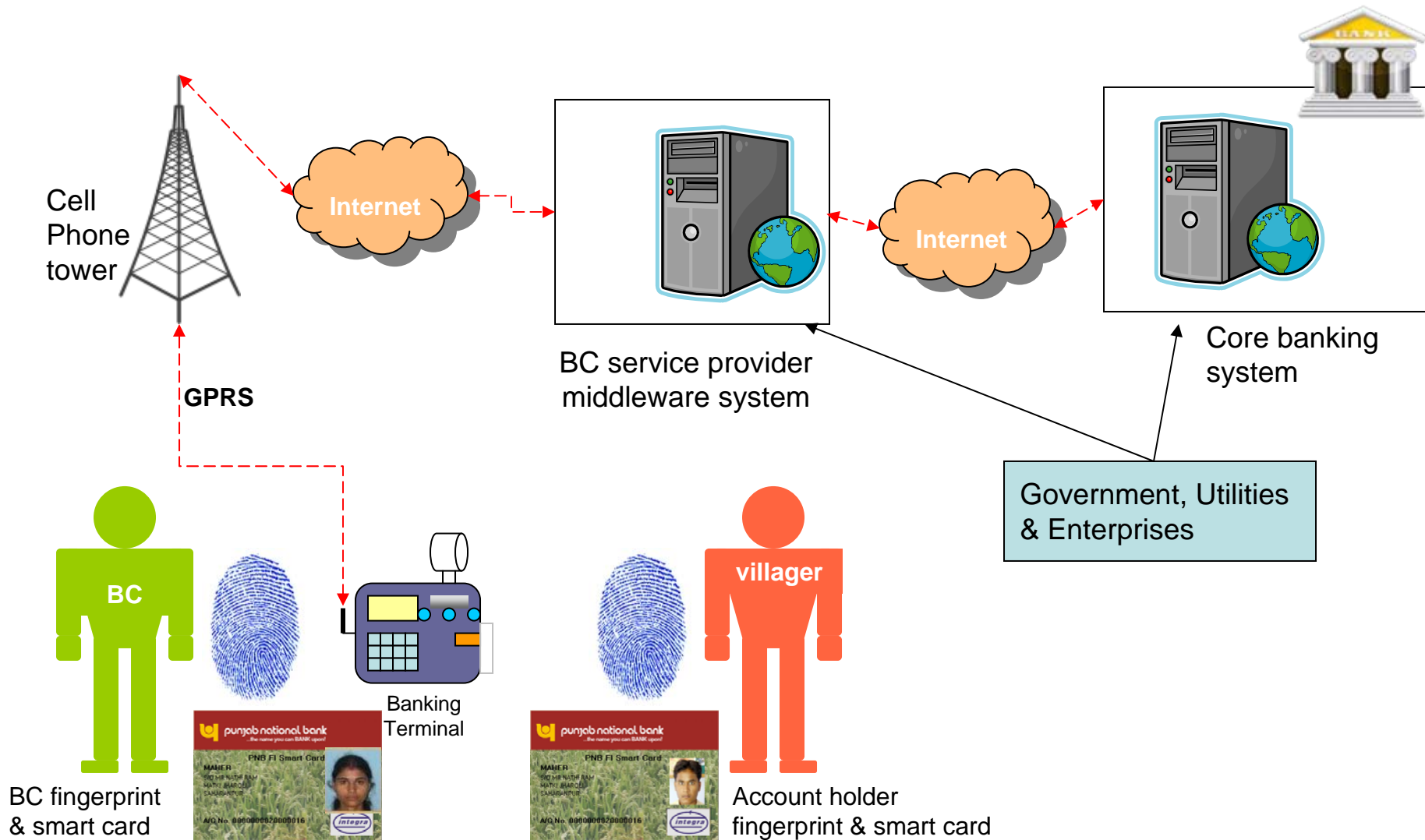


Personal details



Smart card

# Financial Inclusion Solution





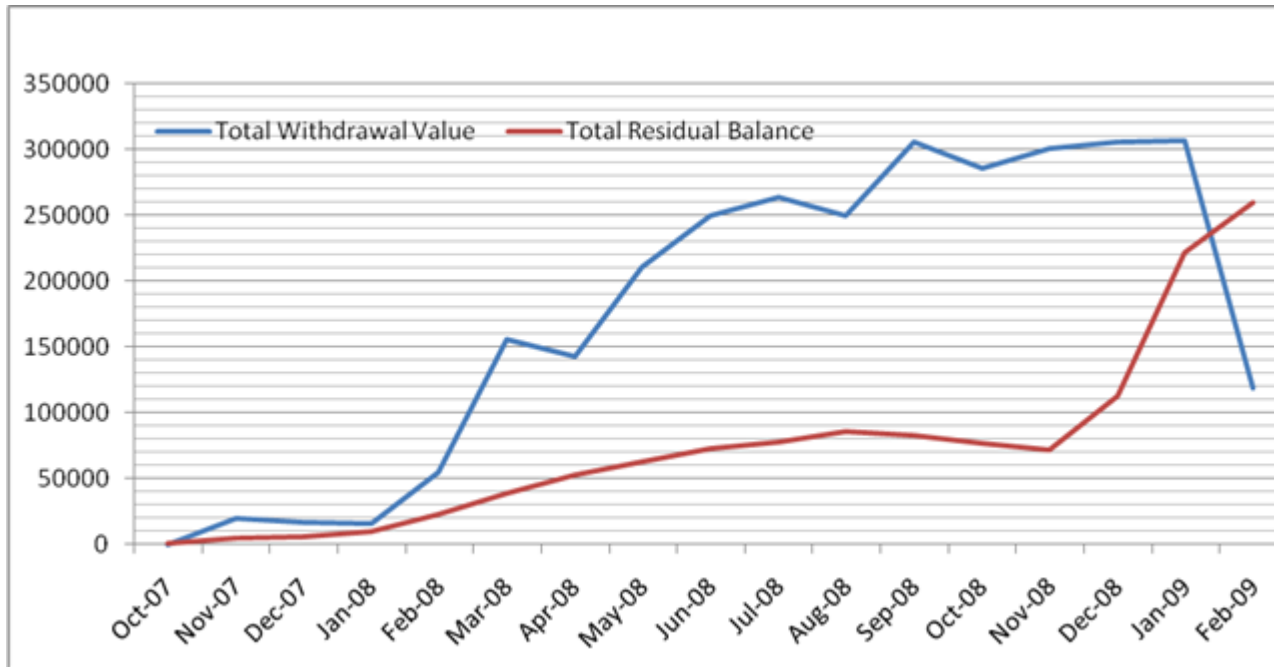
# Key Findings - Roles

- Role of the Government
  - Example: Andhra Pradesh, State of India
  - Over Draft and GCC facilities as catalyst
  - Electronic Benefit Transfer of Govt. funds
- Role of technology
- Role of women



Our Business correspondent operations across India

# Key Findings – Savings Habit



- The milk pourers association in Chittoor, Andhra Pradesh
- Savings Habits – in people increased over time with increased trust in the system



# Thank You



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