The Summit Report
Inclusive Finance India Summit
December 11 & 12, 2017
Hotel Ashok, New Delhi

Inaugural session

Welcome Address: Vipin Sharma, CEO, ACCESS Development Services
Keynote Address: Dr. Subir Gokarn, ACCESS Development Services
Inaugural Address: Dr. C Rangarajan, Former Governor, Reserve Bank of India

> "*The summit offers a platform for a plethora of information to all the thought leaders and industry veterans to debate and discuss the issues and challenges involving the Financial Inclusion in the country*,"- Vipin Sharma, CEO Access Development Services

The inaugural of Inclusive Finance India Summit, 2017 witnessed the presence of various eminent stakeholders from the sector. Vipin Sharma, CEO, ACCESS Development Services welcomed the delegates to the IFI Summit and thanked all the stakeholders for supporting and contributing to the summit. In his Welcome address he took a stock of the progress of fincial inclusion in the country. Digital Financial Inclusion, BHIM, Aadhar, leading to realization of JAM trinity, have been some of the major highlights this year .The year 2017 also marked for the celebration of 25 years of SHG movement The SHG movement has come a long way in the last few decades and it is important to understand how we can leverage the learnings from this program for better impact.

The annual knowledge product – the Inclusive Finance India Report was also released at the Inaugural The Report is well-researched, in-depth and well analyzed evidence on how the how the financial inclusion agenda has progressed at various levels in the country.

Higlights from Inclusive Finance India Report 2018

- The year 2017 was a difficult in general in terms of access to data on inclusive finance. The data was highly confusing in part due to the demonetization exercise.
- NABARD's Financial Inclusion Survey data finds that there continues to be a strong presence of cooperatives in the financial inclusion space. This is the reason there needs to be a continuing emphasis on highlighting the functioning/ performance of pre-existing models.
- There are significant changes by the RBI in the definition of a banking outlet. A banking outlet need not necessarily be owned by a bank or run by a bank. Any outlet operating at least 4 hours a day, at least 5 days a week and offering services of deposits, credit and withdrawals and meets all regulatory norms can be defined as a banking outlet.
- On the digital story front, there is a need to worry about the significant digital divide particularly in terms of the NPCI statistics on Aadhaar related authentication failures. Exclusion should not arise because of transaction failures.
- An interesting trend emerging that the number of ATMs seems to be plateauing and coming down while POS devices are becoming the mode for last mile settlements. There may be a consolidation of ATMs by banks.

- While digitisation and digital transactions is increasing for intermediate transactions, the last mile transaction is not necessarily being done cashless.

Another publication that was released was, the book "Talking Financial Inclusion in Liberalized India: Conversations with Governors of the Reserve Bank of India", edited by Prof. M S. The book presents a set of conversations with five former Governors and the present serving Governor of Reserve Bank of India (from 1992 onwards) on the topic of financial inclusion in the country.

BuddhiMoney is a unique iconic business counsellor to disseminate key messages to enable and strengthen microenterprises using an innovative pedagogy short animation films was also launched during the Inaugural session. BuddhiMoney has been developed by ACCESS with support from

> "*Financial Inclusion is no longer an option but a compulsion*"- Dr. C Rangarajan, Former Governor, Reserve Bank of India

Mastercard Centre for Inclusive Growth. Dr. Subir Gokarn, Executive Director, IMF & Former Deputy Governor, RBI delivered the Keynote address. In his address, he spoke about a simple framework to analyze financial inclusion in the country. The 4P frame work of, People, Pipelines, Products and Perceptions. The starting point for effective financial inclusion strategies is to understand what People want from financial services. The Inaugural address was delivered by Dr. C Rangarajan, Former Governor RBI where he highlighted the importance and need for financial inclusion in the country. He added that the delivery of financial services to the excluded is a gradual process. He emphasized on the need for strengthening the organized financial system to reach out to the excluded group. He necessitated financial inclusion by remarking that financial inclusion is not an option but a compulsion.

Key Takeaways

- Demonetization had an unintended consequence of increasing the push for digital financial transactions.
- This is a year of consolidation for Microfinance sector with major takeovers by banks. The sector has been dynamic. Many banks, particularly private sector banks are seeking the base of the pyramid space with interest through buying out MFIs and NBFCs
- There is a need to worry about the significant digital divide particularly in terms of the NPCI statistics on Aadhaar related authentication failures and the resultant exclusion.
- Perceptions in terms of the safety and reliability are crucial for the effectiveness of a financial system. The people's willingness to use the system depends on two factors: financial literacy and their trust in the system.
- Putting in place a credit delivery system is not sufficient; it must go hand in hand with increasing the productivity of the concerned household so that the ability repay can also

PLENARY 1

The Last Quarter Century: Evolution of Financial Inclusion in India

Moderator: Dr. Subir Gokarn, Executive Director, International Monetary Fund & Former Deputy Governor, Reserve Bank of India

Speakers:

- Dr. C Rangarajan, Former Governor, Reserve Bank of India
- Dr. Y V Reddy, Former Governor, Reserve Bank of India
- Dr. Bimal Jalan, Former Governor, Reserve Bank of India
- Dr. D Subbarao, Former Governor, Reserve Bank of India
- Dr. M S Sriram, Faculty, Centre for Public Policy, IIM, Bangalore

The session began with all the governors discussing on the role played by the RBI in changing the financial inclusion landscape in the country.

Dr. Subir Gokarn, began the session by talking about the present financial landscape of the country with respect to microfinance and related services. He highlighted the point on the increase in competition and channels for the supply of micro finance in the country, which has diversified and expanded over the last decade. To set the context to the audience, having interviewed the Governors of Reserve Bank of India, he commented on how financial inclusion in the country had evolved since liberalization. He said that, Dr. Rangarajan was a strong promoter of decentralization, spatial spreads, consolidation of RRBs, and deepening of inclusion as the salient features of India's financial inclusion plan. On the other hand, Dr. Jalan heavily focussed on financial stability and insulation from external stocks. Dr. Reddy's tenure saw a shift in approach, focussing on system stability, strengthening and supporting peoples' institutions, and the protection of the larger economy. Dr. Subbarao's term coincided with what many consider a game changer in the form of the BC Model. More recently, Raghuram Rajan's term is popular for his belief in the markets, establishing several new, often niche institutions. Dr. Rajan was adventurous, and a proponent of the western approach of setting up a large number of small institutions. Finally, Dr. Urjit Patel, in many ways continuing along Dr. Rajan's trajectory, believes in the end of push from RBI, favouring market stability and take over. Dr. Patel is championing consumer protection in the digital era, data privacy, the provision of a safety net, and institutional reconsolidation.

"*Providing access to financial services and products is no longer an issue, with the proliferation of mobile phones and Aadhar. The need now is to concentrate on regulation and stability*."- Bimal Jalan, Former Governor, Reserve bank of India

Dr. Rangarajan, talking about his tenure as Governor of the RBI, threw light on the early days of the financial inclusion movement which began with bringing new players in the space by creating new banks, while using regulation to motivate priority sector lending by banks. Dr. Jalan emphasized the need to subsume the financial inclusion agenda within the overarching objective of economic stability, which must always be central. The panel agreed unanimously on allowing diversity in financial models and products to bloom, since it is too early to streamline these models, while emphasizing the importance of this diversity to the customers.

Dr. Subbarao's highlighted poverty alleviation as the ultimate objective of financial inclusion. It is not the cost of credit, but the access to credit that is crucial for the poor. He mentioned that a bank account comes with elements other than credit- savings, remittance, insurance, to name some and these needs to be given focused on as a complete package. Financial inclusion would indeed remain an unfulfilled agenda unless all these elements were delivered to the poor. Echoing Dr. Subbarao's views, Dr. Jalan asserted that making financial inclusion a platform for increasing opportunities and livelihoods is the central challenge today.

> "*Perhaps the role of the RBI must evolve. The RBI should be the chief regulator that oversees regulators and rates them. This decentralization of regulation is required, without which, it is impossible for the RBI to continue innovating and be the chief regulator*." – Y.V. Reddy, Former Governor, Reserve Bank of India

On the issue of farm debt waiver two former Reserve Bank of India (RBI) Governors were critical of such announcements by some state governments. Dr. Y V Reddy was of the view that such decisions would not help the economy. On financial inclusion he said that, the foundation of the Reserve Bank's efforts to further inclusion began with technology, initiated by Dr. Rangarajan. Dr. Jalan followed this with customer-centricity as the focus of the RBI's FI approach.

On the question of interest rate cap on the micro lending products, the panel opined that it is a necessary evil which perhaps stifles the sector's ability to diversify and innovate, but works in their larger interest by preserving the repayment ability of customers as well as the sustainability of lenders.

To close, Dr. Rangarajan restated the importance of understanding the fundamental distinction between credit and deposit aspect of inclusive banking services, with the former having a much greater onus to facilitate financial inclusion. According to Dr. Rangarajan, it was decentralization, diversification which helped in achieving greater outreach in the country and Dr. Subbarao expressed that it was mainstreaming of the banking and making it accessible to all, that should be the notion of financial inclusion in the country.

> "*First, waive interest payments during a year of distress. Second, reschedule the loan, so that farmers get a longer timeframe for repayment. Only if all these things don't succeed should the government think of loan waiver*."
> Dr. C. Ranagarajan Former Governor, Reserve Bank of India

The larger context is that financial inclusions is only as good as the environment. It is a matter of livelihoods and protection. If the environment facilitates financial productivity, then it will follow. Secondly, multiplicity is the way to move forward. It would be premature to lock into any one model. All models have had both positive and negative outcomes. Technology is making the space of financial inclusion murkier. Rather than worrying about choosing one, it is more prudent to adapt and blend. Lastly, navigating multiplicity is an integral part of the financial inclusion journey.

Key Takeaways

- Financial inclusion must go hand in hand with financial stability. The financial system should be used to provide access *without* compromising on stability
- There is an inadequate understanding of inclusion. Poor people will get 'included', that is, they will open bank accounts. Unless and until they get all that they want in the form of a wide range of services – savings, remittance, etc. – they are not included.
- Financial Inclusion requires a multi-agency approach. Each type of institution has its own strengths. There is a need to strengthen every one of them
- The similarities are a function of the common goal, but the approaches of the RBI Governors highlight their individual sensibility and world view with respect to financial inclusion

PLENARY 2

Changing Contours of the Financial Sector Architecture: Small Tremors or Tectonic Shifts?
Fire Side Conversations

Anchor: Latha Venkatesh, Executive Editor, CNBC TV 18.

In conversation with:

- Amitabh Kant, Chief Executive Officer, NITI Aayog
- H R Khan, Former Deputy Governor, Reserve Bank of India
- Michael Wiegand, Director, Financial Services for the Poor, Bill and Melinda Gates Foundation
- Dr Rajiv B Lall, Chairman & Managing Director, IDFC Bank

The session started off with Amitabh Kant's enthusiastic perspectives on the role of digitization in advancing financial inclusion, which he saw as a major driver of this movement.

> "*Digital revolution will drive financial inclusion*"
> \- Amitabh Kant, CEO, NITI Aayog

With the government pushing forward with schemes such as Direct Benefit Transfer and Unified Payment Interface, many innovative applications by Samsung, Google, etc. have already started leveraging the transactions' data. These applications in turn will generate a vast trail of data on the consumption and payments habits of the consumers, and big data analysis will allow extension of credit to the unbanked. He foresees a real tectonic shift in the financial sector architecture as early as 2020, owing to the growing reach of smartphones which have become new age agents of financial inclusion today. Echoing this view, Dr. Rajiv Lall opined that financial inclusion may be defined as reaching out to the "phone-less". He also, however, pointed to the fact that over 300 million people in the country still did not have access to hand held communication technology.

The digital payments revolution is likely to trigger a sea change in the way credit is disbursed in India. "Data from the GST (goods and services tax) Network and direct benefits transfer will provide a wealth of information for data analytics," said Amitabh Kant of NITI Aayog. "This information can be used by institutions to help drive credit (to the poor), which will help uplift them from poverty."

Latha Venkatesh however, pointed out to the challenges which exists in using technology to achieve the objective of financial inclusion. She also voiced cynicism over the role of DBT, which seems to create mostly one-way transactions that may not tell us much about consumer behavior.

"To make financial inclusion an economic inclusion there is need of skill and scale"
– Dr. HR Khan, Former RBI Deputy Governor

H R Khan, while being positive about the importance of digitization, drew attention to the huge and crucial gap in inclusion in the agricultural sector. Smartphones, in his opinion were a better reflection of FI in urban areas rather than in villages where widespread digital illiteracy still plagued even with the banking staff.

Credit is only one element of creating a viable scheme for India's vulnerable, that will pull them out of the vicious circle of poverty. Emphasizing on this broader objective, Mr Kant stated the need for a multi-dimensional approach that looks beyond credit. To this, Dr. Lall pointed out the futility of waiting for the public sector to develop health and education sectors, when it may be more efficient for the private players to push for financial inclusion and credit delivery to the unbanked hence enabling them to steer their own lives.

"Currently, credit is skewed towards large corporates. But data is the new currency. It will usher in a change in the credit underwriting culture in India. Partnering with MFIs (microfinance institutions) will also help lower costs for delivering financial services."
- Dr. Rajiv Lall, MD & CEO IDFC Bank

Public discourse on financial inclusion is hypocrisy – "Why would you have for-profit entities expand business while subsidising the same from their pocket?"- Dr. Rajiv B Lall Chairman & Managing Director, IDFC Bank

The moderator asked Michael Wiegand his views on India's growth in digital financial inclusion in comparison to other countries. He believes that India will need another 5 years to come to the level at which China is now. Around 10 million transactions are made every months using Alipay. Kenya's M-pesa also has very impressive levels of penetration. Tanzania and Ghana have enabled a competitive environment which has given rise to many players in the mobile payments landscape. India is yet to reach these levels. When asked if those people who are using the mobile payments app in China were already financially included, Michael responded by saying the technology was indeed first adopted by the Chinese middle class. Now, the China's urban poor are also using it but it has still not reached the very bottom of the pyramid. Michael Wiegand adds that India is still in the early stages of digital adoption but it is changing rapidly. Compared to countries like China and Ghana, India has a better regulatory system. India's competitive environment will definitely lead to some innovative solutions in the long run.

> *"In a short span, countries like Tanzania and Ghana have managed to leapfrog in terms of digital payments"*- Michale Wiegand, Bill and Melinda Gates Foundation

To conclude Latha Venkatesh Summarized the session by giving some key highlights. A lot more data will be generated as the number of transactions increases, smart phones will become cheaper and more affordable leading to even more transactions, new platforms will be developed and further disruption can be expected in the sector. However, challenges such as lack of financial literacy and need for broad-based financial inclusion, beyond credit, need to be addressed to ensure development at the last mile.

Key Takeaways

- Digitization in turn will generate huge data which will then usher in a change in the credit underwriting culture in India
- Need for a multi-dimensional approach that looks beyond credit to advance financial inclusion
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PLENARY 3

Advancing Digital Financial Services: Addressing Ecosystem Gaps

Moderator: Stephen Rasmussen, Head – Inclusive Markets Team, CGAP

Discussants:

- Yaduvendra Mathur, Additional Secretary, Knowledge & Innovation Hub, NITI Aayog
- Samit Ghosh, CEO, Ujjivan Small Finance Bank
- Pawan Bakhshi, India Country Lead, Financial Services for the Poor, Bill & Melinda Gates Foundation
- Amitabh Tewary, Vice President, Strategic Initiatives and Partnerships - South Asia, Mastercard

The session started with the opening remarks by Stephen Rasmussen, on the campaign Digital India that has resulted in the promotion of digital financial services.

Yaduvendra Mathur discussed on the role of Aadhar as a game changer in the digital finance ecosystem. He further discussed that consumption is related to “goods & services.” While digitization has facilitated faster transactions, it is physical goods that are ultimately consumed. Therefore, he raised the issue of absence of physical goods as a result of financial exclusion and not financial exclusion itself. He further expressed the need for India to exploit the advantages of block chain technology.

> "*The big disruptor which is coming up is India Chain*"- Yaduvendra. Mathur, Additional Secretary, NITI Aayog

Samit Ghosh remarked that an incredible payment system has been built in the country. He further added that to remain relevant in the industry it was important to introduce technologically sound and effective systems in the operations. Even for SFBs organize data and then analysing it would be critical.

On the question of pricing of products due to the technological advancement, Amitabh Tewary opined that technology is a great leveler. Technology in fact has made available services and content to the excluded sections of the population. According to him pricing was not a big challenge as scale would take care of it.

Pricing will be decided by competition"
- Dr. Pawan Bakshi, India, Country Head, BMGF

During the discussion Yaduvendra Mathur highlighted the growing prospects of peer to peer lending and MSME financing as a result of the advancement of digital financial services in the country. Samit Ghosh viewed that as the space for microfinance becomes limited, it will result in convergence with the banking system. The panel discussed on the merits of digitization and the effectiveness which technology had brought in to reduce costs like that of client acquisition. This had further resulted in on-boarding the last mile customers.

The panel also emphasized on the need to have digital financial services, which are safe and secure and convenient for client usage.

Key Takeaways

- Digitization has allowed superior banking services for the customers.
- Pricing for digitization is not a huge challenge
- Block chain technology offers considerable potential in digitizing more than the financial dealings
- Digital Financial services should be convenient for the users and also address safety and security concerns

PLENARY 4

Small Finance Banks: New Hope for the Unbanked?

Moderator: Graham Wright, Group Managing Director, MicroSave

Speakers:

- Samit Ghosh, CEO, Ujjivan Small Finance Bank
- R Baskar Babu, CEO & Co-founder, Suryoday Small Finance Bank
- Tamal Bandyopadhyay, Consulting Editor, Mint
- Ratna Vishwanathan, CEO, Microfinance Institutions Network (MFIN)

The panel discussed on the merits of the retail banking revolution which played a crucial role in financially including the middle class transforming their lives and fueled the growth of Indian economy. However, this revolution did not cater much to the lower segments.The discussions further channeled towards on the various challenges faced by the SFBs during the entire transformation process.

> "*Transforming to a bank, where you can provide a range of services to the unbanked is the underlying motivation for becoming a SFB*"- Samit Ghosh, CEO Ujjivan

Demonetization had enormous impact on SFBs' portfolio. Samit Ghosh, pointed out on how they built a strategy to categorize branches, which were effected and then start building up special teams to start collecting the overdues. He also expressed stress for SFBs on the idea of removal of deposit insurance. The difficulties were further aggravated by local politicians who created problems by spreading rumors. Announcements of farm loan waivers resulted in collateral damage.

Baskar Babu also echoed the challenges which SFBs have had to face so far, one of which was exposing clients to the digital banking systems. On speaking about the challenges hovering over SFBs, Tamal Bandyopadhyay added that creating trust with the clients will be challenge for SFBs. Competition will continue with the MFIs and banks, which were looking at the hinterlands as potential business geographies. Vulnerabilities will continue for the SFBs and they will need to devise mechanisms and strategies to counter challenges posed by local politicians. The other challenges which continued to haunt the SFBs is that of HR and technology.

On the topic of Payments Banks, Tamal opined that Payment banks are not a threat to any of the banks. Payment banks were still in the process of finding out the apt business model and still needed time to ensure profitability. On an optimistic note, Baskar Babu stated that relationship in MFI was more of the form of 'number of clients per group' but banking has given an opportunity to connect with the customers at an individual level. It should not be seen as a cost but an investment. There is a need to leverage the technology in achieving the same.

Ratna Vishwanathan from MFIN believed that during demonetization, the microfinance industry proved to be resilient yet again. She mentioned that the strength and belief in the industry was highlighted from the fact that the investors did not shy away even after tremors, which the industry suffered last year.

"*There are two parts India and Bharat and the biggest challenge for technology is to merge India and Bharat*"

All the speakers believed that the foundation to sustainability of the Small finance Banks is relationship with clients. Tamal strongly opined that in the hinterlands of India still technology cannot substitute relationships. In the hinterland, banking still needs to be relationship driven.

As the SFBs have grown out of being Microfinance Institutions, there was a belief among the discussants that the SFBs were a better positioned to provide healthy customer banking experience and client relationship building efforts should be strengthened to ensure higher client retentions.

Graham Wright, added that relationship with the clients can help in managing situations such as demonetization, those who were able to manage this relationship better could fare better as compared to others. Ratna Vishwanathan, expressed that the essence of microfinance is the doorstep delivery of services. It was important for SFBs to merge the modern banking techniques with the relationship building that the doorstep delivery helps in building.

Key Takeaways

- The retail banking revolution changed the game. It led to the inclusion of the middle class by opening the pent up demand of the middle class, and led to growth.
- Demonetization did have a major adverse impact, but the problem was truly compounded by interference at the local level by local politicians.
- Client relationship building is an underlying factor in client retention and can be considered as risk mitigation strategies for SFBs

PLENARY 5

25 Years of Self Help Group Linkage: Learning from Models that have Worked

Moderator: N Srinivasan, Sector Expert

Speakers:
- Dr Prakash Bakshi, Former Chairman, NABARD
- G R Chintala, Chief General Manager, NABARD
- Ajay Tankha, Economist and Development Consultant
- Dr. Smita Premchander, Secretary, SAMPARK

Over the years, at the institutional level, the relatively limited credit facilities provided through the SBLP has led many SHG promoters to launch their own lending programmes to SHGs through the legal forms available. Federations of SHGs too have gained widespread acceptance and have been adopted by government programmes. With the advent of the Business Correspondent model and the involvement of private banks in SHG lending, a host of financial and non-financial relationships have evolved around SHGs.

> "*Times have changed, todays SHG members are much younger, more aware, more informed and they are more impatient*"
> - Dr. Prakash Bakshi, Former Chairman,

According to Dr. Prakash Bakshi, SHG members need new enterprise and employment opportunities. There is dire need to visualize and develop the SHGs into viable business opportunities, thus the idea should be to move ahead and look beyond giving loans merely for sewing machines.

Smita Premchander also echoed the laurels of the SHG program in India, and highlighted that SHG model in the country has played an unequaled role in empowering women in the rural areas of the country. She further added that it is important to value and recognize the financial relevance of SHGs, which is huge in size.

"*SHGs remove the curtain, thereby ending the inside outside dichotomy. It makes matters be taken up by a community as a whole, because now you have the entire group backing you up against any social injustice*"- Dr. Smita Premchander, Secretary, SAMPARK

In bringing out the impact of SHGs on poverty alleviation, G R Chintala remarked that poverty is a very subjective issue. According to him poverty needs to be related to one's quality of life. It is not an internal issue rather depends upon the external factors. It is a joint effort of the individual capacity as well as governmental initiatives. Not everyone rises out of a state of poverty in equal manners, however, if someone is able to graduate to a level higher than the lifestyle they were earlier living in, will definitely indicate progress and impact of SHG. According to G R Chintala, the SHG program in the country had definitely helped many families to rise above their previous economic states. During the session, G R Chintala also quoted examples of successful SHG enterprises.

Ajay Tankha highlighted the challenges and discussed on how the loans available at negligible interest rate have become a kind of entitlement, which then results in pipelining. Further, he stated the influence of politicians cannot be undermined for SHG or SHG federations and hence institutions should develop strategies to counter such issues.

On the idea of the road ahead, Smita Premchander pointed out to the three important requirements:

- Essential to strengthen relationship between bank and SHGs further and NABARD should encourage this
- The need for SHGs to federate for enterprise development
- Taking cue from the good practices existing worldwide, SHGs need to exploit the boons of value chain enterprising

"SHGs are a cohesive force in alleviating poverty in indirect ways. Empowering women by providing them a say in the decision making is useful. This helps in building on a social circle to fall back on in the long term. It can be said that, in 7 years of a functional, successful SHG, you would definitely see positive results."

G R Chintala highlighted the dilemma within the SHGs model, where some want to federate and others do not want to. This according to him is an important area of concern. He believes that Interlinking of various segments can be an option. Exploiting the e-commerce industry in benefit to the SHGs can play an important role.He also emphasized the role played by National Rural Livelihood Mission (NRLM) in strengthening the SHG bank linkage in the country and enterprise development. He appeared optimistic on the SHG data Digitization process, which he believed had resulted in transparency in the SHG functioning.

N. Srinivasan closed the discussion by stating that regulation and policies need to be enabling to help in the growth of SHGs. Can we invest in something more substantive? What do we think we should do so that the SHG movement produces results? The answer lies in leveraging major delivery channels like NRLM, increased Bank linkage, Federating groups or in creating Producer organizations.

Federations are essential as they help in designing a value chain. NABARD should support the initiative more.

Session Highlights

- In the current scenario, the only way SHGs will survive would be by value chain linkage. It is not the time to make pickles and agarbattis, SHGs need legit small businesses to be grown for capacity and survival.
- SHGs are very important due to being a financial means of equal sharing of loans, risks and profits at negligible interest rates.
- Aggregation of financial intermediary is different than an aggregation of a development and livelihood intermediary, thus an FPO model should be tested before being implemented.
- There should be focus on strengthening the backward and forward linkages for SHG federations to be successful

TECHNICAL SESSION 1

Digital Financial Services: Customer Level Risks and Regulations

Moderator & Lead Presenter: Beni Chugh, Research Associate, Future for Finance Initiative, Dvara Research

Speakers:

- Krishna Kumar, Founder & CEO, Cropin Technology Solutions
- Sameer Sehgal, Founder & CEO, Artoo
- Murari Sridharan, Chief Technology Officer, BankBazaar.com
- Priti Rao, Creative Lead (India), Dalberg Design

Though the financial business revolves around consumer, customer interest and protection issues particularly with greater emphasize on digital financial services but use of client data does not get adequate attention especially while keeping in pace with the current scenario. The session addressed the opportunities and challenges in relation to use of consumer data for improving access to finance and promoting digital finance services.

The speakers from the different organization shared their experiences and organizational learning specific to digital financial services. Krishna Kumar discussed about providing future-ready farming solution to the agriculture system. They provide decision making tools which digitally capture farm data and enable them to predict trends, yield amount before-hand.

> *"Digital services should be better than cash, then just a replacement for people to really embrace it."*- Murari Sridharan, Chief technical Officer, BankBazaar.com

According to Sameer Sehgal, MSME sector has very limited digital footprint. He recognized the sector's contribution is around 26% to our GDP. However, due to unavailability of data; banks and other financial institution feel reluctant to provide credit to this sector. He shared Artoo's (a B2B FINTECH, which is working in MSE sector) solutions in the digital financial space. Artoo offers digital loan origination system. They have built a solution based mobile operating system that would capture all the required customer data digitally and come up with a decision quickly. Their mobile-based solution is able to reduce the actual time taken for disbursing a loan from 20 to 7 days.

According to Murari Sridharan, going digital is a way to reduce client acquisition cost. Priti Rao said that comprehensive understanding about customer is necessary and would lead to designing customized ICT solution which will enhance customer outreach. Digitization of data can be used to personalize the services. If there is an ability to track real time data, then personalized financial services could be offered to the customers, it will eventually better serve the customers through:

- Increased loan amount
- Increased loan tenure
- Reduced interest rate

> *"Stricter provider liability is needed in case of clients' data breach.*"
> - Priti Rao, Creative lead, Dalberg Design

The panel further discussed on the nature of the financial products, which being of a nature of pull product; service providers get the opportunity to build trust among their customers. This is important to enhance sustainability in the long run.

Priti Rao also pointed out that Data Digitalization is also associated with risk.

- Inaccurate and discriminatory conclusions of a person's creditworthiness based on insufficiently tested or inappropriate algorithm
- Unanticipated aggregation of a person's data from various sources to draw conclusions which may be used to manipulate that person's behavior or adversely affect their prospects of obtaining employment or credit
- Data breaches leading to identity theft and other fraudulent use of biometric data and other personal information

> *"Huge opportunity for regulators and fintech to collaborate to achieve financial inclusion."*
> - Beni Chugh, Research Associate, Future for Finance Initiative, Dvara Research.

Beni Chugh concluded the session by emphasizing on the need to ensuring data privacy and safety; regulators must design adequate policy framework and ensure that these guidelines are rolled out in an effective way.

Key Takeaways

- Existing opportunities and challenges to use consumer data to enhance financial inclusion
- Existing different models in the industry which are providing digital solutions
- The merits of using digitization in personalizing consumer expectation and experience
- Risks associated with digitization and how to mitigate or control them

TECHNICAL SESSION 2

Upscaling Micro & Small Enterprise Financing: Fixing the Missing Middle Impasse

Moderator: Rahil Rangwala, Director, Family Economic Stability, Michael & Susan Dell Foundation

Speakers:

- Hardika Shah, Founder and CEO, Kinara Capital
- Madhan Mohan, Head – MSME, RBL Bank & COO, Swadhaar Finserve
- Sabyasachi Goswami, Head Sales, Perfios Software Solutions
- Surya Kumar, Chief Evangelist (Digital Finance), Volksoft Technologies
- Vasant Shrivastava, MSE Business Head, Ujjivan Small Finance Bank

Micro and small enterprises continue to play a significant role in the economy in terms of job creation, contribution to manufacturing, to exports and to overall GDP. The session discussed on inventive financing mechanisms, including technology innovations , that can help in scaling up microenterprises. The panelists discussed on how there exists enormous dependence on qualitative data in the microfinance segment. The session also saw view points on how we must first turn to statistical stimulations and techniques at our disposal that may improve our regulations and methods before we should embark on big data analysis.

According to Madhan Mohan, the traditional method of lending as for MFIs will not work for the MSME sector. As sufficient data was not available various innovative methods were tried to structure and give loans including reference check method. Vasant Shrivastava acknowledging immense potential in MSME sector, remarked on the importance of credit assessment in the. Sector. He added that methods need to be developed based on a mix of qualitative and quantitative parameters. This could also control credit cost

Madan Mohan also pointed out to the lack of skilled and trained human resource in the sector, which according to him was a huge problem. To add to the worries further, was the huge cost of operations, especially collection cost. According to Sabyasachi Goswami the problem of missing middle is like trying to access the first three Cs of lending - Collateral, Character and Capacity. Fintech as a solution can be used to address these issues in MSME lending however, in the interim there can be other statistical techniques which can be used to estimate defaults, which h should be the priority.

According to Hardika Shah, there existed enormous expectations from suppliers to reach out to every single person out there, the Fintech euphoria had built too much pressure for upscaling which might not be a practical goal. She threw light on the idea of segmentation of the MSMEs, based on region, purpose, client type, capital structure etc. to be better able to serve the clientele. She underlined the need to define the client in order to fix the missing-middle impasse.

Surya Kumar highlighted that the pace of digitization should not be too fast and that investment in capacity building should be the priority. There was a need to appreciate that data too presented an approximate picture. The session also delved into the view that MSME leaders needed to build a unified voice with the regulators as MFIs had done. Moreover, financial literacy initiatives were required, but more than that was the need to strengthen the knowledge of cash usage for consumers of this industry.

Rahil Rangwala concluded the session by highlighting the importance of data and digitization. He expressed hope that GST might be helpful in streamlining transactions and in positively impacting the missing middle gap. He emphasized that scale, although critical, should not be pursued in isolation or without caution.

Key Takeaways

- Importance of strengthening regulative norms around MSME
- Investment in capacity building to be a priority before digitization
- MSME leaders need to build a unified voice with the regulators as MFIs
- Available technology should be used to identify correct client for lending especially understanding credit behavior

TECHNICAL SESSION 3

Building Financial Capabilities: Impacting at Scale

Moderator: Girija Srinivasan, Development Finance Expert

Speakers:

- Abhishek Agrawal, Chief Regional Officer, India, ACCION
- Ruchi Ramann, CEO, Jana Urban Services
- Maya Vengurlekar, COO, CRISIL Foundation
- Krishna Thacker, Asia Regional Director, MetLife Foundation
- Sonal Jaitly, Theme Leader - Gender and Financial Literacy, PSIG Programme, SIDBI
- D Nageswara Rao, General Manager, NABARD

The session began with all the panelists discussing on how financial literacy had moved from mere trainings to financial capability building. The major highlight of the discussion was that the idea of financial capability building was about the intent and the organizational motive.

Girija Srnivisan opined that while there were various methods on increasing customers financial capabilities, financial inclusion agenda had been driving the delivery of financial services by various ICT adoption methods. Financial literacy had graduated from merely providing education to financial capability building. This was largely due to the merits seen by the training providers and in the diverse range of benefits seen by the organizations providing such training platforms.The panelists discussed that simplifying products was very necessary for the clients to easily understand the products they were associating themselves with. For a better financial capability building it was necessary that right infrastructure was in place.

Ruchi Raman from Jana Urban services pointed out that promotion of financial literacy can be through Mass media, simple messaging services and providing simple concepts of financial literacy at various points of contact. She further stressed on the fact that it was important to customize products based on customer needs. Sonal Jaitly, SIDBI pointed out that access issues of financial literacy had largely been taken care of by various government programs however, the real impact of these trainings would be realized when there would be an uptake of financial services for meaningful usage by people who were trained.

> *"Experience and analysis performed by the MFIs suggest that the clients who are more financially aware have relatively lower risks from the point view of the MFIs. Thus, there is a business case for financial awareness initiatives"*- Sonal Jaitley, Theme Leader, Gender and Literacy, PSIG SIDBI

The panelists further discussed about the various successful models of financial literacy and capability building endeavors across organizations and state. Maya Vengurlekar from CRISIL foundation shared her experience about Peer learning which had worked in most of their programs, which had better impact. She further added that there needed efforts towards constant follow-ups to sustain the efforts and bring desired change. D Nageshwar Rao said that Business Correspondents should be trained to provide finance capabilities training and given access to tools that could be used on the ground. To draw parallels with building financial capability he gave the example of kitchen gardening Once people were able to understand the benefits that they acquire from a small space, the adaptation was not an issue. Financial capability should build such confidence and people would automatically demand for their service in need.

The discussants highlighted the silver linings of various such programs, be it integration of various social issues, or integration of gender issues within the financial literacy and capability programs which have played a crucial role in making these programs successful. There is no denying the fact that the impact of these financial capability programs however, cost effective, need to be tested and scaled-up so that maximum people could benefit.

Session Highlights

- Client Trainings and financial capacity building is dependent on the intent of the organization
- Organizations offering financial literacy and capacity building trainings see it as a tool to strengthen client relationship
- Various different models have integrated social issues along with imparting knowledge on financial capacity building
- There is a need to develop scalable cost effective and simple models for building financial capabilities

TECHNICAL SESSION 4

Code of Conduct in Agent Banking: Evolving from Access to Responsibility and Quality

Moderator: Manoj Sharma, Managing Director - Asia, MicroSave

Lead Presenter – Hema Bansal, Senior Director, South and Southeast Asia, Smart Campaign

Speakers:

- Dr. Anand Shrivastava, Chairman, BC Federation of India
- T N Sasidhar, CEO, Sub-K iTransactions
- Amit Arora, Consultant World Bank

The session focused on proposing a way forward on implementation and monitoring for the code of conduct, roles and responsibilities of stakeholders including BCs, BCFIs, banks in ensuring compliance need for support to BCs for gearing up to the challenges of conforming to the code, and the role of regulation.

> *"The element of design and testing of products is still very nascent. Design-centric approach incorporating customer needs is required."*- Amit Arora, Consultant, World Bank

According to Manoj Sharma, the Business Correspondent model had been reasonably successful in providing last mile connectivity for banks to reach the unbanked. He stressed that it was important to consider that BCs deal with a vulnerable population with low levels of literacy and financial awareness. The customer service agents who were real client interface points were not the staff of the bank/ financial institution, hence fixing accountability for the agents' action is not as straight forward.

In past, there have been significant deliberations on issues related to business models and financial viability of BCs but there has been limited discourse on business ethics, client protection and a general code of conduct for agent banking.

"Banking Correspondents are a tool to democratize financial services" - T.N Sasidhar, CEO Basix Sub-K iTransactions

Manoj Sharma further discussed some statistics from studies conducted by MicroSave on Business Correspondent model, where it was found that,18% of the customers share their account details with banking agents. However, they do not know about it. 66% of the customers do not know the terms and conditions of the products.10% of Kenya population are black listed due to small overdue, which they are unaware of and hence Indian market is vulnerable to such risks.

Hema Bansal from Smart campaign discussed various risks faced by Banking Correspondent agents: -

- Product design level risk- BC does not understand the product, hence unable to sell the product
- Transparency- communications are made in oral form
- Weaker monitoring system
- Weaker grievance redressal system

"Products, Processes and Grievance Redressal Mechanisms are three most important drivers of risks from customer protection perspective under the BC model." Dr Anand Shrivastava, Chairman BCFI

T N Sasidhar made an important remark on the Incentive systems which were still not built well in order for agents to take ownership and be motivated to perform. He further suggested that agents needed to be paid to deliver good service. Dr. Anand Shrivastava from BC federation of India made concluding remarks highlighting essential practice for a BC while delivering services to a customer i.e. understanding the product, acceptance of product, benefits of the product, fair pricing and assurance for product.

Key Takeaways

- The success of Business Correspondent model is able to provide last mile connectivity to reach the unbanked
- Importance of introducing principles of ethics, client protection and code of conduct for agent banking
- The need for the human touch in the financial inclusion space will never go away. It will compliment digital initiatives.
- Agent should the first point in the grievance redressal matrix in all cases of the BC model.

TECHNICAL SESSION 5

Prone to Multitude of Risks: What's the Ability of MFI sector manage these?

Moderator: Dr. Alok Misra, Professor, Public Policy & Governance & Chairperson - School of Public Policy & Governance, Management Development Institute (MDI), Gurgaon

Speakers:

- P Satish, Executive Director, Sa-Dhan
- Jayesh Modi, Head- Inclusive Banking Unit, HSBC India
- Dr. James Copestake, Professor of International Development, University of Bath
- Devesh Sachdev, MD & CEO, Fusion Microfinance (Vice President, MFIN)
- Meenal Patole, Promoter and CEO, Agora Microfinance

The session discussed that the MFIs face regulatory risks, political interference, adverse impact from government policies, vulnerability to natural disasters, client dissatisfaction as well as unscrupulous practices by some institutions creating reputation risk for the sector. Even if there is no national event impacting the overall industry, regional issues, hot spots and cases of high default in localised geographies are now fairly common, and occur sporadically and periodically. The panel discussed these issues and offered possible recommendations. How well the sector has tackled these risks so far and what may be done to insulate it further from the impact of these internal and external risks will form the core of this session.

The Session began with dissecting the Indian microfinance system and practises and the inherent risks which the industry brings with it. Dr. Copestake appreciated the vastness of the country like India and this he singled out as a huge advantage of size. This according to him is to say

> *"Your collateral substitute is your client connect*"- P Satish, Executive Director, Sa-Dhan

that one can diversify and minimise risk.While talking about risk, he emphasised on risks related to Climate Change and Disaster related risks and the need to develop strategies to mitigate them. While commenting on the inherent risk in the nature of microfinance business in the country Jayesh Modi discussed about the risks with unsecured lending in India. According to him, with repayment rates over 99% should not be considered as a controlled situation as one should always be aware of the fact that it is collateral -free, and so the risk remains.

Devesh Sachdev appreciated the microfinance industry's performance even during the testing times of demonetization. He then elaborated on the resilience of the industry. He emphasized on the need to have a culture of risk within organizations. He informed about his organizational practises on risk mitigation and control which focused on processes, conducting regular risk meeting, developing risk matrices to take stock of and mitigate all operational and credit related risks. He emphasised on the need to also have efficient team management practises. The session discussed on how industry had recognized operational risks lately; diversification of clientele was an issue in the industry. Further, schemes like interest rate waivers send out a wrong message to the clients creating poor credit culture which is a big risk for MFIs.

> *"The practice of monthly management meetings to take stock of institutional risks, helped Fusion during demonetization"* - Devesh Sachdev, CEO, Fusion

The panellists highlighted that the lenders need to focus on lending to institutions who adhere to good institutional processes, who follow all regulatory regimes, there is need for mechanisms to identify and lend to those particular organizations.Dr. Copestake drew attention to how India should take a cue from Bangladesh's failure in disaster management and factor in the climate related risk in its MFI sector; especially for disaster prone states of Tamil Nadu etc.

Key risks which were identified and discussed during the session were:

- Working with same clients and not talking in same language
- External market
- Capacity building of staff
- Climate related risk
- Over lending
- Regulatory system is still sub- optimal
- Keeping competitive advantage in face of competition

Key Takeaways

- MFI sector in the country need to be aware of the inherent risks and devise mechanisms to Control
- Along with necessary risk management tools, it is important to strengthen teams in the organization especially the frontline staff
- Preparedness of the industry during events like demonetization and how strong client relationship factor helped in benefitting repayments
- Different types of risks which the sector already is aware of and which other types of factors should also be considered while an organization identifies risk

TECHNICAL SESSION 6

Last Mile Digital Payments: Value Focused Approaches for Promoting Uptake

Moderator: Badal Malick, CEO, Catalyst

Speakers:
- Murali Krishnan, MD & CEO, Onymy Infocomm
- Rohan Angrish, CTO, Capital Float
- Sudip Banerjee, Risk Head, FIA Technology Services
- Dhruv Dhanraj Bahl, Head - B2B Sales & Value Chain Alliances, Airtel Payments Bank

The session discussed on the values of digital payments especially easing the cashless last mile payments. The discussants shared experiences in which customized creative models are being tested to promote uptake and persistence of use of digital payments. The panel discussed both demand and supply side measures and themes such as building relevant digital solutions optimized for the poor, employing behavioral strategies to drive adoption, and engaging youth as champions of change.

The panelists highlighted that the most important aspect of digital payments is client education. It is important to create awareness regarding the issues of safety with respect to digital money. Before stating that digital payments would be the future, it is important to develop the entire ecosystem for its growth and acceptance.

According to Murali Krishnan payments were not a standalone feature that the businesses value, payment needed to be considered as only a means to an end. He tried to differentiate business payments and consumer payments. He talked about the non-impulsive, recurring, payments are not over the counter as contrary to consumer payments. The businesses needed to keep track of what and when they needed to make the payment. He stated that consumers did not keep record of their payments whereas businesses did, therefore unless such issues were addressed, it would not make any difference to businesses whether the payment was made through cash, card or cheque. He concluded by stating that Payment was necessary but not a sufficient part for businesses to start rolling out digital payments.

> *"Major gap for digital payments is education and trust"* - Rohan Angrish, CTO, Capital Float

Emphasizing on the need to develop the ecosystem, Dhruv Dhanraj Bahl, shared customer experience when it comes to digital money or transactions and how it is difficult to explain to the clients that their money is safe in the digital form. Hence, he pointed to the need to educate and create awareness among the clients on the technology which is being used. The need for trust building is essential pre-condition to digital payments. It is important to ensure to the clients that their money is safe and easily accessible.

Sudip Banerjee voiced that uptake of banking services could be increased through spreading awareness and working closely with the community in a participatory manner. On government's GST mandate, Rohan Angrish opined that GST would open opportunity to increase the digital footprint for credit providers. The panelists also put forth the idea of the increased possibility of reporting client related data due to the increased prospects of Digital payments.

Key Takeaways

- There is rising importance of drawing client trust in digital payments by educating and creating awareness among them
- There has been an increased possibility of reporting client related data due to adoption of digital payments
- For businesses to roll out digital payments, addressing client level issues in using banking technology needs to be identified and addressed
- GST could give a footprint for credit providers to build on especially when it come to business payments

TECHNICAL SESSION 7

SHG Credit Data Reporting: Overcoming Obstacles and Way Forward

Moderator - Sakshi Varma, Senior Financial Sector Specialist, World Bank Group

Lead Presentation - Parijat Garg, Vice President, CRIF High Mark

Speakers:

- G R Chintala, Chief General Manager – Microcredit Innovations Department, NABARD
- K V Raghavendra, Chairman, Narmada Jhabua Gramin Bank (NJGB)
- Anjali Mahajan, Head Inclusive Banking, Rural & Inclusive Banking, ICICI Bank Ltd

In June 2014, RBI directed banks to collect credit data of Self Help Group members and report it to Credit Information Companies (CICs). However, not much progress has been made in this direction due to several challenges faced by banks and other FIs. This session delved into discussing the current status of credit data reporting of SHG members in terms of the progress that has been made and the key challenges that need to be resolved to streamline the process.

> *"Digitization of SHG data project is creating a verifiable and dependable database of the SHGs"* – G R Chintala, Chief General Manager, NABARD

As per 2017 data, 58% of the SHG members have JLG loans. Recently banks have started to report SHG data to CICs. However, enquiry of SHG data is yet to start. According to G R Chintala from NABARD, the reasons for banks not sharing SHG data with the CICs were mostly due to lack of awareness among branch about the requirement of sharing the SHG data with CICs, Cumbersome processes and bankers' reluctance on sharing SHG data with CICs. He also pointed out to the need of huge investments for collecting and sharing data.

Representing CRIF Highmark, Parijat highlighted the following benefits of sharing SHG data with CICs

- It builds trust among investors
- Prevention of risk
- Inculcates credit discipline among the borrowers

> *"Availability of central database for SHG will help in improving SHG funding in near future"* - KV Raghavendra Chairman Narmada Jhabua Gramin Bank

Anjali Mahajan highlighted that, reporting on client data requires a mindset change and an attitude of transparency within an organization. Sakshi Varma concluded the session by stating that step taken by RBI to direct banks to collect credit data of the members to be reported to CICs was still facing several challenges. The phased manner did help but did not provide respite completely. What was needed to be done to report the entire data, was to incentivize such data collection and support it from end to end.

Key Takeaways

- There is a need create awareness among bank branches to necessitate credit data reporting of SHGs
- SHGs should have an assigned number; currently they have similar names so identity is a problem in identification and data maintenance.
- Stakeholders need to identify and address challenges in reporting SHG data to CICs
- Data from banks, NRLM, NULM, Private Banks, NGOs on the credit history of SHG members could be merged or aggregated

TECHNICAL SESSION 8

Bolstering Financial Inclusion with Technology: Innovative New Business Models

Moderator- Plamen Vutov, Regional Director, APAC Software Group

Speakers

- Govind Singh, MD & CEO, Utkarsh Small Finance Bank
- Mona Kapoor, Director India, Digital Solutions ACCION
- Shivam Gupta, Chief Risk Officer, Faircent.com
- Raul Rebello, Head- Rural Lending, Axis Bank
- Prabhat Labh, CEO, Grameen Foundation India

The session started with a discussion that as financial inclusion sector reaches new milestones and scale, technology has not only started to reshape existing financial inclusion models, but to also field new technology driven players in the space. The panellists discussed various virtues of bolstering financial inclusion with technology. According to Raul Rebello from Axis Bank, technology was the most important element of financial inclusion in the present day landscape.

> *"We need to be clear why a technology solution is to be provided, say for new client acquisition or growth. How am I adding extra value proposition from the new technology solution for the client, is important?"* - Prabhat Labh, CEO, Grameen Foundation, India

The panellists shared the hopefulness in utilising the power of technology in transforming the financial inclusion landscape to better the customer experience perspective. According to Prabhat Labh, it was important to empathise with clients' needs before designing any

> *"Environment and Business are the factors which are putting IT on the forefront*."- Govind Singh, MD & CEO, Utkarsh Small Finance Bank

technology based solution. Understanding client needs and aspiration was fundamental to designing financial inclusion products or services.

Mona Kapoor suggested that it had been observed though organizations do not have basic tools and infrastructure available however, the inclination to adopt new technology had always remained. She further added that from the business point of view, company used new technology to get a competitive advantage to be in parity with other organizations working in the same space, but in many cases it was seen that by the time a company would evaluate a technological service and decide to implement it on ground, it had already become obsolete. She advocated on the idea of shared services which could help a number of companies to benefit from a common pool of services as new business model.

With that, the panellists also added that there was no denying that the role of technology in bolstering financial inclusion is now critical, but what was required was the early adoption of the technology into the systems, training of the human resource engaged in the industry, training and educating the clients, assessing their needs and aspirations to be better able to meet their demands. The players in the sector have to catch up faster with the growing technological advancement and aid in bringing innovations in the sector.

> *"Technology has to engaged right from the time of design and should integrate with the entire internal process"*- Shivam Gupta, Chief Risk Officer, Faircent.com

Shivam Gupta from Faircent.com brought an important perspective into the discussion by stating the need to assess where and how can technology be a solution or an alternative to the existing processes.

Key Takeaways

- Role played by technology in reshaping the financial inclusion models
- Perceive and assimilate client needs in the design of the technological solutions
- Early adoption of technology need to be paired with capacity building and training of the human resources involved in both the demand and supply side
- Adapting to fast paced technological changes can be a problem for many companies and one must always adapt to changes remembering one's own customer base

NICAL SESSION 9

Deepening Financial Inclusion: Moving from Product Focus to Customer Centricity

Moderator: Jayshree Venkatesan, Consultant, CGAP

Speakers:

- Abhinav Sinha, Co-founder & COO, Eko India Financial Services
- Praveen Vecha, Senior Director, IDFC Bank
- Amit Shah, Head- Business Intelligence, Analytics and Wealth Management, Dvara Solutions
- Frances Sinha, Director, EDA Rural System Pvt Ltd.

Financial needs differ by customer segment, specifically by gender, age group, and economic status. Understanding such differentiated needs is the first step towards a customer centric approach. Including a deep understanding of customer needs, preferences and behaviour in product design, not only enables customer loyalty, but also generates long lasting business value. The session began with Jayashree Venkatesan drawing a parallel of technology usage and convenience with Uber taxi service and the adaptability of its payment platform which transcends the national boundaries. She also highlighted the externalities of such services in the form of awareness that hey create on digital payments among common people.

Abhinav Sinha informed on how Eko India is working towards understanding consumers, through understanding the need of the clients who were available for transactions after evening. The idea to develop night-services to cater to their requirement has helped in strengthening Eko's client relationship. He further added that Data Analysis today is the key to understanding consumers. He discussed the issue of demonetization which significantly affected the cash transactions almost leading to evaporation of cash from the business. This led to the realization and need for digital payments. Hence, development of products to address the issue of cash got a push.

Praveen Vecha discussed IDFC's customer-centricity framework. He emphasised the need to develop incentive systems for the employees that their services remain customer-centric. He also remarked that innovative products need to be developed to cause least inconvenience to the clients. He quoted the example of e-KYC as a tool to collect client data. This has made processes simple and convenient to the clients, making loan application simpler.

Frances Sinha drew attention to the fact that with all the innovations happening in the financial inclusion space, there would be need for sufficient trainings and skill upgradation for the human resources involved or to be involved in offering these solutions. She pointed to the critical aspect of having data and devising sound analysis and methods to use this data. Adding to this, Praveen Vecha shared the idea of having single human resource personnel handling different customer related products essentially to ease customer handling. He underscored the criticality of strong culture of training and repetitive refresher trainings.

The session concluded acknowledging the advances in technology at the same time the need to analyse data and use it to understand customer needs and to design products accordingly. The key to building resilient and sustainable organizations was to keep them customer-centric.

Key Takeaways

- Customer centricity is the foundation to resilient organizations
- Develop products, recognizing client needs and aspirations
- Human resource training and capacity building is also important to enrich customer experience
- It is essential to incorporate learnings from the data that comes in during product life cycle and keep improvising to suit the needs of the customer

VALEDICTORY SESSION

Panelists

- N. Srinivasan, Development Finance Expert
- H.R. Dave, Deputy MD, NABARD
- Rajiv Mehrishi, Comptroller and Auditor General, Govt. of India
- Vipin Sharma, CEO, Access Assist

Valedictory

<u>Presentation - Brief summary of Summit Discussions</u>

N. Srinivasan, Development Finance Expert

N Srinivasan summarized the events of the two-day Summit, emphasizing on how the summit has grown over the years in nature more as a finance sector summit than limiting itself to microfinance related issues and agendas. He acclaimed the historic session which involved the four ex- RBI governors as being feast for the eyes and ears.

> "Is the MFI sector factoring the climate related risk?"- N. Srinivasan, Development Finance expert

He quoted some of the speakers from the two-day summit and remarked that the Summit acted as a platform where industry stakeholders discussed; debated; showed hope; expectation from the changing scenarios of the industry. He concluded that the Summit helped in fostering a belief that the industry has been resilient enough and the growth prospects in the future is enormous.

Special Address

H.R. Dave, Deputy MD, NABARD

HR Dave delivered the special address flagging some important points on the Summit. He said, "We all represent delivery systems. The demand system – the stakeholders for whom we are working – might be missing from this conference." He expressed the idea to involve those stakeholders in the conference as well.

He stated that MFI sector grew on the backdrop of the SHG movement in the country. Hence, SHG movement in the country should not be undermined. The other issue raised by HR Dave was on the efficiency of the delivery system to reach the ultimate customer. As a sector, he emphasized on the need to be accountable to the people, innovate on products. He added that sector also needed to leverage on the presence of Business correspondent model in the country.

Felicitation of SHG Movement Champions

IFI Summit 2017 also celebrated 25 years of SHG program in the country by felicitating SHG federations promoting institutions and individuals who have worked towards strengthening SHGS in the country.

Exemplary work for promoting SHG
HAND in HAND
PRADAN
APMAS
Hanuman Vikas Samiti
Government programs on Financial Inclusion space
MAVIM
BRLPS
Regional Rural Bank
Madhya Vihar Gramin Bank
Bilateral agency promoting SHGs
GIZ

IFI Summit 2017 also recognized the contribution of Ajay Tankha and Girija Srinivasan for their continued efforts and works in the financial inclusion space.

Valedictory Address

Rajiv Mehrishi, Comptroller and Auditor General, Govt. of India

Rajiv Mehrishi delivered the valedictory address stating the stages of evolution financial inclusion in the country. He applauded the use of technology, biometric identity -use of Aadhar card to fulfill the agenda of inclusion in the country.

He advocated for the liberty on bank licensing in the country. According to him, the country needed multiple number of banks to the number of existing banks in the country. He voiced that there was definitely a need to move beyond conservatism and utilise new forms of payment in the financial inclusion space. He also remarked on the possibility of usage of technology-block chain technology to accelerate inclusion.

> "We have not been very successful in achieving our FI agenda. We have been talking about it for 3 decades now, and have been attempting it without the success we wanted."- Rajiv Mehrishi, CAG, GoI

<u>Vote of Thanks:</u> Radhika Agashe, Executive Director, ACCESS ASSIST

Inclusive Finance India Awards 2017

The Inclusive Finance India Awards 2017 ceremony was successfully held on Day 1 of the Summit. Amitabh Kant, CEO, NITI Aaoyg was the Chief Guest for the Awards ceremony. Ravi Menon ,CEO, HSBC Asset Management India delivered the opening address and Dr. H R Khan, former Deputy Governor RBI and Gavin McGillivray, Head DFID India, delivered the Special addresses. Rajiv Mahajan, Chief General Manager, Micro Credit Innovations Department, NABARD was also present for the Awards ceremony.

The Awards were presented in the following categories:

- **Bharat Financial Inclusion Limited- Awarded under Microfinance Organization of the Year, Large category**

  Bharat Financial Inclusion Limited (BFIL), formerly known as SKS Microfinance, was formed as an NGO in December 1997 and started operations in January 1998. The company was incorporated as an NBFC in 2005. It moved from being a non-profit organisation to a for profit company. In 2009 it was ranked as the No. 1 microfinance company in India and No. 2 in the world. In 2010 it became the first MFI in South Asia to launch an IPO and get listed. Today BFIL is the second largest microfinance company in India with gross loan portfolio of INR 9,631 Cr. It has 68 Lakh members being serviced from 1,408 branches in 16 Indian states.

- **Sambandh Finserve Private Limited- Awarded under Microfinance Organization of the Year, Small & Medium category**

  Sambandh Finserve Private Limited (Sambandh) is an Inclusive Financial Institution, registered as a Non Banking Finance Company – Micro Finance Institution (NBFC-MFI) with the Reserve Bank of India and offers customized solutions in the areas of Inclusive Finance through its lending and financing solutions. Sambandh follows the SHG and JLG model to impact over 1,00,000 low income clients with a financing portfolio of more than Rs.1,700 Mn., helping them to pursue and augment their micro enterprise with an objective to raise their standard of living, execute value-creating transactions while furthering their business, empowering women and bridging the gap for access between informal and mainstream financial products.

- **Chaitanya- Awarded under Self Help Group Promoting Institution of the Year, Large category**

  Chaitanya is a grass roots women's empowerment organization established in 1993, has been playing a catalytic role in promotion of self – help groups and sustainable and self - reliant federations since 1993. The main objective of Chaitanya is to develop capabilities of rural poor women and youth to promote self– reliant and sustainable institutions that enhance their quality of life.

- **Jhargram Block Aranya Sundari Mahila Mahasangha – Awarded under Self Help Group Promoting Institution of the Year, Small & Medium category**

  Jhargram Aranya Sudari Mahila Mahasangha is a West Bengal State Rural Livelihoods Promoted SHG Federation . The Mahasnagh focuses on sustainable development of poor and vulnerable households for improving quality of life through women's empowerment for accessing education, information, financial & livelihoods, provided by mainstream institutions and entitlements of poor provided by Govt. Agencies & Local Self Government Institutions. This Federation (Mahasangha) has become a model for implementing poverty alleviation programmes of the Govt. in the State of W.B. and a place for exposure visit by other Federations / Institutions. The Mahasangh operates in one of the most difficult areas of the country.

- **Shri Mahila Sewa Sahkari Bank Limited- Awarded for Contribution to Advancing Financial Inclusion in India by an Enabling Institution**

Main objective of SEWA BANK is to help poor self- employed women to come out of the vicious cycle of poverty and help them to build their businesses, capital, assets and help them to improve their living conditions. SEWA Bank has been able to design appropriate products and services, while keeping main objective of helping poor to build their 'Capital'.

- **Dr. Y. V. Reddy – Awarded for Contribution to Advancing Financial Inclusion in India Lifetime Achievement Award**

Yaga Venugopal Reddy, better known as Y. V. Reddy is a former Indian Administrative Service (IAS) officer of the 1964 batch belonging to Andhra Pradesh cadre. Dr. Reddy served as Governor of the Reserve Bank of India (RBI) from 6 September 2003 until 5 September 2008. In 2010, he was awarded India's second highest civilian honour, the Padma Vibhushan. During his tenure as the Governor of RBI, Dr. Reddy visioned for the Central Bank as an institution concerned with the common people and not just financial markets and financial institutions. He was able to understand the needs of the ordinary people of India- requirement of a safe place to keep cash; some mechanism for consumption smoothening; remittances facilities and ultimately the access to basic banking facilities. In the Indian context, he was the first to use the term 'Financial inclusion' in April 2005 in his Annual Policy Statement as Governor of the Reserve Bank of India

- **Dr. Veerendra Heggade – Jury Special Award for Contribution to Advancing Financial Inclusion in India**

  Dr. D V Heggade is a philanthropist, reformer and the trustee of the Shri Kshethra Dharmasthala Rural Development Project (SKDRDP). Shri Kshethra Dharmasthala Rural Development Project (SKDRDP) started by Dr. Heggade to help the small farmers and poor women has today become a very important model for poverty alleviation, financial inclusion, creation of infrastructure and empowerment of poor people. Started in the year 1982, this programme today encompasses the entire state of Karnataka and is engaged in last mile delivery services in the financial and non financial sector reaching out to more than 4 million families in Karnataka state.

HSBC supports the Awards by extending cash prize of Rs 1 lakh to the winners in the MFO and SHPI Category. Department for International Development (DFID) supports the Inclusive Finance India Awards by extending scholarships to attend an international training progamme to one participant each of winning institutions in 3 institutional categories. The winner under the category Self Help Group Promoting Institution of the Year (Small & Medium) along with the scholarships also received grant assistance from NABARD for promotion of SHP. M2i was the technical partner for the Inclusive Finance India Awards and supported us in the evaluation process of MFI's and SHPIs.