Interview

Perspective

"Digital financial inclusion programs should be designed to be fair and accessible to all"

The following is a perspective sharing on Digital Financial Access & Inclusion in North East India, as interacted with **Shri Eugene Emmanuel Karthak, Director, Indian Institute of Bank Management (IIBM),** Guwahati, Assam.

Access and Infrastructure: How can access to financial and banking services be expanded digitally to reach underserved populations, including those in remote areas or with limited connectivity in North East India

There is much work to be done to expand access to financial and banking services digitally to reach underserved populations including those in remote areas or with limited connectivity. To begin with, there is still a need to invest in mobile broadband infrastructure as even when the state of internet connectivity and permeation is better than a few years, internet speed and reliability in the region have much scope to improve. Stable mobile broadband is essential for providing access to digital financial services. Governments and private sector investors can work together to expand mobile broadband coverage, especially in rural areas.

Secondly, onboarding of citizens to digital identification systems can help to verify the identity of customers, which is essential for preventing fraud and financial crime. There is a need for consolidating financial data of people which may exist across various financial institutions and service providers. Creating open Application Programming Interfaces or APIs can help remedy this issue. APIs will help to create a more seamless experience for the customers. There are also vast sections population who lack the skills and information required to operate digital financial services. For these underserved populations, there should be knowledge and skill development interventions planned by the government and financial institutions to capacitate them to use these services.

Additionally, government regulatory barriers sometimes make it difficult for financial institutions to offer digital financial services in underserved areas. The government can consider easing regulatory barriers. These efforts could include reducing the cost of licensing and registration or simplifying the regulatory requirements for financial products and services. By taking these steps, governments and the private sector can work together to expand access to financial and banking services to underserved populations, including those in remote areas or with limited connectivity. This can help to improve financial inclusion and economic development.

India, Kenya, and Mexico provide vibrant examples of digital financial inclusion aimed at reaching underserved populations. In India, the government has launched the Pradhan Mantri Jan Dhan Yojana (PMJDY) program, which aims to provide financial services to all Indians, including those in rural areas. The PMJDY program offers a variety of financial products and services, including savings accounts, loans, and insurance using the JAM Trinity. Similarly, Kenya has M-Pesa and Mexico has the Sistema de Pagos Electrónicos Interbancarios (SPEI). In Kenya, M-Pesa is a mobile money service that allows people to send and receive money, make payments, and access loans using their mobile phones. M-Pesa has been credited with helping to reduce poverty and improve financial inclusion in Kenya. In Mexico, the government has launched the Sistema de Pagos Electrónicos Interbancarios (SPEI), which is a real-time electronic payment system. The SPEI allows people to make payments to businesses and individuals, even if they do not have a bank account.

These are just a few examples of how digital financial services are being used to reach underserved populations. By expanding access to these services, governments and the private sector can help to improve financial inclusion and economic development.

Affordability: How are digital affordability challenges affecting access to financial services digitally for low-income individuals and communities?

For many people cost of devices if not internet access is still a challenge. The level of digital literacy required for accessing digital financial services is also less than optimal in low-income individuals and communities. These issues often lead to a distrust in digital financial services among individuals. They may be concerned about security or privacy, or they may not understand how these services work. These challenges can make it difficult for low-income individuals and communities to access the financial services they need. This can have a negative impact on their ability to save money, manage their finances, and build their credit.

There are a number of things that can be done to address these challenges. These include: Efforts to make devices and internet access more affordable by providing private companies subsidies or tax breaks for these services; Governments and the private sector can provide digital literacy training to low-income individuals and communities. This training can help people learn how to use digital financial services safely and effectively. There is also a scope for collaboration across government and private sector to build trust in digital financial services among low-income individuals and communities. This could be done by educating people about the benefits of these services and by ensuring that they are secure and reliable. By taking these steps, governments and the private sector can help to address the digital affordability challenges that are affecting access to financial services for low-income individuals and communities.

Awareness and Education: How can digital literacy and awareness about digital financial services be improved, particularly among marginalized communities?

To improve digital literacy and awareness among marginalised communities, we may consider partnering with community-based organisations to extend affordable digital literacy training. This will help incorporate culturally relevant material and examples for financial education. Digital literacy training needs to be tailored to the unique needs of the marginalised community. The mode of training could employ a variety of teaching methods such as face to face instruction, online courses, and mobile apps to allow for flexibility in learning while providing the necessary assistance and monitoring.

Trust and Security: How can trust in digital financial services be built, and what measures can be implemented to ensure the security of transactions and the protection of personal data?

To begin with, financial institutions should build relationships with their customers. This can be done by providing excellent customer service, and by being responsive to customer concerns. Financial institutions should be transparent about their security measures and how they protect customer data. This can be done by publishing security policies and procedures, and by making it easy for customers to understand how their data is being used. Data security and protection must be prioritised by employing industry-standard security measures to protect customer data. This includes using strong encryption, firewalls, and intrusion detection systems. Further, financial institutions should have a plan for responding to security incidents. This plan should include steps for notifying customers, investigating the incident, and mitigating the damage.

Customers should also act responsibly by using strong passwords, exercising caution in sharing personal information with websites and apps they do not trust, and keeping their software updated for protection against malware and other threats.

Gender Inclusion: How can digital financial inclusion be enhanced for women, considering the existing gender disparities and specific challenges they face?

The effects of the gender divide are well-reported. Women are less likely than men to have access to the internet, mobile phones, and other digital technologies. This is due to a number of factors, including poverty, lack of education, and social norms that discourage women from using technology. Financial education and training can help women to understand the benefits of using digital financial services and how to use them safely and effectively.

Gender inclusion can be considered at the level of product design. Financial products and services that are designed for women are more likely to be used by women. This means that financial institutions need to take into account the specific needs of women, such as the need for flexible savings and loan products, as well as products that can be used to manage household finances. Women's voices also need to be heard in the design and implementation of policies and regulations that affect digital financial inclusion. In some cases, there may also be a role of challenging cultural barriers. This can be done by raising awareness of the issue and by working with community leaders to change attitudes.

Regulatory Environment: What regulatory frameworks are needed to foster innovation, ensure consumer protection, and support the growth of digital financial services in NER?

The region can benefit from innovations aimed at meeting the needs of the population. A regulatory sandbox is a safe space for financial institutions and FinTech companies to test new products and services without fear of regulatory penalties. This can help to foster innovation by allowing companies to experiment with new ideas without the risk of being shut down if they make a mistake. This should be supported by a risk-based approach to regulation means that regulators focus their attention on the products and services that pose the greatest risk to consumers. This can help to ensure that consumers are protected without stifling innovation. Further, consumer protection measures should be in place to protect consumers from fraud, abuse, and other risks associated with digital financial services. These measures should include things like data protection laws, anti-money laundering regulations, and dispute resolution mechanisms.

There is also need for support for the growth of digital financial services. Governments can support the growth of digital financial services by providing funding for research and development, by investing in infrastructure, and by creating a favourable regulatory environment. By implementing these regulatory frameworks, governments can foster innovation, ensure consumer protection, and support the growth of digital financial services in NER.

Some additional specific regulatory measures that can be taken to foster innovation, ensure consumer protection, and support the growth of digital financial services in NER can be to encourage the use of API, providing tax breaks for digital financial companies to help to reduce the cost of doing business, and putting in place a dispute resolution mechanism to help consumers to resolve problems with digital financial services providers.

Collaboration: How can collaboration between various stakeholders, including governments, financial institutions, technology providers, and community organizations, be strengthened to address the challenges of digital financial inclusion

Collaboration between various stakeholders, including governments, financial institutions, technology providers, and community organizations, can be strengthened to address the challenges of digital financial inclusion in a number of ways.

- ***Creating a shared vision.*** The first step is to create a shared vision for digital financial inclusion. This means that all stakeholders need to agree on the goals of digital financial inclusion and the role that they can play in achieving these goals.
- ***Developing a common strategy.*** Once there is a shared vision, the next step is to develop a common strategy for achieving this vision. This strategy should identify the specific challenges that need to be addressed and the actions that need to be taken to address these challenges.
- **Building partnerships.** Partnerships between different stakeholders are essential for achieving digital financial inclusion. These partnerships can help to share resources, pool expertise, and coordinate efforts.
- **Providing training and support.** Training and support are essential for ensuring that people can benefit from digital financial services. This training and support can be provided by governments, financial institutions, technology providers, and community organizations.
- **Monitoring and evaluation.** It is important to monitor and evaluate the progress that is being made towards achieving digital financial inclusion. This monitoring and

evaluation can help to identify what is working and what is not working, and it can help to make adjustments to the strategy as needed.

Additionally, governments can provide financial support for digital financial inclusion initiatives. This support can help to cover the costs of research and development, training, and marketing. **Financial institutions** can partner with technology providers to develop and offer digital financial services that are affordable and accessible to low-income people. These partnerships can help to reduce the cost of digital financial services and to make them more widely available. **Technology providers** can work with community organizations to educate people about the benefits of digital financial services and to help them to open accounts and use these services. This education and assistance can help to overcome the challenges that people face in accessing digital financial services. **Community organizations** can advocate for policies that support digital financial inclusion and can help to build awareness of the benefits of these services among their members. This advocacy can help to create a more favorable environment for digital financial inclusion.

Sustainability: How can digital financial inclusion initiatives be made sustainable in the long term, ensuring continued access and availability of banking and financial services?

There are ways and means to make digital financial inclusion initiatives sustainable in the long term, ensuring continued access and availability of banking and financial services:

- **Designing sustainable products and services:** Digital financial inclusion initiatives should focus on designing products and services that are sustainable in the long term. This means that they should be affordable, accessible, and easy to use.
- **Building strong partnerships:** Strong partnerships with government, financial institutions, and other stakeholders can help to ensure that the initiatives are sustainable and that they have a positive impact on the communities they serve.
- **Providing training and support:** Providing training and support to help people use digital financial services will help people understand how to use the services and how to protect themselves from fraud.
- **Monitoring and evaluation:** Strong monitoring and evaluation on a regular basis is must to identify what is working and what is not working, and it will stakeholders to make adjustments to their strategies as needed.

- **Governments can provide subsidies or tax breaks** to financial institutions that offer digital financial services to low-income people. This can help to make these services more affordable and accessible.
- **Financial institutions can invest in research and development** to find new ways to make digital financial services more sustainable. This could include developing new technologies, such as blockchain, that can reduce costs and improve security.
- **Technology providers can work with financial institutions** to develop more user-friendly interfaces for digital financial services. This can make it easier for people to use these services and can help to reduce the risk of fraud.
- **Community organizations can advocate for policies** that support digital financial inclusion and can help to build awareness of the benefits of these services among their members. This advocacy can help to create a more favourable environment for digital financial inclusion.

Impact Assessment: How can the impact of digital financial inclusion initiatives be effectively measured and evaluated to understand their effectiveness and identify areas for improvement?

- **Quantitative data:** This data can be collected through surveys, interviews, and other methods. It can be used to measure the number of people who have access to digital financial services, the amount of money that is being transacted through these services, and the impact of these services on people's lives.
- **Qualitative data:** This data can be collected through focus groups, interviews, and other methods. It can be used to understand people's experiences with digital financial services, their perceptions of these services, and the challenges they face in accessing and using these services.
- **Impact evaluation:** Impact evaluation can be used to measure changes in people's incomes, savings, investments, and other financial indicators.
- **There is need to make products and services more affordable**. This can be done by reducing fees and making it easier for people to open accounts.
- **Make products and services more accessible**: This can be done by expanding the reach of digital financial services and by providing training and support to help people use these services.
- **Address the needs of marginalized groups**: This can be done by developing products and services that are specifically designed for women, the elderly, and people with disabilities.

- **Partner with other stakeholders**: This can be done by working with governments, financial institutions, and technology providers to create a more favourable environment for digital financial inclusion.

Ethical Considerations: What ethical considerations should be taken into account when designing and implementing digital financial inclusion programs to ensure fairness, privacy, and protection of vulnerable individuals?

Digital financial inclusion programs should be designed to be fair and accessible to all, regardless of income, gender, location, or other factors. They should protect the privacy of users' data. This includes ensuring that data is collected and used only for the purposes for which it was collected and that it is not shared with third parties without the user's consent. Digital financial inclusion programs should take special care to protect vulnerable individuals, such as children, the elderly, and people with disabilities. This includes ensuring that these individuals understand the risks associated with digital financial services and that they have access to support and protection if they are harmed.

Towards this, programs should be designed with input from a variety of stakeholders, including users, financial institutions, technology providers, and government agencies. This will help to ensure that the programs are designed in a way that is fair, accessible, and protective of user privacy. There is also a need to formulate and make actionable clear policies and procedures for collecting, using, and sharing user data. These policies should be made available to users in a clear and easy-to-understand way. Further, digital divide should be bridged over by provide training and support to users on how to use digital financial services safely and securely. This training should be tailored to the specific needs of the users. There should also be a system for reporting and investigating complaints of fraud or abuse across all financial service providers entering the domain. This system should be accessible to users and should provide a way for them to get help if they are harmed.

- **Transparency:** Digital financial inclusion programs should be transparent about their fees, terms, and conditions. This will help users to make informed decisions about whether or not to participate in these programs.
- **Accountability:** Digital financial inclusion programs should be accountable to users. This means that they should be responsive to user concerns and should take steps to address any problems that are identified.
- **Sustainability:** This means that digital financial programmes should be able to continue to provide services to users even if there are changes in the market or the economy.

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