

P E R S P E C T I V E

Banking the Unbanked:
Going Mobile



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Next Billion: The Big Opportunity

Engaging the next billion, actively seeking financial services yet remaining largely unbanked, is on the agenda of most progressive banks. Even as banks are cognizant of the need to service this segment, the challenge to do so profitably in the existing environment, poses significant hurdles. Though these consumers need access to banking for savings, loans and microfinance, they do not have bank accounts. Among the reasons for this are:

- Lack of steady and substantial income leading to a fear of insufficient funds for an account
- Limited access to banks, especially in remote areas

This unbanked billion is not outside the banking sector by choice. In effect, they have been excluded by banks' inability to understand their requirements and unwillingness to adopt innovative models to serve them.

Undoubtedly, this billion constitutes an enormous opportunity – if banks accept the challenge of including them with an eye on the larger picture.

Banking the Unbanked

The unbanked have certain special needs:

- Proximity and ease of access
- Flexibility in savings and repayment schedules
- Simplicity and speed in processing
- Small product sizes for loans and low-balance savings accounts
- Basic financial education and information

Banks find it difficult to meet these needs because of the high economic cost of servicing these demands. However, out-of-the box thinking in devising products - simple and accessible - can help ensure inclusive growth. It is important that products are downsized without being downgraded, by offering low installments and flexible repayment options. To counter the issue of accessibility, analysts agree that the mobile handset is on the way to becoming the primary channel for distributing banking services to the unbanked. A smart mobile banking model, driven by optimal technology investments, can create clear advantages along the entire value chain – from product development to collection – and radically alter the economics of serving this emerging segment.

Mobile Banking Technology: A Bank's Need

A mobile and e-banking solution enabling convenient, fast, simple, and secure branchless banking for the unbanked sector, with support for e-payment gateways, will prove indispensable for banks seeking to increase their outreach. It can also effectively help banks leverage the mobile Short Message Service network to quickly and cheaply provide SMS-driven banking services in unbanked areas.

Single Integrated Framework to Cut Costs

A modular solution that provides consumer e-banking, alerts and mobile banking, would serve banks well, as it will bring in the advantage of reduced integration by leveraging common interface messages, maintenance and deployment costs. The solution must also support interface with disparate host systems, core banking systems and third-party applications.

Open Standard Architecture

To enable banks with increased agility and flexibility to respond to the business rigours of catering to this emerging segment, a mobile and e-banking solution built on open standards, can prove invaluable. This will provide banks tremendous flexibility to extend the product portfolio and customize the solution. The architecture of the solution must enable banks to write business rules once and deploy them anywhere, add new rules, modify existing ones or integrate them with other applications seamlessly.

Functionality Checklist

The solution must be backed by proven architecture and functionality:

- Componentized offering to deploy functionality as dictated by the business
- Scalable, reliable, secure and available solution
- Multi-channel, multilingual, multi-connectivity (SMS, GPRS, Internet etc.)
- Offline and online capabilities with intelligent syncing
- Feature-rich with balance & transactions, cash deposit / withdrawals, transfers, utility bill payments, purchase & sale transactions, micro-insurance, micro-investments, SMS alerts

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- Voice-over transaction confirmation, biometric authentication and transaction limits
 - User friendly and easy to navigate
 - Modular and expandable to accommodate future growth without compromising on performance and robustness of system

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