



Mobile phones cutting banking costs, hassles in rural India

Mobile technology is starting to make an impact on the lives of people in India's hinterlands. Not only do these devices eliminate the need for rural people to walk kilometers to reach public phones, they are also increasingly being used by these people for mobile banking. This practice might also save the government and banks money and reduce fraud that plagues the public-distribution system, according to a brand new study ([link at end](#)).

In India, more and more rural people who did not have access to home phones, are now getting ownership of the mobile version of the phone – 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 "teledensity" to support more-sophisticated mobile technologies, ... ([read more](#))

... 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. (Click here to read [the full article](#).)

According to the article in Newsweek.com, several small companies are at work on mobile banking for small businesses. "New Delhi-based ekaon 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 paper-based banking."

"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 ekaon'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 bankless world to a cashless one, maybe even faster than America or Europe.”