India uses fintech to increase access to banking

By Michael Bowren

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The Indian government is banking its unbanked population by limiting the amount of cash that can be drawn at one time, identifying populations with high potential to 'go cashless', and by subsidising smart phones.

I recently returned from India, one of the world's fastest growing emerging economies, nearly 27 times the area of South Africa but facing the same issue of vast gaps between rich and poor.

India identified where its immediate potential cashless market lies. The population of India is some 1,2bn. Around 400m people have a bank account and are either saving, investing or borrowing – they are included in the financial sector. However, 70% of the population remains unbanked.

As the Indian government's cashless drive gathers momentum these individuals will soon need bank accounts in order to send and receive money. With a smart phone and internet access or mobile phone signal, all they need to do is to choose a financial institution and the product and/or service they need. India's maturity towards a cashless society is happening.

The South African scenario

South Africa's population sits at around 56m. A trend in South Africa shows that people are moving straight to smartphones, skipping straight past laptops and PCs, because it's easier and far more feasible for them. And, with going cashless comes bank-level security which has already proved a huge driver in the adoption of legitimate mobile money technologies by individuals and SMEs in South Africa. It would be worth pinpointing the under-tapped areas where a move to mobile has high potential.

The prospective volume of cashless transactions makes India extremely attractive to fintech companies, as the rapid explosion of fintech startups in India has shown.

The growth of fintech startups in South Africa that are offering alternative ways to accept payments is taking place. We see this by the number of service providers whose offerings to consumers and SMEs. Yet the scale and rate of successful startups has immense potential to grow here too.

India is embracing young companies that will develop the relevant technology. Banks are leveraging off accelerators to get in touch with young fintech companies. Thankfully, we are seeing more innovation units being established in South Africa's mainstream financial institutions with Rand Merchant Bank's AlphaCode initiative being one of these.

Fintech Startupbootcamp

At the Fintech Startupbootcamp in Mumbai, 10 startups in areas such as digital identities, blockchain, personal finance management, compliance and alternative data-based credit scoring, among others were identified and are now receiving support, mentoring and access to leading Indian financial corporates who will provide pilot customers, industry data, APIs (application programme interfaces) and integration support. The goal is for these startups to be market-ready within the next three months.

We also learned that it is the on the ground sales teams in India that are bringing about conversions to financial products and services. Even though this is slowly changing, critical to India's financial inclusion drive right now are face-to-face relationships.

MD of Startupbootcamp, Adrian Johnson, said, "We decided to venture into India with our fintech accelerator because we were seeing a significant growth in innovations that address the financial need-gap of the Indian economy coupled with significant participation from Indian companies."

ABOUT THE AUTHOR

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