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Schemes such as JAM (Jan Dhan-Aadhaar-Mobile) Trinity and Digital India marked a watershed moment in the financial inclusion of rural India. The digital push gave a new fervour to making financial and banking services accessible to rural areas. In 2016, the National Payments Corporation of India (NPCI) launched the UPI to streamline the digital payments system in India. As per NPCI data, in 2021 UPI has transacted Rs 6.39 trillion.¹ However, with only 28% internet participation from rural India, these transactions largely tell the story of urban India.¹ Yet, one cannot ignore the increasing participation in digital payments and banking from rural India.

Steady changes in rural India's digital usage for financial purposes owe themselves to increasing Internet and mobile penetration. It is linked to the gradual success of BharatNet, the world's largest rural broadband connectivity programme, which according to India's Finance Minister accounted for 13,000 terabytes of data consumption in June 2021.² Rural India is no more isolated unlike its urban counterpart and is fast catching up with the speed of the Internet. The growth in digital financial services marks the landmark rise of the rural digital citizen.

The rural Indian economy is primarily cash-driven. Undergoing a change in its predominantly agrarian image, there is an increasing diversification in jobs and incomes in rural India. The non-agricultural sector now contributes two-thirds of agricultural income.³ Over the years, Banking Correspondents (BCs) have performed a central role in digitally empowering rural areas. They are agents of the bank who extend banking services beyond the physical reach of brick and mortar bank branches. Banks have also pushed for Aadhaar and phone number linking. By using digital means, BCs enable access and education of the digital financial ecosystem to rural citizens.

Identifying this, since 2017, Digital Empowerment Foundation (DEF) has been working with BCs to increase digital financial literacy and participation at

the grassroots level. We spoke to twenty such BCs to understand the digital financial literacy experience in rural India. We approach this from both an access and a delivery perspective in rural India, the two key pillars of unpacking the digital financial developments. DEF has established more than 2000 digital resource centres across India run by Soochnapreneurs (information entrepreneurs) who also serve their community as a "banking correspondents".



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Benefits: Saving Time, Distance and Money

“Without the benefit of digital services, our lives will be incomplete,” said a woman BC working in Rajasthan. All our BCs (Soochnapreneurs) unanimously agreed that digital banking and financial services have many benefits for the common rural citizens. Access to digital banking services has promoted widespread usage of digital financial and banking services by rural citizens, especially at the time pandemic and lockdown when going to far-off places was next to impossible.

All BCs echoed the convenience and ease of transactions permitted by digital payment and banking services. This is particularly crucial given that a bank branch covering many villages in the district, is located far away from most villages. In an economy where every penny matters, one has to spend money to earn money from the bank. “It’s Rs 20 in a one-way bus ticket or Rs 50-60 in petrol. Then we have to walk 2 kms,” said a BC in Rajasthan. Similarly, one can borrow from relatives without the cost of travelling.

Even ATMs are sparsely placed. As per the World Bank, India’s rural areas have only 20% of the country’s ATMs.⁴ It estimated this to be one ATM per 10 villages. While almost all BCs said that they do withdraw money from ATMs, a few pointed out that this is rare. They mostly rely on online transactions. One BC in Rajasthan never withdraws money from an ATM because it is located 20 kms away from his village. AEPS, i.e. Aadhaar Enabled Payment System makes it easy for people like him to manage all their financial transactions.

No Cash—No Theft

Fear of theft is a widespread concern in rural India. This ranges from storing money at home to carrying large amounts on one’s person while going to the market. ‘The fear is particularly acute on the route back from the bank after withdrawing a lump sum of cash’, noted a BC in Haryana.

Over the years, Banking Correspondents (BCs) have performed a central role in digitally empowering rural areas. They are agents of the bank who extend banking services beyond the physical reach of brick and mortar bank branches.

One BC in Madhya Pradesh said that he doesn’t even carry his Debit Card. “What if a friend sees my PIN and misuses my card? What if I lose it or it’s stolen?” he commented. For him, even the physical aspect of a digital tool such as an ATM and debit card is a safety burden. He feels reassured by the double security and convenience provided by an SBI App which allows him to withdraw money from any SBI ATM on the rare occasion when he needs to. The App requires a self-generated PIN and an OTP generated at the time of withdrawal to secure access to cash from one’s account.

Convenience of Access: 24x7 Money

“What if it’s a bank holiday and you can’t withdraw your money? Earlier, very few had debit cards. Your money is stuck in the bank,” observed a BC in Madhya Pradesh. One bank serves many people. Plus, there are days when banks are off. “There were big lines of senior citizens withdrawing their pensions. They’d come on the day the pension was deposited. Not all could be served by the bank in a day so the withdrawal would be delayed,” pointed out a BC in Haryana.

Digital access enables people to access their money anytime and anywhere. Digital payments make it easier to pay exact amounts without worrying about change, said a BC. Many BCs across States pointed out that one can easily purchase goods in the market even if they forgot to carry money or had to make an emergency purchase.

Making Budgeting Easier

“The phone makes it easy to view all transactions and budget your expenses,” said a BC in Haryana. Net banking allows easy access to bank statements. Even digital payment apps linked to accounts make it easy to view account balance. Phones make personal financial management simpler for every household and foster digital financial citizenship.

Breaking Barriers: Universalising Access to Finance

Rising awareness and digital financial literacy camps have increased access to digital financial systems. ‘Almost all men in the village use digital financial services either themselves or through the BCs’, reported many BCs across States. Rising education levels have informed many young women who run their own business, are employed or are

graduates, to use online financial transactions. Many BCs, including women, specifically target educating and training women of their village to empower them digitally and financially.

Age is another hurdle surpassed by digital access to financial services. While many youths enthusiastically use digital modes themselves, senior citizens can easily access their pension without making physical trips to

distantly located banks. They also don't need to fill out long complicated forms anymore. "Senior citizens and Adivasi women approach us for help," said a BC in Madhya Pradesh. Another BC in the same State makes home visits to senior citizens and women who can't leave their homes to enable their access. Fingerprint machines to withdraw money also make access easier for senior citizens and even people with lower literacy levels.

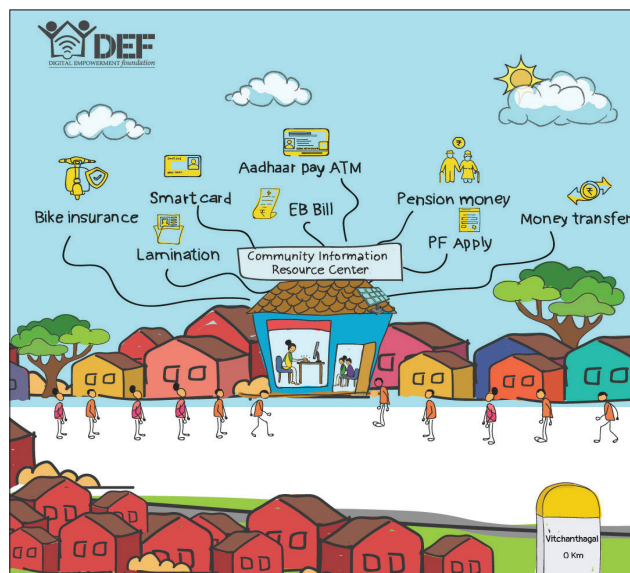
Enabling Businesses and Entrepreneurs

"Since Covid lockdown, almost all shopkeepers have put up QR codes," said a BC from Madhya Pradesh. Digital payments promote the convenience of purchases and make it easier for entrepreneurs to receive payments without default. Most businessmen approach BCs to transfer larger amounts of money to their vendors, withdraw cash or deposit money. Some have learned to operate digital banking themselves and don't approach BCs anymore. Many women entrepreneurs, who operate Kirana stores, run a dairy business or a tailoring shop use digital services for improving their business operations.

Challenges

At the time of launching Digital India, internet and server connectivity were the foremost concern of policymakers. Efforts were made to ensure internet and mobile penetration through the country. While a lot has changed, there is a long way ahead. Some BCs said they never face any issues. On the other hand, some said that while they do face network and server issues, it is rare. A few others observed the improvement in network connectivity when compared to the beginning of the digital journey.

A village in Madhya Pradesh faced severe confusion



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when their online account balance didn't match their offline balance received from the branch because the bank's server was down. The plight continued for 15 days and eroded users' trust. Users lose trust when their money gets stuck midway during online transactions due to network and server issues. The user's fear of fraud, mistrust of the digital system, and lack of understanding of the internet affect the situation. "Over time and with experience, we know that money will come back to the account in

a maximum of 7 days. So now we confidently reassure the person," said a BC in Rajasthan.

Grievance Redressal Mechanisms

BCs are commonly the first point of contact of aggrieved users. BCs and users call the toll-free helpline number of the bank to register their complaints. Many reported having to approach bank officials. In Rajasthan, a woman BC received her money after registering an online complaint since the bank officials had been unresponsive. Upon action by senior officials, the branch officers called her to come to sign the application and expressed shock that she had filed an online complaint. Another BC avoids approaching the bank because bank officials are rude. A person with a disability felt that his money transfer application was scrutinised more closely because officers were suspicious of him having a large amount of money, despite knowing that he is a BC. However, most BCs reported not facing problems or even having to visit banks to resolve issues.

Victims of Fraud: Lack of Trust and Literacy

The increasing use of digital payments has been accompanied by increased cases of online fraud. Criminals, posing as bank officials, obtain sensitive information from gullible and usually illiterate users. They withdraw large amounts of money or empty the victim's bank account entirely. Most people are wary of technology and such instances only erode the trust further.

Gendered Use of Digital Financial Services

"Very few women use it," was a common response we received upon inquiring how many women users are there in the village. From recording a low of 1% to a high of a mere 45% of women users in the entire village, we wondered why so few women used phones. Educated, young graduates, and working women formed a prime part of digital users, a clear attribution to the rising education rates of girls.

"Older women who must be 45+ very rarely use phones," observed a BC in Madhya Pradesh. He added that even in cases where women have a bank account, the husbands' numbers are registered to the account and so husbands

operate those accounts. In some places, educated young girls use it for limited purposes of phone recharge or payments. This is detrimental to the government's efforts to open bank accounts for women to encourage their financial participation and attain financial independence.

"They don't take any interest. I have tried explaining the importance to them but still, they don't. They don't have mobile phones," said another BC from Madhya Pradesh. The few who do have phones have keypad ones. "It is the men of the household, husbands, and sons, who largely own Android phones and operate digital services," said a BC in Rajasthan.

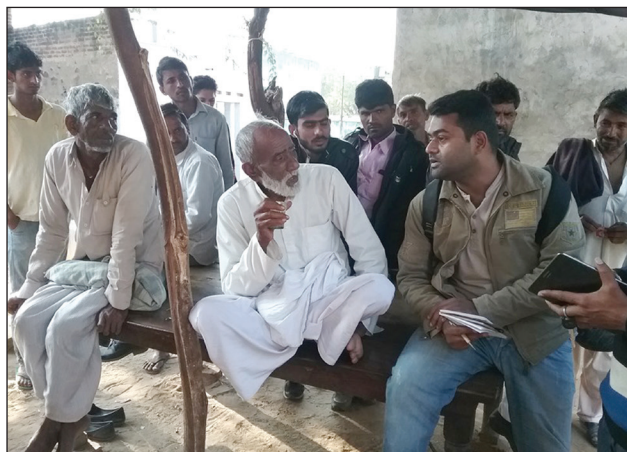
Patriarchal norms that attribute financial and household power to men hinder women's access to digital infrastructure and services. We've mentioned, some BCs visit women who can't step out of their homes. While enabling a limited form of digital financial access, it defeats the idea of digital independence enjoyed by other users.

"I do purdah. Men feel uncomfortable talking to me directly. They either bring their wives, or I take the help of a senior woman or child to help mediate the conversation," says a woman BC from Rajasthan. She loses out on business customers since fewer men come to her for work.

Sustaining a Banking Correspondent

Operating a business is tough for many banking correspondents. Some have diversified into taking other projects or including ancillary services to maintain a steady income. A woman BC in Rajasthan says, "My shop is in my house and is located a little outside the village. I get few customers. I want to open a shop in the village, but I need finance and infrastructure to be able to do that." Other BCs find it difficult to operate since they cannot afford a portable laptop, scanner, etc., required for business.

Sometimes, customers deposit money into BCs' personal account who then transfers it online on their behalf.



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"Since I don't have a BC of the bank in which I have a personal account, the bank levies charges and I have to ask the customer to pay that." Opening of other banks' BCs and improvement in people's own knowledge of digital operations have also affected their business, note some BCs.

A BC in Rajasthan finds new products or changes confusing and wants regular training programmes by banks. Being updated will help maintain

people's trust. Some BCs report that other intermediaries treat customers badly, don't give adequate information, or commit fraud. "To ensure trust and transparency, we give out slips, withdrawn amounts, and balances that the customer signs. We also keep our own record," says a BC in Madhya Pradesh.

'Phygit' Banking and Financial Services

Time and again, banks, governments, and private institutions have tried to address the two building blocks of financial inclusion— access and delivery. Recently, the Finance Minister urged the Indian Banks Association to increase the presence of banking services in rural India by deciding where they need to be physically present and where digital services can be extended.⁵ The World Economic Forum believes that a phygital strategy, which balances physical and digital interactions as an absolute necessity is the way forward in the new normal.⁶ In this vein, formulation of new products and easing regulations for simplified product and service delivery is the need of the hour. Banks and private companies can invest in awareness and reorientation training, for BCs and users, to alleviate trust and digital literacy issues. A cohesive and collaborative effort that increasingly shifts the offline to online, while maintaining necessary aspects of the offline is required. A model that converges physical and digital into mutually complementary ways is the way forward to the digitally and financially empowered 'Bharat'. □

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