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Panel Discussion

Sustainable Investment in telecommunications: How leveraging ICTs for Financial Inclusion contributes to achieving the SDGs

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India has significantly improved financial inclusion over the past four years. 53% of adults had accounts in 2014. By 2017, that number had jumped to 80% percent — a remarkable addition of 300 million accounts in just a few years. Importantly, traditionally excluded groups shared in these gains. Women saw a 30% increase in account ownership, and the poorest households saw a 40% increase. Female account ownership has increased significantly to include 77% of all women in India

Powering this dramatic rise has been a series of financial inclusion measures launched by the government. These include Aadhar, a biometric database that provides a unique identity to each Indian citizen; no-frills savings bank accounts called Jan Dhan; the direct transfer of social benefit payments into these Jan Dhan accounts; and a digital payment infrastructure called BHIM.

The Jan Dhan Yojana scheme (PMJDY) has been the principal driver of increases in financial inclusion since its launched in 2014 by the Indian Government. The scheme mandated that state-owned banks open at least one account for every unbanked household. Most accounts opened since then have been at the state banks. To date, 353 million accounts have been opened (of which women account holders constitute 188 million) with deposits totalling US$15 billion. The bank accounts come with debit cards, an accident insurance cover of US$2,875 and an overdraft facility.

India's biometric identity scheme, Aadhaar, reached near universal adult coverage, making it easier for people to verify their identities and open accounts. The Unique Identification Authority of India reports that 1.21 billion Aadhaar numbers had been issued.

A growing number of government direct benefit transfer programs have also played a role by increasing the demand for accounts among poor people. In the 2018-19 fiscal year alone, the Indian government paid $45 billion in benefits to 1.24 billion people. These payments included everything from housing and cooking gas subsidies, to rural employment wages, to scholarships.

Through mobile banking platforms, direct benefit transfers and also increased awareness of these services, government believes that financial inclusion can be improved.

Digital India, a government initiative launched in 2015 to improve internet connectivity, digital literacy and the nation's technology infrastructure, aims to increase participation in the digital economy.

Mobile penetration is expected to reach 90% by 2020. Internet penetration has soared, and the use of digital payments is also rising significantly.

Under the Bharat Net Programme, the Indian government is laying high-speed internet cable to connect 250,000 villages at a cost of $5.07 billion by 2019.

These are creditable achievements for the country. However, getting a unique identity, having a bank account and using digital payments are just the foundations of financial inclusion.

Having achieved considerable progress in financial inclusion, the next stage is to harness immense rural potentiality for business growth.

Steady and coordinated efforts of all stakeholders are necessary, more at the local level by disseminating financial and digital literacy.

An account holder does not translate into an account user.

Moreover, if financial literacy is a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions then we have a long way to go.

Financial counselling and digital literacy enable bank customers to make informed decisions in using financial services for their entrepreneurial growth and well-being.

Equally, while mobile phone ownership is increasing, using apps and online banking websites requires a level of technical literacy and confidence that customers in rural and low-income areas often do not possess. There is a fundamental mis-trust in using phones or digital modes to transact, particularly in rural areas. An education gap persists regarding mobile account access and digital payments.

For rural women in particular, barriers to financial literacy such as a lack of higher education and male-dominated social structures still remain. One interesting solution to improve female participation is to have more women as banking agents working in rural areas.

Access to and the ability to use financial services can empower women through managing financial risk and increase savings for education and healthcare spend.

India's Central Bank – RBI, has taken several initiatives that include a recent launch of a pilot project of setting up Centres of Financial Literacy (CFL) based on the hub-and-spoke model.

Identified change agents will be trained at Centres of Financial Literacy, who in turn would undertake financial education in villages.

Research has shown that countries with deeper levels of financial inclusion - access to affordable, appropriate financial services - have stronger GDP growth rates and lower income inequality.

Efforts over the last few years have shown that the basics of financial inclusion have been addressed, now we have to work on Financial Inclusion 2.0 – that assists in creating a financially literate customer and system that is inclusive and sustainable.