

'RBI's digital-district idea fraught with challenges'

G Naga Sridhar Hyderabad | Updated on July 23, 2019 Published on July 23, 2019

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The idea of digitally-enabled districts, to be facilitated by public sector banks, is timely but challenges are galore, said experts.

In its meeting with heads of public sector banks on Friday last, the Reserve Bank of India (RBI) has elicited a commitment from banks to identify one district in each State to make it 100 per cent digitally-enabled within a time-frame of one year.

This will mean that we may look forward to see 29 digitally-enabled districts by next year, but banks will have to face challenges in the process, according to experts.

“This reminds us of RBI’s norms for financial inclusion decades ago when banks were given the lead bank scheme which was fraught with many issues in the absence of adequate policy framework,” an Executive Director of a leading public sector bank told *BusinessLine*.

In way, the present approach to digitisation has not moved away from the area approach to financial inclusion on the basis of DR Gadgil Group's (1968) findings on lower penetration financial services and subsequent view of S Nariman committee that districts would be the units for area approach and each district will be allotted to a particular bank to play the role of the lead bank.

However, the ground realities today with massive penetration of mobiles and increasing reach of internet may pose some challenges to area-based approach to digitisation instead of a service sans borders thrust, feel bankers.

Selection

“It seems that its not a natural experiment but a forced one as it is being ordained by RBI and there could be selection bias in identifying districts. They might select a suitable district so that outcomes of interventions look attractive,” Bhagwan Chowdhry, said Professor of Finance and Academic Director for the Centre for Innovation and Entrepreneurship and Digital Identity Research Initiative, Indian School of Business.

“However, the idea that they should do in a few districts is good,” he said, adding that selection of districts should be done by an independent academic or research body on sound parameters. Digital inclusion and financial inclusion do not happen on their own and depend on a set of different ground realities.

Guidelines

Though specific guidelines are not in public domain yet, the RBI has broadly indicated that “to the extent feasible, such districts may be converged with the Transformation of Aspirational Districts' programme of the Government of India.

The programme aims to quickly and effectively transform some of most underdeveloped districts. Its aim is to ensure rapid development of selected districts in few parameters including health and nutrition, financial inclusion, skill development, agriculture, and infrastructure.

Published on July 23, 2019

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