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# Bringing India's rural areas into the nation's banking system

Easy access to bank accounts and an ATM on each corner is something we take for granted in the western world. However, it's a very different story when you look at developing economy countries like India. The lack of a reliable, well-established banking sector in rural areas means that many citizens fall prey to money-lenders or criminal elements, easily finding themselves in debt or hardship. N.V. Jairam, Director of SME & Enterprise Marketing for Hughes Communications India Limited, outlines the government's ongoing programme to expand banking services throughout rural India using satellite networks.

**More than 40 percent of India's 1.3 billion people**, until recently, lacked access to basic banking services such as savings and checking accounts. The government of India was very sensitive to the fact that an overwhelming 60 percent majority of this under-banked population resided in rural India where the economy was predominantly agrarian and needed steady cash infusion and immediate access to money or credit.

The government was also acutely aware of the challenges faced by this rural populace; the rural bank branches were few and far between and the ATM infrastructure was virtually non-existent. Opening a bank account was also a tedious and lengthy process requiring several documentations, which, in general were hard to obtain. This dissuaded most from

going to traditional banks. This situation had given rise to a parallel banking system operated by local money lenders charging exorbitant interest rates leading to large scale exploitation of the rural populace with little or no recourse to redress the wrongs done to them.

### The Prime Minister's Jandhan Yojna

To aggressively address these challenges, over the past few years, the government has worked successfully in bringing a large part of this rural populace under the ambit of the country's banking system by introducing several programmes targeted at financial inclusion for all citizens to bridge the banking divide. The Indian Government's latest financial inclusion programme is the 'Prime Minister's Jandhan Yojna'



(PMJDY), a massive campaign targeting the rural population of the country. Its objective is to provide a bank account to each and every citizen of the country.

To support this and other government programmes like Direct Benefit Transfer (DBT), which ensures cash government benefits go directly to the individual's bank account electronically to curb pilfering and duplication, India's banks had to develop service channels at the rural level. ATM infrastructures and micro/small branches in rural areas were among the major options for ensuring that the rural population could take full advantage of these bank accounts. Satellite communications have been an essential element in connecting rural ATM and branch networks to India's core banking network.

### Satellite offers reach, speed, and economy

Satellite is the most cost effective and reliable communication medium for remote banking solutions in India - superior to dial-up and wireless broadband or MPLS, with a shorter deployment timeframe and a guaranteed reach pan India.

The Indian telecom market has a good core network that criss-crosses all the major cities. The challenge comes in getting efficient last-mile access. Even in Tier 1 and Tier 3 cities, where there is no dearth of terrestrial capacities, banks look to VSAT networks as a primary or a back-up connectivity solution. The further one goes into rural India, the less viable the terrestrial options get. The inherent advantage of VSAT (high availability, quick and easy deployment, flexible bandwidths) pays off.

Cost is another factor. In a typical small branch with not more than two to three users operating the basic banking application, the flexibility that VSAT bandwidth providers makes the total cost of ownership much lower than a terrestrial link.

India's satellite-linked ATM and branch office networks are growing quickly. Hughes Communications India Limited (HCIL), a subsidiary of Hughes Network Systems, LLC, has connected the highest numbers of off-site ATMs and bank branches on VSATs anywhere in the world. To date, HCIL has deployed over 40,000 off-site ATMs and 33,000 bank



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branches with a secure VSAT satellite network.

HCIL serves nearly all the private and public sector banks, including State Bank of India, Punjab National Bank, HDFC Bank, ICICI Bank, Bank of Baroda, IDBI Bank, Bank of India, Union Bank of India, Dena Bank, Corporation Bank, Canara Bank and United Bank of India. HCIL monitors these networks and also provides network and field engineering support.

ATMs are typically located in public buildings, bank branches, shopping centres, retail outlets (specifically gas stations), and condominiums, etc. The public sector banks have even started 'human ATMs,' also known as banking correspondents, in rural areas. These are franchisees appointed by banks which have a PC and basic connectivity. They open bank accounts and handle basic financial transactions as a bank branch would.

The Ministry of Finance and a consortium of public sector banks in India entered into a contract with multiple ATM Managed Service Providers for installing and managing a total of 63,000 off-site and onsite ATMs across urban and rural India, by far one of the largest initiatives adopted by the Indian government to widen the reach of banking facilities. ATM penetration in India is expected to continue to grow and reach an estimated 200,000 ATMs later this year.

### Satellite technology has expanded banking services across India

The government's rural banking programme has been a phenomenal success, with more than 200 million accounts opened since August 2014 and a deposit base of over US\$4.5bn. In the PMJDY initiative, households will not only have bank accounts with RuPay debit cards, but will also gain access to credit for economic activity and to insurance and pension services for their social security.

Through ATM infrastructures, banks have been able to increase their reach and the services they offer rural customers. Rural customers can pay utility bills and credit card bills through an ATM. They can use any bank's ATM even if they do not own an account in that bank. None of this would have been possible without a networked banking environment connected by satellite broadband.

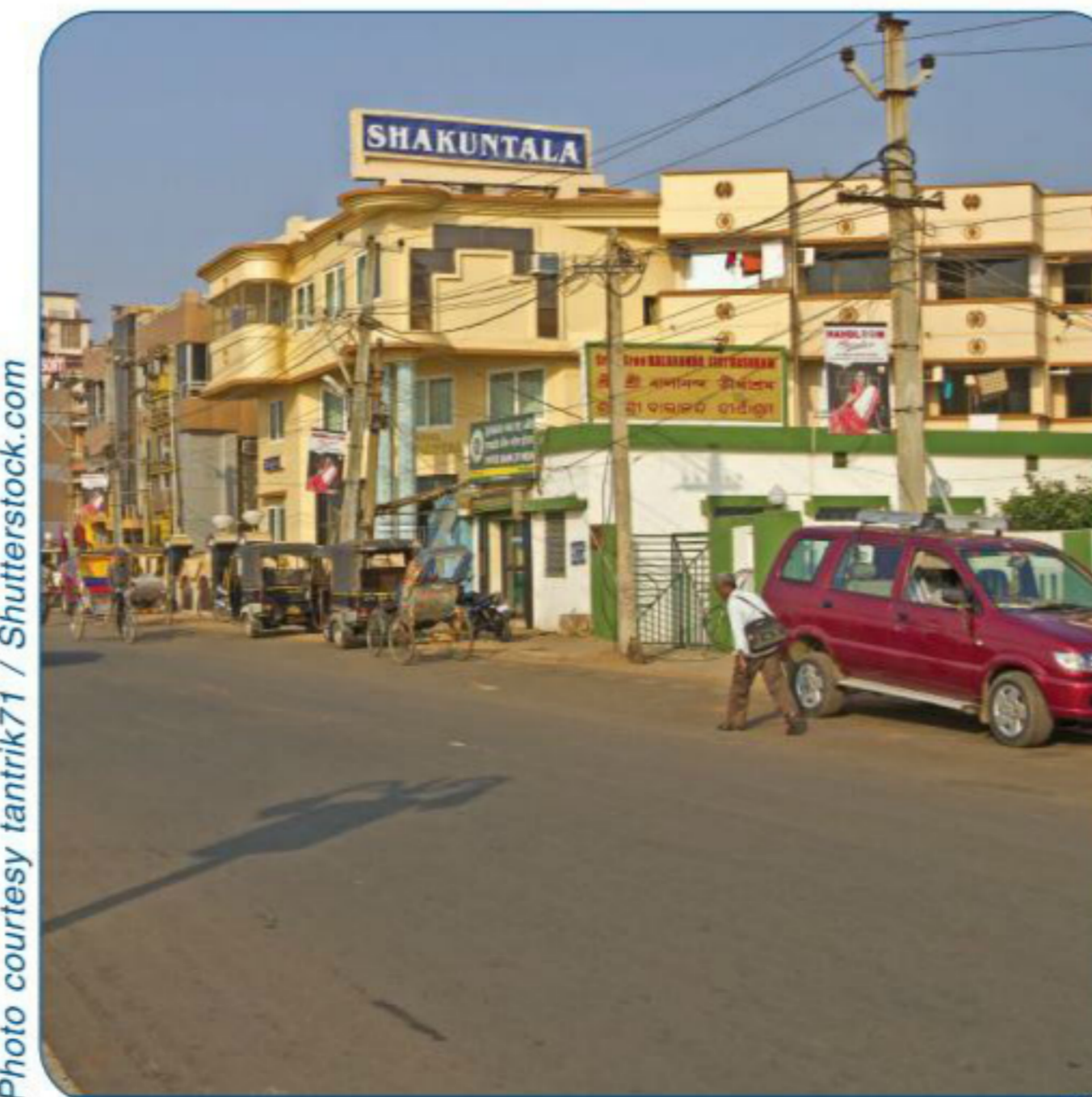


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