13th Inclusive Finance India Summit

5th-6th December 2016, The Ashok Hotel, New Delhi

Summit Proceedings

Day 1, December 5th, 2016 (Monday)

Inaugural Session

Vipin Sharma, CEO Access Development Services, welcomed the delegates to the inclusive finance India summit and thanked all stakeholders for supporting and contributing to the summit. The Inclusive Finance India State of the Sector Report by MS Sriram was released. This report presents status and trends in the financial inclusion space including the banks, rural and urban cooperatives, SHGs, BCs. The Responsible Finance India report by Alok Misra discusses concerns from client's service and quality of business practices perspective.

Mr. Rajnish Kumar, Managing Director of State Bank of India, highlighted that while lots of ground had been covered, a number of challenges need to be addressed to achieve the task of universal financial inclusion in India. He emphasized on the need to reduce cash component in money supply and that in order to reduce transactions costs, digital mode of transactions was the only way forward. He also said that the Small Finance Banks were not a competitive threat for the commercial banks but looked forward to a collaborative approach given the huge task at hand.

Mr. Harsh Kumar Bhanwala, Chairman NABARD highlighted that in the recent times the role of technology has been emphasized greatly, but according to him more important than the technology itself, it is important for the individual users to know what the technology could do for them. At the same time, there is a need to rethink the laws related to consumer protection and grievance redressal framework for digital transactions. He also said that there is also a need to have a graduated training and certification framework for the Business Correspondents to increase their effectiveness. He also highlighted the role of physical infrastructure in achieving universal financial inclusion.

Plenary Sessions

Plenary 1: Two Years Hence: How Has Financial Inclusion Advanced in India?

Pradhan Mantri Jan Dhan Yojana (PMJDY) launched in the year 2014, is amongst the largest financial inclusion campaigns in the world promoted by a government agency. Although the campaign has made significant strides in enrolling of 250 million bank accounts and over 120 million people have been covered under various insurance policies, however, whether these efforts lead to any tangible outcomes was the main point of discussion in the session.

The session moderated by Monika Halan, Consulting Editor, Mint was initiated by quoting the data of enrolling 250 bank accounts and ventured into discussing whether the access to finance has translated into actual usage. The panel discussed that for a long time people have been accustomed to the use of informal sources of finance and accessibility was one of the main reasons for non-usage of formal financial sources. Accessibility is not only restricted to physical access but moving ahead it will require bringing about a behavioral change and ensuring service quality for ensuring the utilization of formal financial sources. Building of trust is a key aspect, which will contribute in achieving the desired outcome.

The session further delved on the importance of establishing proper infrastructure and technology to ensure higher utilization of financial services.

Mr. Porush Singh, Mastercard suggested that building up infrastructure and providing low cost service is a key towards providing financial inclusion.

India is a large country where a large population resides in rural areas and dependent on agriculture as a primary source of income. On the supply side, Microfinance institutions have been able to provide last step financial services to people. Still a large section of the population needs to be financially included. Banks are still not motivated in dealing with the rural population. However, existing resources like BC can be utilized. As stated by Mr. Rajnish Kumar " BC can reduce up to 70% of the transaction costs of the bank", however, for this to happen, it is important to provide proper training and ensure availability of a range of products through the BC channel. Emphasizing the importance of BC Mr. Rajiv Lall further stated that BC would be the bedrock of future financial services. For enhancement of capability of the BC channel, technology is one of the important tools.

In order to further enhance the usage of the financial services, the products offered through various channels should be more clients centric. It is important to develop products, which are simple and standardized. For e.g., in agriculture the income is uneven, wherein some of the people may be interested in making payments on a daily basis while others on a seasonal basis, it thus becomes important to design products according to the demand of the users.

Access to formal financial services was discussed in the wake of demonetization. The PMJDY accounts saw a surge in account balances, the usage of ATM cards and e-wallets witnessed an increase. However, it is difficult to accurately assess the impact of demonetization. The impact of demonetization will be witnessed in future.

Plenary 2: Responsible Finance: Multiple Borrowing and Client Indebtedness

Mr. N Srinivasan started the second plenary session followed by a presentation by Ms. Parul Agarwal on IFMR's study on "Drivers of over-indebtedness of Microfinance borrowers in India." Ms Agarwal focused various divers which force clients for multiple borrowing that at times lead to over-indebtedness; like, low and unstable income flow, multiple borrowing, over loan, the size of the current loan portfolio and cross-borrowing. The study reflected that people tend to cross borrow to repay previous loans. It also reflected that clients in seasonal occupation are over-indebted. Ms. Agarwal explained that inadequate cash flow analysis and inadequate cash to meet needs are two main reasons, which force clients to go for over-indebtedness. She further quoted that the Credit Bureau data doesn't give actual information about clients' current financial status.
Mr. N Srinivasan opened the discussion for panel speakers on how to strengthen responsible finance by keeping in check drivers of over-indebtedness. Mr. Rajeev Ahuja suggested that the borrowing from multiple sources; including formal and

informal, whose data is not available with Credit Bureaus, has a major contribution for over-indebtedness. He further explained that the current system of checking multiple borrowing is not enough and more evolved system is required to protect the industry from such type of risks.

Mr. Prakash Bakshi reminded the intension of starting KYC norms by explaining how the concept of "Know Your Customer" has become a mere documentation process. He explained the importance of appraising the customer to such extent where the customer can able to connect with the service provider. The borrowing should be demand oriented instead of meeting targets and under financing is as bad as over financing. On the issue of client-oriented borrowing, Ms. Ratna Vishwanathan added that during appraisal it important to identify family's borrowing absorption limit which can be done only by incorporating informal sector lending into the main stream.

Mr. Alok Misra raised the point of analyzing the multiple borrowing and over-indebtedness through the geographical point of view by incorporating heat map, which should include both, formal and informal sector. He added that in some regions the ticket size of loan has increased tremendously over the past few years. Ms. Kalpana Pandey also added that the income estimate should be rightly done with a thorough assessment, as in some cases, even the family doesn't know their family income. She also suggested that over the past 5 years Microfinance industry has changed and a new guideline is required from the regulatory side to provide proper directions to the current evolved industry.

The session ended with the conclusion that multiple borrowing and over indebtedness needs to keep in check by the equal contribution of the financial service provider, Credit Bureaus and regulatory regime and they need to work together to empower the responsible finance.

Plenary 3: From MFI to Small Finance Banks: Transacting Business Differently

The third plenary discussed the challenges facing the newly licensed Small Finance Banks following the demonetization. Starting the discussion to put things in perspective Rajiv Lall said "45% of all loans in the country goes to only 300 borrowers, that is how concentrated the asset side of the balance sheet. 81% of entire CASA comes from top 50 centers of the country. 60% of total savings of Indian households are not even in the banking system. That is why we have a long way to go before we achieve universal financial inclusion." Panelists agreed that given this skew the role of Small Finance Banks becomes important.

Mr. Samit Ghosh and Mr. Govind Singh both said that the demonstration had caused a minor disruption in their plans of launching the SFB as their attention has been diverted. In short-term, they may face liquidity issues in attracting deposits but in the medium to long-term they see an opportunity to mobilize deposits from the low-income clients and from a segment, which is between low and middle-income segments. Mr. Ghosh said that the demonetization had busted the myth that the poor did not have savings -just that they keep their savings in cash. "SFBs could tap into these savings if they are able to address customers' apprehension regarding the banking system and are able to develop user-friendly mechanisms to enable people to open bank accounts and make transactions," said Samit Ghosh of Ujjivan. People who used to save with the chit funds and informal sources could provide a huge potential source of funds to the SFBs.

On the asset side, there are however concerns as repayment rates have dropped to 70-80%. Mr. Samit Ghosh and Mr. Govind Singh concurred that they did not expect any change in the credit culture, but if there are disruptions in the livelihoods of clients, there will be a negative impact on portfolio quality. The overall impact on the asset quality will, however be known only with time. They also agreed that there would be some drop in the growth rates on account of demonetization.

Breakaway sessions

Breakaway Session 1: Small MFIs: Future Survival and Sustainability Challenges

Mr. Royston Braganza, CEO, Grameen Capital India with his starting remark stated that the Microfinance landscape is undergoing an incredible transformation with one large MFI transitioning into a universal bank and eight others readying to transition to SFBs however, the Small MFIs have not seen much growth as compared to the NBFC-MFIs. The main objective of this discussion was to explore the key challenges faced by small MFIs and how they can become sustainable in the long run.

Ms. Ragini Chaudhary, quoted that "Scale leads to efficiency" she emphasized on the fact that efficiency will reduce the costs. She said that "Why should a client pay for somebody's inefficiency" citing an example if I can borrow money from Bandhan at 22%, then why should I borrow from Swayamshree Micro Services at 28%.

Mr.Tamal Bandyopadhyay suggested, "Small MFIs work on grant basis hence it will be difficult for them to ensure flow of funds". Moreover, post demonetization, the society seeks to go cashless and hence would certainly pose a problem for the small MFIs. Another challenge is that the emerging of payment banks can give competition to the small MFIs. According to Mr.Tamal, 600 payment banks will be opened in 1 district.

The panel then discussed the opportunities of a small MFI. It was discussed that NGOs/Trusts provide comfortable and value-added services to clients hence the acceptance of NGOs/Trusts is higher in some geographic niche. Mr. Srinivas Bonam emphasized the point by suggesting that institutions, which have the capability to reach the untouched sections, the bank would like to tie-up with them for providing financial services. "From meaningful financial inclusion prospective, small MFIs like NGOs, Trusts who can take the responsibility can go forward".

According to Mr. Anand Rao, "the larger players are not able to provide financial solution (especially credit part) according to the customer needs as big MFIs are more focused, systematic and have tailor-made products. This space can be used by smaller MFIs". Further Small MFIs should take up the role of Business Correspondents in order to sustain.

The panel discussed that in order for a small MFI to become efficient, it is important for them to be converted into NBFC-MFIs. It was further suggested that NABARD, SIDBI & MUDRA bank have to take a bigger role in handholding the small MFIs.

Breakaway session 2: Impact Linked Financing Models: Balancing Purpose with Profits

The session was moderated by Mr. Rahil Rangwala, Director – Family Economic Stability (India), Michael & Susan Dell Foundation
The discussants were: Mr. Neeraj Sharma, MD & CEO, Indian School Finance Company; Mr. Drew Von Glahn, Co-Founder, Third Sector Capital; Mr. Uttam Garodia, Vice President, Public Finance, Janalakshmi Financial Services and Ms. Katy Jones, Consultant, Social Finance.

The discussion revolved around innovative financial structures in financial institutions, incentive based impact linked financial models and ways to measure success of financial models. The discussants explained their financing models and products in education, housing and health. Mr. Neeraj Sharma explained one of his products where they conduct random sampling of students of 3rd, 5th and 7th grade in English and Mathematics and study the impact of education in funded schools periodically for same students. If there are positive impacts and they find an improvement in quality of education, they provide 5-10% incentive to those schools. He says that, to improve the quality of education, there is a need of compulsive habit forming among the school staff.

Mr. Uttam Garodia discussed about affordable housing finance where Janalakshmi Financial services offer home loans to developers and clients. He discussed one of their products in affordable housing where they are planning to incentivize the developer to sell the property to last mile clients. There are already checks and balances by the government to provide subsidy for affordable housing under PMAY.

Mr. Drew Von Glanh responded on question regarding the funding majorly been given to private organizations in education and health sector by explaining that private sector organizations lack in resource thus the funding helps them to develop the necessary infrastructure. Moreover, the private organizations are more accountable for the funds they use. Ms. Katy Jones further added that there is generally a 3-5 year of contract with defined deliverables which is to ensure the sustainability of business. Mr. Sharma gave example that around 40% students opt for private schools, as there is focus on quality of education.

Mr. Rahil Rangwala concluded by mentioning that Institution Building and Capacity building programs can have different kind of funding. He also added that while working on incentive based financial modelling, it is imperative to be focused that cost of measuring the outcome should not exceed the incentive itself. He also pointed out that there is a dire need of more intermediaries who are ready to bring in more capital through impact linked financial models.

Breakaway Session 3: Creating Financial Awareness of Clients: Communications Methodologies that Work

Financial awareness and capability building of clients are key inputs to achieve financial inclusion. The major goal of communication with clients is objected towards a situation where the clients are able to make an informed choice. Ms. Chandani Ohri, CEO, Grameen Foundation India started the deliberations with the objective of analyzing methodologies, which can be used at the mass scale for the creation of financial literacy. Mr. Santadarshan Sadhu, Research Scientist, University of Chicago; while reiterating the importance of financial awareness said that “Research suggests that financial communication efforts lead to behavioral changes, provided the financial literacy content is well thought of, easy to understand and uses examples from the experience of the clients.” Ms. Maya Vengurlekar, Chief Operating Officer, CRISIL Foundation emphasized the importance of developing financial literacy content and channel of communication, based on the target group.

Ms. Kalpana Sankar, Chairperson and Managing Trustee, Hand in Hand; diverted the attention of the panel towards the low financial literacy score of India and suggested the four-step model followed by Hand in Hand for the promotion of financial awareness in the fast changing scenario.

Mr. Elliot Rosenberg, Vice President, Awaaz.de emphasized the importance of Interactive Voice Response (IVR) in overcoming the barriers of language, literacy, and technology. He suggested that the use of customized voice messages focused on the target audience can create a long lasting impact on the clients and will help in bringing about behavioral change.

Mr. Ravi Shankar, Head, Bharat Banking, IDFC bank suggested the need to close the gap of availability and awareness. He suggested on the importance of four aspects of communication comprising of where, how when and the most important being who is delivering the communication model.

Mr. Subrata Gupta, Chief General Manager, Department of financial inclusion and banking, NABARD, suggested that for any communication model to be sustainable and scalable, it is important to reduce the cost of the communication and develop a business proposition on the same. He emphasized the importance of digital financial literacy in the current scenario and suggested a step-by-step approach to achieve the same.

The session concluded with the discussion on the importance of a right mix of human touch and technology for delivery of financial awareness. The panel suggested that it is important to have a high touch model in order to ensure the effectiveness of the communication.

Day 2, December 6th, 2016 (Tuesday)

Plenary Sessions

Plenary 4: By Default or Design: Demonetization Pushes for a Less Cash Ecosystem

The fourth Plenary of the summit deliberated on the implication of demonetization on the role of promoting less cash ecosystem.

Mr. SK Gupta of NPCI said that NPCI has created diversified platforms for facilitating digital payments through different means like CARD, mobile, and Aadhaar and all the banks are on-boarded on the products. Complete ecosystem availability exists in the country. There are, however, constraints, which have resulted in inadequate usage of digital means for transactions. This has led to the fact that of the 750 million 45 million cards have been used for digital transactions. This is mainly on account of the fact that acceptance infrastructure was missing.

Pawan Bakhshi of Bill and Melinda Gates Foundation suggested that less cash ecosystem will be driven by the fact that ultimately usage will have to be driven by the need of the people because transacting in cash is expensive.

Mr. Madhur Deora of Paytm said that incredible support from the regulators at the time to push for cashless. A billion Adhaar cards are there, and a billion mobile phones are also there in the country. The key to increasing usage is to ensure that payments have to be accepted everywhere, the user interface has to simple, and products should be relevant to the customers, and the customers need to have trust. At the same time, the back end needs to be sophisticated enough to ensure that the system is secure enough.

Mr. Amitabh Tewari of MasterCard emphasized that if any payment system has to become sustainable, there should be adequate revenue for the participants. Creating access points and making people familiar are critical steps to ensure wider usage.

Mr. H Srikrishnan, CEO of Geo Payment Bank said that if the cost of transactions can be brought down, Microsavings and sophisticated investment products can also be rolled out to rural customers with new technology. The payment banks could replace idle cash with digital money. He also said that there was the possibility of a collaboration of payment banks with the MFIs. Payment banks could also help in offer of microinsurance products.

Plenary 5: Women's Financial Inclusion: Time to get Real

Data and field studies reveal that there are barriers on both the supply side and the demand side that impede greater integration of women in the financial inclusion initiatives of the government and other stakeholders. The Fifth Plenary discussed the appropriate strategies that bring a gender focus within these Financial Inclusion initiatives. Ms. Frances Sinha, from M-CRIL citing data, said that there were considerable gaps in access to financial services to women, which needs to be addressed.

Ms. Jayashree Vyas, MD of SEWA Bank said that women were visionaries, and historically women had contributed significantly in promoting financial inclusion, but at present, there were not enough women leaders in financial inclusion space. She also emphasized the need for financial literacy for digital financial inclusion.

Concurring with this view Ms. Meera Sanyal, former chairperson RBS India said: "Institutions run by women are more gender sensitive, there is a great case for women leadership, not just women inclusion." Sharing her experience of doing microfinance at ABN AMRO Bank, she also said that in her experience women were great borrowers and repayment rates in microfinance where lending was to women, was much better as compared to the commercial banking. She also said that the Bank witnessed tangible benefits from undertaking microfinance.

Ms. Shamika Ravi, Senior Fellow, Brookings India said that there was a tradeoff between achieving social objectives and growth when targeting women borrowers. While many social objectives are achieved when women are microfinance clients while women clients do not lead to required growth, as their absorption capacity of financial products is limited. She also emphasized the need to have gender-disaggregated data under JAM trinity.

Ms. Karen Miller from Women's World Banking said that partnerships and creating entire ecosystem are more important than just financial inclusion from the point of view of women empowerment.

Breakaway sessions

Breakaway Session 4: Catalysing Small Finance: For Quality of Life Products

People at the bottom of the pyramid need a lot of products for better lives but are unable to pay upfront for them, here is where MFIs play an important role. People are happy to borrow for their needs, and then they repay the money in time. They end up getting useful low-cost technology products for themselves like solar lights, water purifiers, etc. Ben Matthew told that their clients pay the price of products upfront as they get help from MFIs and they do not have any subsidized rates. He also informed that they have repeat customers and they keep innovating products continuously.

Nicola Armacost told that organizations working in the sector are happy to make a difference in lives of people. There are simplified matrices that help to measure the impacts. All the panelists shared the parameters of successful operations like the social impacts that are reflected in lives of people, their level of satisfaction, health benefits, savings done by clients while using efficient products, increase in household income and the number of people who have received the funding to purchase products are some of the parameters. These organizations also keep a check on the environmental impacts of their products. Ms. Das added that though there is a lot of support by MFIs in helping people purchase products they are unable to help them give education loans, which she feels is a very important ingredient that would help them, grow in life.

Breakaway Session 5: Agent Banking: Need for Code of Conduct?

Since its introduction by RBI in 2006, the Business Correspondent model has evolved immensely to provide core financial services to unbanked regions through agent banking. While the model has been able to provide access to the last mile to some extent, most of the bank agents belong to the local community having limited educational qualification and are not fully equipped to responsibly deliver services to low-income vulnerable groups leading to distress. In this background, Mr. Manoj Sharma, Managing Director-Asia, Microsave initiated the discussion by suggesting that with the financial inclusion economy going digital, it becomes important to discuss and analyze the agent level risks.

Mr. JK Thakar, GM (Outreach), State Bank of India, discussed the various risks pertaining to the BC channels, the more important being safety of funds, transparency, need for secure transactions and privacy of client data. Mr. Ajay Desai, Senior President and Chief financial inclusion officer, Yes Bank, discussed on the credit led BC model and the liability led BC model, emphasizing that the challenges in the credit led BC channel are higher. Furthering to the discussion, Mr. Sasidhar Thumuluri, Chief Operating Officer, BASIX Sub-Ki Transactions, suggested that the model on the credit side is more or less a replica of the microfinance model and hence is a bit more accountable as compared to the liability led BC models. He also suggested that for the Business correspondence to become successful the credit led and the liability led models need to merge.

Mr. Anand Shrivastav, Chairman, Business Correspondent federation of India, suggested that the industry is working on the development of training certifications and registration of BC agents and also on developing a framework for the BC channel. Ms. Radhika Agashe, Executive Director, ACCESS ASSIST, suggested that using the code of conduct developed by MFIN and SA-dhan is not directly applicable to the corporate BC’s and there is a need to develop standard practices at the levels of the principal, BC network manager and the service provider. Special focus needs to be given to the areas of governance and training.

Ms. Hema Bansal, Director, South Asia and South East Asia, ACCION SMART Campaign, suggested that the industry is currently at the stage one where it is important to analyze the various risks associated with the channel and also to take into account the risks, which may be applicable with the digitalization. She suggested that it is important to map the space and then work on the standards, which can be applicable.

Breakaway Session 6: The New IndiaStack: Its Potential for Advancing Financial Inclusion

The India Stack collectively covers specific APIs that allow governments and businesses to utilize and deliver key services to citizens of the country. These APIs have been developed by various organizations over the last 7 years, starting with Aadhaar, which launched an authentication API in 2010. This session aimed to focus on how different pieces of the India Stack work and highlight the new set of capabilities that could change financial inclusion moving forward.

The session was started by Mr. Greg Chen, Lead Asia, CGAP by flouting questions about what is IndiaStack and its importance in gradually evolving Financial Inclusion in India. Mr. Sahil Kini, Volunteer of ISpirit explained that putting technology pieces together and integrating them to achieve a larger goal can be called as IndiaStack. He further explained that a layered version of APIs for each step like validation of KYCs, digital signature on forms, utilization of digital locker through unique resource identifier can be designed and integrated for public good. Mr. Dilip Asbe, COO of National Payments Corporation of India said that the NPCI has seen a spike in transactions through e-payments after demonetization and they are committed to speed up the transaction and payment settlement process.

Role of Direct Benefit Transfer (DBT) for the utilization of all government schemes and helping them to achieve last mile delivery more efficiently is explained by Mr. Peeyush Kumar, Joint Secretary, DBT Mission, Govt. of India. He said that the DBT mission has designed a single platform through which around 500 central government programs can be rolled out. Mr. Krishnan Dharmarajan, Executive Director, Centre for Digital Financial Inclusion said that demand for innovation has increased over the last 5 years. People have seen the impact of Aadhar, which is coupled with their mobile and bank accounts. He added that it is important that technology should be capable of tracking benefits of programs and able to provide whether outcome is as it was expected.

Ms. Anuradha Ramachandran, Director, Investments, Omidyar Network raised the issue of providing a conducive ecosystem where presence less, cash less and paper less transaction should go hand in hand. Mr. P N Vasudevan, Managing Director, Equitas Holdings Limited suggested that government support is also important to create trust among the private sector and cost of transaction also need to be focused for the sustainability of technology based Financial Inclusion.

Breakaway Session 7: Uptake of Digital Financial Services: Behaviour Change a Challenge

The session discussed on how financial service providers improve the design and effectiveness of products and services—from loan repayment to usage of savings accounts to uptake of the products and services themselves. Mr. Saguatto Datta, Managing Director of Ideas 42, cited several research studies where concepts of behavioral science are used to adapt products and services as well as delivery channels. Research also suggests that digitization is expected to increase usage of financial services. Mr. Badal Malick, CEO, Catalyst: Inclusive Cashless Payment Partnership, said "In financial inclusion lots of efforts are focused on supply side interventions but there is not enough focus on demand side issues which is limiting actual usage".

Mr. S Anand, EVP & Business Head, EKO India said that when they started they had assumed that people would not pay money for remittances but in actual experience, they realised that consumers were actually willing to pay for convenience, trust and speed. Elizabeth Rhyne of Center for Financial Inclusion, MD Accion, was of the view that lots of behavioral interventions need to be targeted at the agents or the front line staff in addition to the clients.

Breakaway Session 8: Digitization of SHGs: Will it lend a new lease of life to the movement

The session discussed the issue of digitization of SHGs. The panelists discussed that the digitization of SHGs started with mere computerization of data that used to help banks and other organizations to manage details of all the members. But with the advent of technology, digitization has taken its real form. Mr. G R Chintala, Chief General Manager, said that NABARD has undertake a pilot project in 2 districts to keep all records of each member digitized which gives the data of savings, repayment, loan history that proves the creditworthiness of the members. The entire credit history is available due to proper digitization process. Mr. Sarat Yadav of ICICI Bank informed the audience that digitization had helped to reduce the turn around time to provide the loans to the customers. The customers get an auto SMS on their mobile phones and have account of their savings which make them empowered in a sense that they have control and have information about their savings. Digitization helps in cost effective and more secure mode of bookkeeping. NABARD is also working on interface that will have 10 languages so that the group can operate in a language that it is comfortable in.

Breakaway Session 9: Innovations in MSME Financing: Creating Credit History, a Pathway?

MSME sector plays a vital role for the growth of Indian economy; however, over the years access to formal finance has been a challenge to the MSME sector. MSME sector, although a segment within the priority sector, have faced reluctance from banks on account of lack of credit history and financial track records. In this background, the session moderated by Ms. Smita Aggarwal, focused on the innovative strides made with technology and anlysed the future potential of the various models.

Mr. Alok Mittal, Founder & CEO, Indifi; suggested the use of supply chain aggregators as an innovative way of financing MSME. He suggested that the use of clusters could reduce the problems of the funders on the supply side. He further suggested that there is a need to tie product, channel and data together to ensure effective supply of finance in areas where actual gaps exist.

Mr. Abhishek Agarwal, Chief Regional Officer, Accion India; discussed the advantages of the BC channel in creating MSME finance outreach. He suggested that community based outreach to SME through BC channel can provide a high touch model for credit appraisal but can have higher costs. He emphasized on the need to understand the MSME partners and the need to analyze how the underwriting should be undertaken for MSMEs.

Mr. Richard Eldridge, Founder & CEO, Lenddo, emphasized on the need to use vast amount of non-traditional data points, which can help the lenders in analyzing and undertaking lending decisions. Adding to the discussion, Mr. Jiji Mammen, Chief Executive Officer, MUDRA Bank, suggested that currently the data being used by the funders is the credit history data and in order to include more clients to the gambit of financing it is required to assess ways which can be utilized for analyzing the credit worthiness of the borrowers.

Mr. Pankaj Jain, Joint Secretary, Dept. of financial services, GOI; discussed that the type of lenders in the MSME space is changing considerably. MFIs, NBFC MFIs have entered the space along with the banks. Banks have also adopted newer strategies of co-origination; all these developments have contributed towards making the informal sector more formal.

Mr. Jiji Mammen, Chief Executive Officer, MUDRA Bank discussed that the SMEs are underfinanced and MUDRA through two strategies is focused at providing credit to the sector. One is through the financial support provided to institutions for on lending and the other through the credit guarantee support to the MSMEs. He also discussed about Udyami Mitra portal, which will facilitate bringing on board the credit applications and making them available in the open market to the various lenders.

The session then discussed on the importance of data privacy in the context of usage of data for assessment of credit worthiness. Importance of taking people' consent was discussed. Ms. Smita Aggarwal suggested that people are willing to share private data if they know the purpose for which it will be used. Mr. Richard Eldridge further suggested that instead of concentrating on the single data parameters, the credit worthiness of the clients would be based on the patterns obtained from the Meta data. Transaction patterns of clients are predictive in analyzing the credit worthiness. The session further delved on the design of products that need to be developed for MSME's. Mr. Alok Mittal suggested that products such as merchant cash advance, invoice discounting and loans on the purchase side are the major products where the end use is secured.

Breakaway Session 10: Inclusive Insurance: Going Beyond the Mandate?

The session was started by Mr. Amit Arora, Consultant, The World Bank by raising question whether mandate is necessary for the micro insurance in current perspective. Mr. Sanjeev Mantri, Executive Director, ICICI Lombard General Insurance Co. Ltd. said that at present many schemes are focusing only on number of subscriber for the insurance. He gave the example of PMJJBY where government is providing a subsidies insurance to people, still insurance penetration has not increased. Target based approach will not provide solution for the actual need of people. Mr. David M Dror. Further added that implementation through mandating is not a part of solution. He quoted that "One size fits all means fits nobody", it is important that the insurance product design should be customized based on the requirement of customers.

Mr. Khalid Ahmad, Head Product Management, PNB MetLife India Insurance Company Limited said that while designing an insurance product, it is required to check whether the amount and coverage period is suitable for which the product is made. He further commented that in most of the cases, benefits are not getting transferred to the end users due to complicated claim settlement process and an appropriate mechanism is required for the same. Mr. Ahmad questioned the current insurance schemes whether they are actually targeting the right customer.

Mr. Neeraj Maheshwari, Senior Vice President, DHFL-Pramerica shifted the focus of discussion on current mechanism of providing micro-insurance services. He said that in current scenario the approach of micro insurance industry is based on a distribution driven market, which is highly dependent on the available distribution channel, instead of that it should be based on customer and product driven market. He also suggested the requirement of a Micro Insurance Council or any similar platform where solutions can be produced through common dialogues. In a contrary to this Mr. Ayandev Saha, General Manager, K. M. Dastur Reinsurance Brokers Pvt. Ltd. said that micro insurance industry has evolved itself significantly over the period of time. Now days, a large section of people doesn’t require first-hand information about insurance products, public awareness has increased drastically. He also supported that demand driven approach can be created based on customers’ awareness.

Discussion further moved on to understand the role digital channel in the current insurance sector. The panel discussed on the possibility of reducing delivery cost with the increase of telecom connections. Mr. David suggested that it will reduce the cost of claim processing which is highly expensive in the current scenario, but power of digital is still getting tested. Mr. Ahmad quoted that implementation of digital platforms are still in transition phase and physical and digital channel are not mutually exclusive.