



Cashless In The Hinterlands

Mobile banking might save the government and banks money and reduce fraud that plagues the public-distribution system.

Mobile phones are making life better for people in remote, underserved areas of [India](#). They no longer have to walk kilometers to public call offices to use a telephone—an essential tool for buying and selling goods based on the latest market data, getting credit from lenders and other commonplace activities. So far, most of the benefits have come from one of the phone's simplest features: voice calls.

With more than 250 million mobile users and 6 million new ones added each month, India now has the "tele density" to support more-sophisticated mobile technologies, which could have a big impact on Indian society and the economy in the next few years. (An extra 10 mobile phones per 100 people in a typical developing country leads to an additional 0.59 percentage points of growth in GDP per person, according to a London Business School study.) These include "voice broadcast" services that would let a truck owner inform residents of a village about a scheduled trip to the city, or doctors announce the availability of polio vaccinations. A more complex system would allow a small business, say, to keep track of shipments. What's holding up these services is the lack of mobile banking.

With urban markets nearing saturation, global giants like Nokia are now looking to appeal to the hinterlands. Reliance Communications, which has offered Internet service over its mobile phones since 2002, is sponsoring a contest this year for developers to invent new rural services. "We want to really take advantage of our mobile platform, our data network, and our ability to provide the mobile Internet experience to bridge the digital divide," says Mahesh Prasad, president of applications and development.

Several small companies are at work on mobile banking for small businesses. New Delhi-based eKgaon technologies has developed a system for tracking transactions made by so-called Self Help Groups, which pool members' money and offer small loans to poor people. The system uses a camera-equipped mobile phone to scan forms and a voice-recognition system. A.Little.World, a mobile software business in Mumbai, has developed a microfinance and payment system that lets customers perform banking transactions through a local agent affiliated with a bank (a practice allowed for the first time in January 2006). Customers get a secure electronic identity via phone or smart card; agents take deposits and dispense cash. Biometric data, such as fingerprints, make the phones and smart cards more secure than



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paper-based banking. A.Little.World has extended such services to about 400 local businesses acting as agents. And it's now working on a national rollout with the State Bank of India—the biggest player in the rural market. Meanwhile, ekgaon, whose partners include CARE, World Vision and the World Bank, has a pilot transaction-management system for 10,000 Self Help Groups, with plans to extend it to 14 Indian states.

Mobile banking services can reduce the cost of transactions for loans and other services—the main obstacle to providing banking for the poor—by as much as three quarters, according to ekgaon's chief operating officer Rohit Magotra. Mobile transactions could have an even broader effect applied to India's social-security payments and public-distribution system, which sells essential goods to the poor at subsidized rates. By March 2008, people in 8,000 villages in Andhra Pradesh will get their benefits zapped via mobile phone to their smart cards, which they may eventually use instead of cash to buy goods at the ration shop. A.Little.World, which is building the system, says a nationwide service could help reduce fraud in the public-distribution system. It would also mean going from a bank less world to a cashless one, maybe even faster than America or Europe.