

## **Strengthening the Focus on Financial Inclusion**

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**Financial inclusion** has been one of the key pillars of India's development strategy in the recent years. Financial inclusion policies have aimed at channelling and spreading formal banking system usage in the semi urban and rural areas of the country, fostering facilities for electronic payment, and making financial services more affordable. Some of the Major plans and initiatives taken by the Government of India for the welfare of unbanked sector in the country would include Pradhan manthri Jan dhan yojana, Common service centres and more.

### **Pradhan Mantri Jan-Dhan Yojana:**

This is a National Mission on Financial Inclusion encompassing an integrated approach to bring about comprehensive financial inclusion of all the households in the country. The plan envisages universal access to banking facilities with at least one basic banking account for every household, access to credit, insurance and pension facility.



In addition, the beneficiaries would get RuPay Debit card having inbuilt accident insurance covers of 1 lakh. The plan also envisages channelling all Government benefits (from Centre / State / Local Body) to the beneficiaries' accounts through the Direct Benefits Transfer (DBT) scheme. The technological issues like poor connectivity, on-line transactions will be addressed. Mobile transactions through telecom operators and Cash Out Points through their established centres are also planned to be used for

Financial Inclusion.

### **Common Services Centres Scheme:**

Implemented under the National e-Governance Plan (NeGP) formulated by the Department of Electronics and Information Technology (DeitY), Government of India, the Common Services Centres (CSCs) are ICT enabled front end service delivery points at the village level for delivery of Government, Financial, Social and Private Sector services in the areas of agriculture, health, education, entertainment, FMCG products, banking, insurance, pension, utility payments, etc.

This initiative covers close to 6.50 lakh villages across India, making it the world's largest government approved ICT enabled network and is ideally positioned to strengthen India's banking network, by extending the business correspondent network.



Pic 1.2 CSC in Maharashtra

Based on the above institutional involvements to further financial inclusion, the public sector banks have created new accounts for large number of beneficiaries. Now that the debit cards have been issued to every account holder – the challenge to access cash takes the centre stage. There is an opportunity for an "ATM" service to enable these new customers of the banking system to gain access to their balances.

The other option is the Business correspondent/Micro ATM service which is presently in vogue with various levels of efficacy.

### **The ATM solution and associated challenges:**

We see a growing idea among PSU banks (wanting to serve the millions of new account holders) and White Label Operators (mandated to increase ATM foot print in small towns and rural areas) to locate ATMs closer to the customer. The cost involved in setting up the ATM infrastructure and maintenance in tier IV-VI locations is a significant challenge, given the transaction volumes. Below is a quick evaluation of the costs involved in installation and maintenance of an ATM:

ATM, civil works, Data connectivity, surveillance cameras, lighting (in Rs) – 5, 00,000

Rent, power, cash loading, ATM Managed services, Security (in Rs) - 25,000/month

The above cost demands more than 80 transactions per day threshold for the ATM operators/ banks to break even, which is a tall order for desired rural locations.

### **Can the Micro ATMs assist?**

Micro ATMs are considered as one of the core technology product for delivery of PM Jan Dhan Yojna scheme. Schemes like DBT-Direct benefit transfer are constrained due to lack of micro-ATM's to enable payment at the doorstep of beneficiaries as a regular service. In the absence of BCs the beneficiaries usually visit the bank or head post office, which is not nearby to obtain the payment.

Also these Micro ATMs uses finger print for transaction authentication. One of main challenge in such an authentication process is that, the users are required to make multiple attempts to read their finger prints, resulting in the user-inconvenience.

### **Proposing Low Footprint – DeskTop/Mini ATMs for shared spaces:**

The above business challenges warrant reducing the costs in running an ATM network in tier IV-VI locations. An innovative Desk Top/Mini ATM solution, operating typically in day time hours, located in shared space, low power (solar backup) and connectivity through GSM/CDMA dongle can make it profitable for everyone.

With the Desktop/ Wall mounting possibilities these ATMs can be installed in shared spaces within the post offices/ Kirana stores / common service centres. These Mini ATMs can prove to be a low cost and high outcome solution solving the problems of not just the beneficiaries who want to access their balances, but also a befitting solution for the Banks and the ATM operators.

These Mini ATMs can eliminate the shortcomings of the regular ATM installation as it can reduce the Capex and Opex costs making it viable for the ATM operators to break even at 40 to 50 transactions per day.

The Mini ATM's wall mounting capabilities reduces the space required within shops or a common service centre or post office, makes it the qualified solution for a business hour engagement to withdraw cash. With the optimized cash capacity design, these mini ATMs could reduce cash loading cycle given the transaction volumes in the in Tier IV-VI locations.



Pic 2.1 Counter top ATM - Placed on a Counter at Post office

### **Complementing the usage of existing technology with the proposed Mini ATMs:**

1. Desk Top ATMs positioned within the Common service centres/ Post office branches can deliver services through their working hours. Also thinly staffed banks, post offices can assign the DeskTop ATMs for regular payment transactions and maximize their staff time on other services.
2. Mini ATMs allows alternate authentication methods like PIN/ OTP on mobile, alienating the challenges of finger print recognition due to quality issues in Micro ATMs. While PIN based authentication on the Mini ATMs provide better privacy avoiding phishing/ faking issues.
3. One of the challenges is in offering interoperable payments between beneficiary and different banks. Mini ATMs, like any other ATM will offer interoperable service by supporting NPCI-AEPS (Aadhar enabled payment system).
4. These Mini ATMs, like other ATMs can also support card less money transfers, helping the beneficiary who do not have a bank account. The sender transfers money to beneficiary using mobile number as ID. The beneficiary can withdraw the money in any of sender's bank ATMs. Mini ATMs deployed in semi urban, rural areas can serve in money remittances between family members etc.
5. Mini ATMs in each Common Service Centre can function as a kiosk terminal supporting both financial and non-financial transactions providing local language support with voice guidance. Training the individuals to use Mini ATMs to conduct essential transaction will be important step for digital literacy programme.
6. The government of India announced a policy on adoption of open source software, making it mandatory for all software applications and services of the government be built using open source software, under Digital India to "ensure efficiency, transparency and reliability of such services at affordable costs". If the Mini ATMs are in line with the OSS architecture, it will be a value addition taking the ATMs to the next level of safety and reliability.



Pic 2.2 Mini ATM – Wall mounted in Premise

### **References:**

1. <http://www.pmjdy.gov.in/>
2. <http://www.csc.gov.in/>
3. <http://economictimes.indiatimes.com/tech/internet/india-doubles-down-on-use-of-open-source-software/articleshow/46738604.cms>

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