

FIGHTING FINANCIAL FRAUD IN RURAL RAJASTHAN

In rural south Rajasthan, life in hilly terrain far removed from the mainstream, the emergence of labor migration as a major livelihood strategy and lags in access to formal education all inform the vulnerabilities experienced by the tribal communities we serve.

In response to the geographic separation of such communities from the mainstream, the provision of financial services takes on novel forms. To provide banking services, for example, banks recruit banking correspondents from the local setting to act as extended arms of the bank. To supply credit, microfinance institutions replace the role of mortgaged assets with the capacity to reach even the most inaccessible geographies and inject the discipline of repaying. However the recipients of these uniquely constructed financial services often don't keep track of their transaction histories, don't understand the scope of access their biometric information gives, and don't know what rights they have as consumers. The service providers who operate in the setting understand the information asymmetries that prevail, simultaneously enjoying a relative informality that results from their separation from mainstream service provision. Even when banks are accessed or digital financial services reach such communities remotely, the information asymmetries that often mark such exchanges make fraudulent conduct highly likely.

Additionally, recipients of financial services occupy varying positionalities. Women, for example, are both highly frequent recipients of financial services and are highly ill-equipped. When men migrate for work, it is the women who must take on the task of performing financial functioning of the household on their own. Women are also likely to receive less education than their male counterparts, while also remaining unable to gain the exposure that even men without an education gain when they migrate to the cities for work. Additionally, social norms demand that conversations between the opposite sexes outside familial ties be minimized in meticulous ways. Women then refrain from even initiating queries they might have when they interact with a financial service provider who is male, which they very often are. Prevailing imbalances of power are then made even more severe for certain sections of the community. Women, the elderly, the disabled, and those lacking formal education are frequently among such sections.

PROMINENT TYPES

When imbalances in power go on to become sites of exploitation, various forms of financial fraud begin to emerge:

Banking Services and Financial Fraud

Banking correspondents will often ask for multiple uses of someone's biometric information, going on to withdraw more money than they were asked to and pocketing what is extra. They can also expect to not be found out since they're also the ones who are asked to print transaction histories, which they frequently refuse to do for frivolous reasons.

Credit Provision and Financial Fraud

With financial fraud at the hands of providers of formal credit we've seen cases of credit histories being negatively impacted, through both deliberate misconduct and negligence. Officers who perform last mile delivery can and do take payments they do not go on to deposit, and companies report delays in repayment that aren't in fact so.

Savings Products and Financial Fraud

Various manifestations of 'get-rich-quick' ponzi schemes targeted at the rural setting we operate in are already being revealed. Those responsible in such cases are most likely to have escaped the local setting, if they weren't operating remotely to begin with.

OUR APPROACH

Through the cases of financial fraud at the hands of banking correspondents we encountered, we developed an approach to fight it:

Creating safe environments for reporting

We began by addressing the conflict of interest in their role as both sources of cash withdrawals and sources of information on one's transaction history. We decided to set up clinics for the printing of transaction histories, where we'd also provide counseling services. Identification, however, was not straightforward. We saw an unwillingness in those affected to want to acknowledge such incidents owing to feelings of shame around the subject. It then became important to also see these clinics as sites whose existence could counter such feelings.

Taking identification closer to people's houses

Identification was not only aided by dedicated spaces in the form of clinics, but also by efforts to start conversations around the subject in other contexts. We'd gather people in small groups close to their homes and initiate conversations around the subject, and would see increasing interest in printing transaction histories and seeking redressal.

Grievance redressal

With the cases we identified, we began accompanying those aggrieved to seek accountability and demand redressal. We have seen money returned as well as those aggrieved gaining a noticeable confidence in claiming their rights as consumers. Further, examples of successful redress have also contributed towards building narratives around the utility in reporting such incidents, from the ground up.

We've also seen a natural progression in the mechanism we've built so far. A recent addition in the counseling services we provide within our clinics has been the printing and counseling around credit histories. Importantly, our ability to locate misconduct related to credit provision is also aided by our immersion in the operational realities that form the backdrop of such misconduct.

We are already reaching out to a relevant crime cell set up by the government to tackle ponzi schemes carried out digitally, and will be able to build on both the successes and failures we see through the mechanism.

As we continue to build a repository of experience and knowledge around the effectiveness of the mechanisms for redressal we attempt, we also gain insight into the need for further mechanisms. We then become progressively better positioned to demand the institutional changes that will prevent financial fraud, as it applies to the particular settings we operate in.