



Last Mile Challenges To Financial Inclusion

This article is based on [“Not by digital alone”](#) which was published in The Indian Express on 06/01/2021. It talks about the last mile challenges to financial inclusion in India.

Being a welfare state, one of the prime objectives of government policy in India has been to enable financial inclusion and to reduce abject poverty through interventionist public policies. One such approach is the [Direct Benefits Transfer \(DBT\) initiative](#).

Various government programmes such as maternity entitlements, student scholarships, and wages for [MGNREGA](#) workers fall under the DBT initiative where the money is transferred to the respective beneficiaries' bank accounts.

However, the beneficiaries face many hurdles in accessing their money. For example, in rural areas, beneficiaries have to travel miles and wait for several hours to make one banking transaction.

These hurdles are broadly referred to as **“last mile challenges”**. These challenges have widened the distance between the rights holder and their entitlements, which must be urgently resolved.

Last Mile Challenges & Their Impact

- **Digital Exclusions:** A recently published KPMG report found that India's Internet usage is the lowest of the BRICS nations.
 - Similarly, the [Digital Quality of Life \(DQL\) Index 2020](#) reflects the dismal performance of India in digital parameters.
 - Moreover, digital illiteracy, innumeracy, and unfamiliarity with technology hinder the digital product's full uptake.
- **Unfamiliarity With DBT:** Beneficiaries of DBT do not know what to do when their payments get rejected, often due to technical reasons such as incorrect account numbers and incorrect Aadhaar mapping with bank accounts.
 - More importantly, the workers/beneficiaries have rarely been consulted regarding their preferred mode of transacting.
- **Breeding of Corruption:** The digital exclusion and unfamiliarity of beneficiaries with DBT, has created new forms of corruption.
 - This was evidenced in the massive scholarship scam in Jharkhand, where many poor students were deprived of their scholarships owing to a nexus of intermediaries, government officials, banking correspondents and others.
- **Inadequate Rural Banking:** There are just 14.6 bank branches per 1 lakh adults in India. It is sparser in rural India.
 - Moreover, rural banks are short-staffed and tend to get overcrowded.
 - Accessing banks in rural areas leads to loss of one wage day for the worker. Also, people

have to spend money on transportation to access the bank to withdraw their payments/subsidies.

- **Unsuccessful Banking Correspondent Model:** More than a decade after the first regulations on the Business Correspondent (BC) Model were issued in 2006, banks and other financial service providers are struggling to establish a viable and sustainable business case for branchless banking.
- **Accountability Issue:** The lack of accountability and absence of grievance redressal continue to impact all DBT programmes.

Way Forward

- **Expanding Scope of Social Justice:** Understanding social justice should be broadened by including the right to access own money in a timely and transparent manner.
 - Moreover, these rights should be protected through strengthening grievance redressal processes and setting accountability norms for all payment intermediaries.
- **Providing More Choices:** Universalization of Aadhar Enabled Payment System will enable Aadhar Enabled Bank Account holders to carry out seamless financial transactions.
- **Establishing a Code of Conduct for BC Model:** Banks should develop standard rules and formulate a code of conduct to develop effective monitoring and supervision of banking correspondents.
 - Geotagging and GPS mapping of agent locations to search agent points will also enable better monitoring and supervision.
- **Uber Model:** There is a need to explore the possibility to adopt the “Uber” model to handle cash-in/cash-out (CICO), by enabling customers to act as CICO points.
 - It will reduce dependence on agents and allow them to go beyond CICO.
 - On the other hand, customers would be able to transact beyond a stationary and limited agent network.
- **Promoting Digital Literacy:** Digital literacy is the lynchpin of triggering a revolution in India’s financial inclusion and doorstep delivery models.
 - In this context, [Pradhan Mantri Gramin Digital Saksharta Abhiyan \(PMGDISHA\)](#) is a step in the right direction.

Conclusion

There is a clear need for a fresh perspective by re-imagining some key aspects of DBT initiative. It requires that all stakeholders, including the government, regulators, service providers, industry bodies, and others, need to catalyse radical changes in the way the ‘last mile’ functions at present.

Drishti Mains Question

In rural India, over-reliance on digital technology has worsened financial exclusion. Discuss.

This editorial is based on [“India at the horseshoe table”](#) which was published in The Hindustan Times on January 6th, 2020. Now watch this on our Youtube channel.