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Inclusive finance India SUMMIT 2018

December 11 & 12, 2018
New Delhi

THE SUMMIT REPORT

Contents

Financial Inclusion 2020: Emerging Trends in New Context

As we move closer towards the goal of achieving Universal Financial Inclusion 2020, the challenge to attain full financial inclusion has become complex over a period of time. There has been remarkable progress globally in terms of innovation and technology infusion to advance financial inclusion. The term financial inclusion today encompasses various aspects of the financial services, evolving from bank accounts and microcredit to promotion of savings, insurance, pension and investments. The Global Findex Report 2017 has positively captured the progress made in the financial inclusion space globally but with emerging new trends the challenge to achieve full financial inclusion has also become complex.

In the Indian context, there has been a dynamic progress with financial inclusion being high on the Government of India's national agenda. The Findex data also states that India has been on the forefront of driving the financial inclusion growth. With more than 300 million new bank accounts opened, thrust on transition to digital economy, operationalization of the JAM trinity etc. the financial inclusion landscape in the country has leap frogged in the last 4 years. While the Government of India has been proactive in introducing various initiatives that have catalyzed the pace of financial inclusion in the country, there has been a general disruption in the financial services ecosystem globally. Favorable regulatory environment has also catalyzed the achievements towards of financial inclusion. The fintech models are now aiding traditional banking models, which has further strengthened the overall financial architecture for inclusion. New institutional channels like the Small Finance Banks, Payments Banks and Peer-to-Peer lending platforms amongst others would continue to strive towards last mile delivery. With non-traditional giants like Amazon, WhatsApp, Google etc. amongst others now entering the market, the pace and scale of innovations in the financial services has been very exciting.

With these emerging new trends and innovations, new issues and challenges have emerged. While we have near universal coverage of bank accounts, dormancy remains a major challenge; gender gap in account ownership continues to exist; and with digital economy, data privacy and customer protection of the bottom of the pyramid customer need priority. The unmet demand of formal credit for the Micro and Small Enterprise (MSE) sector and the next level of evolution of microfinance and future of the SHG model etc. continue to be significant issues. In this context, the Inclusive Finance India initiative continues to bring all the stakeholders on a single platform to take stock, deliberate and build consensus on the holistic vision and road map for achieving the agenda of financial inclusion in India.

The 15th Inclusive Finance India Summit was organized on December 11 and 12, 2018 at Hotel Ashok, New Delhi. NITI Aayog has been the Co-host to the Summit since 2017. The Summit witnessed participation of over 700 delegates with more than 100 speakers participating in 19 panel discussions from among senior government officials, banks, public and private sector banks, corporates, international donors, investors, microfinance practitioners, networks, community based organizations etc. A highlight of this year's Summit was three separate Fire Side Chats - two as side events and one as part of the main Summit. The Summit received overwhelming support from sponsors and other partners. Twenty-five partners in various capacities associated with the platform in 2018. Five diverse associated events and discussions were organized on the sidelines of the Summit, which provided opportunity for stakeholders to share their experiences, conduct workshops, and carry out the launches and releases of tools and documents. The Summit also organized a Knowledge Fair in which institutions eighteen participated to showcase their products and services. The Summit also featured the 10th Inclusive Finance India Awards presentation, along with the release of a commemorative compendium on the 10 years' journey of the Awards initiative.

Session Plan

Organizers

Co-Host

Inclusive finance India SUMMIT

Hotel Ashok, New Delhi

December 11 & 12, 2018

December 11, 2018 (Tuesday)

9.00 am – 10.00 am	Inaugural		
10.00 am – 11.30 am	As the Juggernaut Rolls: Gains and Pains of Financial Inclusion		
11.30 am – 11.45 am	Tea		
11.45 am – 1.15 pm	New Banks on the Block: How are they Targeting the Inclusion agenda?	Addressing the Gender gap in Financial Inclusion: Recommendations for Policy and Practice	
1.15 pm – 2.00 pm	Lunch		
2.00 pm – 3.30 pm	Viability of Banking Agent Networks: The Conundrum Continues!	Fintech for Inclusion of the Last Mile: Experiences from the Frontline of Innovation	When Push Comes to Nudge: Using Behavioral Design for More Impactful Financial Inclusion
3.30 pm – 3.45 pm	Tea		
3.45 pm – 5.00 pm	SHG Bank Linkage Model: Scaling up Linkages to Livelihoods		
5.00 pm – 6.00 pm	Inclusive Finance India Awards 2018 Presentation		

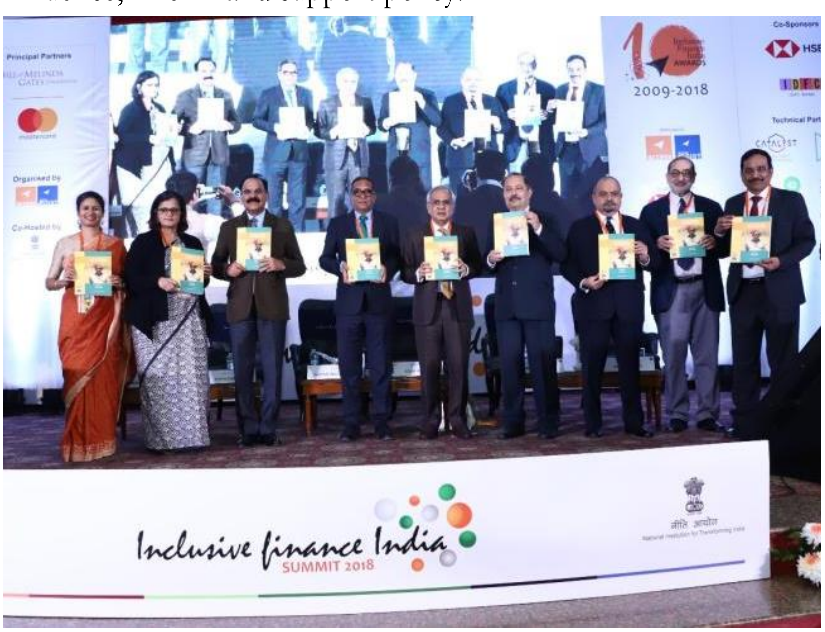
December 12, 2018 (Wednesday)

9.15 am – 10.45 am	MFI 2.0: Is it Time to Reinvent and Push the Boundaries?	Direct Benefit Transfers: Game Changer for Financial Inclusion?	
10.45 am – 11.00 am	Tea		
11.00 am – 12.30 pm	Digital Financial Inclusion: Ensuring Data Security & Client Protection	Way ahead for Inclusive lending: Tech-Driven, Evolving products?	Leveraging Remittances to Achieve Impactful Financial Inclusion: What can India Learn from the Region?
12.30 pm – 1.15 pm	Lunch		
1.15 pm – 2.45 pm	Affordable Housing Finance: Enabling Policy and Ecosystem Support for Deepening Outreach	Prioritizing Innovation and Customer Protection for Business Correspondent Networks in India: Is there a Role for Technology and Regulation?	Operationalising Suitability in Microcredit: Preventing Over-Indebtedness among Borrower Households
2.45 pm – 3.00 pm	Tea		
3.00 pm – 4.30 pm	Approaches for Micro Enterprise Financing: Are these Inclusive Enough?		
4.30 pm – 5.30 pm	Valedictory		

Inaugural Session

Welcome Address	Dr. Arvind Mayaram, Chairman, ACCESS Development Services
Release & Presentation of Inclusive Finance India Report	Dr. Alok Misra, Professor & Chairperson, School of Public Policy and Governance, Management Development Institute (MDI), Gurgaon Ajay Tankha, Sector Expert
Inaugural Address	Dr. Rajiv Kumar, Vice-Chairman, NITI Aayog

The Inclusive Finance India Summit 2018 took off with the Inaugural session in the presence of eminent guests like Dr. Rajiv Kumar and Dr. Arvind Mayaram. In his welcome address, Dr. Mayaram did a stocktaking of the progress of financial inclusion in the last four years. There has been an incredible success of the PMJDY programme with 333 million accounts opened. Several entitlements relating to insurance and pensions have also been added to the programme for potential composite benefits, particularly to the low-income households. With initiatives like JAM Trinity, Aadhaar seeding of accounts, DBT and emergence of Fintech companies, technology integration will accelerate the pace of financial inclusion. Meanwhile the original two channels viz. MFIs and SHGs that helped advance FI in the country continue to play an important role in supplementing the efforts in achieving universal financial inclusion. These channels provide critical debt to poor households, that often, formal banks are wary of providing. The two channels together have provided over a 100 million clients with credit.
With this brief introduction, he provided the audience a glimpse of the next 2 days and expressed an expectation for the Summit to debate diverse sub themes within financial inclusion and make key recommendations to influence, inform and support policy.

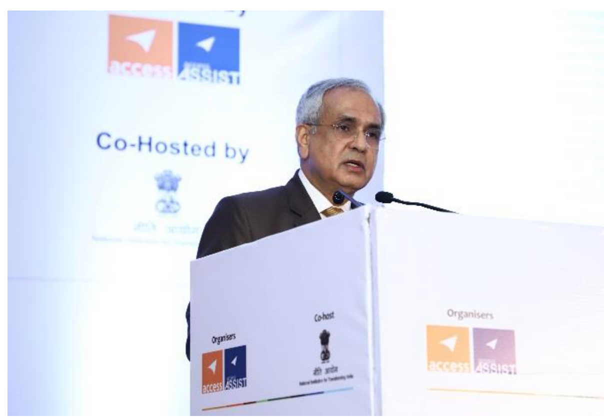


A highlight of the session was the release of the Inclusive Finance India Report 2018. Dr. Alok Misra and Ajay Tankha authored the 12th edition of the Inclusive Finance India Report. The Report covers a review of the performance of diverse institutional structures and delivery models in inclusive finance – the commercial banks, Regional Rural Banks and Cooperative Banks, the new specialized banks, non-bank finance companies, self-help groups and the microfinance institutions. The document reports on the initiatives in digital technology that address the last mile delivery challenges and provides an overview of some new initiatives. It also tracks the performance of programmes and scheme of the government to promote financial inclusion, as also contribution and new initiatives of large apex institutions and regulators.

Dr. Alok Misra presented the key findings of the report during the inaugural session. Some of the key highlights of the report are -

- PMJDY account have Rs. 81,3017 Core in deposits; PMJDY -II in operation
- 28.7% of adults made or received digital payments
- Digital push has been seen through DBT
- Financial Inclusion plan III-Rural areas focus more through branchless mode (5,18,742)
- BC location expanded – 515,317 (Rural) and 142,959 (Urban) – End March 2018
- 63.38% million non-agri MSMEs employing 110 Million and contributing 30% of GDP
- State skew in bank credit to MSME
- Pradhan Mantri Mudra Yojana 2.46 lakh core disbursement in 2017-18, loans below Rs.50K accounts for 42% of loan disbursement
- SHG: 8.74 million savings linked SHGs and 5.02 million Credit linked
- Growth in NRLM SHGs is high while others are SHG lower
- Outreach to ~ 28 million clients with good portfolio quality
- Diversified architecture- need a national financial inclusion strategy, leverage comparative advantage
- New regulatory challenges- Modularization aided by Fintech

Dr. Rajiv Kumar delivered the Inaugural address of the session. The delivery of financial services to the deprived section of the community is a continuous process. There is a need for strengthening the existing financial system to reach out the underserved community more efficiently. He highlighted the strategies of the government towards achieving universal financial inclusion PMJDY as an entry point, PMJJBY & PMSBY for affordable insurance cover, PMMY for access to credit for microenterprises, the JAM trinity for providing a base for technological innovations and the UPI for facilitating payments. He further mentioned that digital payments were increasing by the day however; there existed a need to connect grass root level organizations to leverage on the developments digital finance to benefit the last mile. Financial inclusion should not be seen in isolation from economic activities, it is an umbrella term for empowerment, job creation and growth.



"Financial Inclusion should not be seen in isolation from economic activities, it is an umbrella term for empowerment, job creation and growth" - Dr. Rajiv Kumar,

As the Juggernaut Rolls: Gains and Pains of Financial Inclusion

Moderator: Tamal Bandyopadhyay, Consulting Editor, Business Standard
Speakers:

- Debashish Panda, Additional Secretary (Financial Inclusion), Department of Financial Services, Ministry of Finance, Govt. of India
- P K Gupta, Managing Director (Retail & Digital Banking), State Bank of India
- Porush Singh, Country Corporate Officer, India and Division President, South Asia, Mastercard
- U S Paliwal, Former Executive Director, Reserve Bank of India
- Rajiv Anand, Executive Director & Head - Retail Banking, Axis Bank

Session Highlights

- Government loan waivers have increased the cost of lending & increased default rates.
- Policy led interventions have opened up large opportunities for business in terms of MUDRA, DBT, etc.
- Banks required to maintain their services despite the delinquency rate to avoid social unrest

Financial Inclusion in the country has gathered significant momentum, particularly in the last four years. To bring benefits to millions who have remained outside the fold of the formal financial system, several institutions and agencies have come together; that include the Government, Reserve Bank of India, public and private sector banks, technology platforms, insurance cos., Fintech companies, among others. How are the efforts of all the institutions coming together to create the robust eco-system that will respond to the financial needs of the common person? Within institutions, are there firm plans, strategies, products and processes to meet these expectations? What is the nature of investments that these institutions are making? Are there any trade-offs and internal conflicts? Are there any new opportunities emerging from this eco-system that has come in place? The session discussed these overarching issues and challenges in advancing financial inclusion.

There has been a hype around the achievements around financial inclusion, mainly highlighting the progress on Pradhan Mantri Jan Dhan Yojana (PMJDY) in including a large number of people into the banking system through offering accounts. The discussions mainly revolved around understating the hype v/s reality in financial inclusion in India. Over thirty-three crore Jan Dhan accounts exist in the country and a hundred crore citizens have accounts in different banks which shows the movement towards formal financial system. As far as the PMJDY scheme was concerned, over eight crore accounts were receiving its DBT payments and benefits, through Aadhaar Enabled Payment Systems and sixteen crore transactions were completed in October 2018. With the PMJDY 2.0, the ambition is to achieve more in terms of financial inclusion in the country. The government initiatives on financial inclusion have given a major push to building an ecosystem, regulatory architecture and institutional framework. The banks have an opportunity to take advantage of the scheme and to turn it around for business because of the sheer volume of accounts.

While the MUDRA scheme has remained under constant scrutiny, MUDRA has shown efficacy in terms of the number of people walking in banks and asking for loans. However, SBI has faced 20% delinquency in these loans, comparable to an almost similar rate of delinquency in the SME portfolio. The issue of delinquency increases when loans are utilized for unproductive purposes. Under the larger changes experienced by financial services ecosystem is the push to digitization, which can also be appropriated to demonetization largely. The three key residue of this process are, firstly, distribution of digital devices, though the usage may be low, the trend has started. Second, merchants have started using digital underwriting and thirdly, safety and security for the customers. With technology and touch points payments systems will change and banking will no longer be the same. Digitization has been up to the mark, and cash transactions have reduced from a staggering 95% to 85% in the country and 5 million merchants are now accepting digital transactions. The transition will be a journey and we need to focus on how to reach to the last mile.

From the regulator's perspective, while many efforts have been made on the supply side, the demand side has to be pushed and one needs to understand, the needs of the customers. In recent times, the industry has moved in the right direction, however, with multiplicity of regulations, the focus should be on one stop clearance with faster execution to bring in different players and replicate the model. The MFIs should focus on the demand side, and make products that are demanded from the customers, rather than imposing readymade ones on them. Deposits in banks could be kept as margins for people to invest, and investments could then be made as per the consumer's directions. Though this is not very high a statistic, the divide between cash and digital payments should be complementary not as a competition.

> "***Long term sustainability of farmers is more important than mere loan waiver.***"- Rajiv Anand, Executive Director & Head - Retail Banking, Axis Bank

Loan waivers, as a promise is a vicious way of lending to the rural sectors and counterproductive to the overall economy. The risk of defaulting is treated almost as an entitlement by some banks. This has increased the average cost of lending and increased delinquency rate. The issue is that only 30% loans in rural areas come from banks/regulated bodies, and therefore waivers are needed as an attraction for organized lenders.

The way forward is effective public private partnerships and to achieve full finical inclusion there will be equal share of gains and pains in the process.

New Banks on the block: How are they Targeting the Inclusion Agenda?

Moderator: Alok Prasad, Sector Expert
Speakers:

- C S Ghosh, Managing Director & CEO, Bandhan Bank
- Dr. Shamika Ravi, Research Director, Brookings India
- Govind Singh, Managing Director & CEO, Utkarsh Small Finance Bank
- Ashish Singh, Head- Branch Network & Assets, IDFC Bank

Session Highlights

- Small Finance Banks are bringing the retail banking technology in hinterlands of rural India
- Equilibrium needs to be maintained between high tech and high touch models by the new bunch of banks
- New instruments like impact bonds and market opportunities need to be explored
- Weaning away from the founders of the institution is a very critical concern for the young banks in the industry

In the last few years, two new Universal Banks were licensed almost after two decades, and two new categories of differentiated banks viz. Small Finance Banks and Payments Banks were introduced to bolster the financial institutional architecture, mandated to focus on small ticket size loans and savings. Expectations from these new banks to comprehensively deliver on the financial inclusion mandate are high. Each of these banks carries their own unique baggage and experience. With all of them having rolled out their services since licenses were granted, this session will focus on how these banks have set themselves up with technology and products to reach the BOP segment, and what their experience has been in this space. The session deliberated on how they are balancing viability and meaningful financial inclusion, and what are the areas of support required from policy ecosystem.

The journey of the newly set up banks has been unique within a short period of time. The panelists described their unique journey, challenges and plans of their business. The research and academic perspective gave a third view on the journey of the new banks.

> ***"Financial Inclusion is in core DNA of the Small Finance Banks"*** - Govind Singh, MD & CEO, Utkarsh Small Finance Bank

The journey for Bandhan has been long and interesting - from NGO to NBFC to a Universal commercial bank. Bandhan tries to focus on the middle segment, which is above micro credit and below retail.

Physical infrastructure is necessity for people to trust banking services. Digitization cannot work without physical infrastructures for banking services and hence 71% of the Bandhan Bank's branches have been established in rural and semi-urban areas. For the new banks, getting customer deposit is not an issue, the main challenge remains in providing microcredit in the unbanked areas. On managing the liability side of banking experience, it has been a learning from the micro credit side.

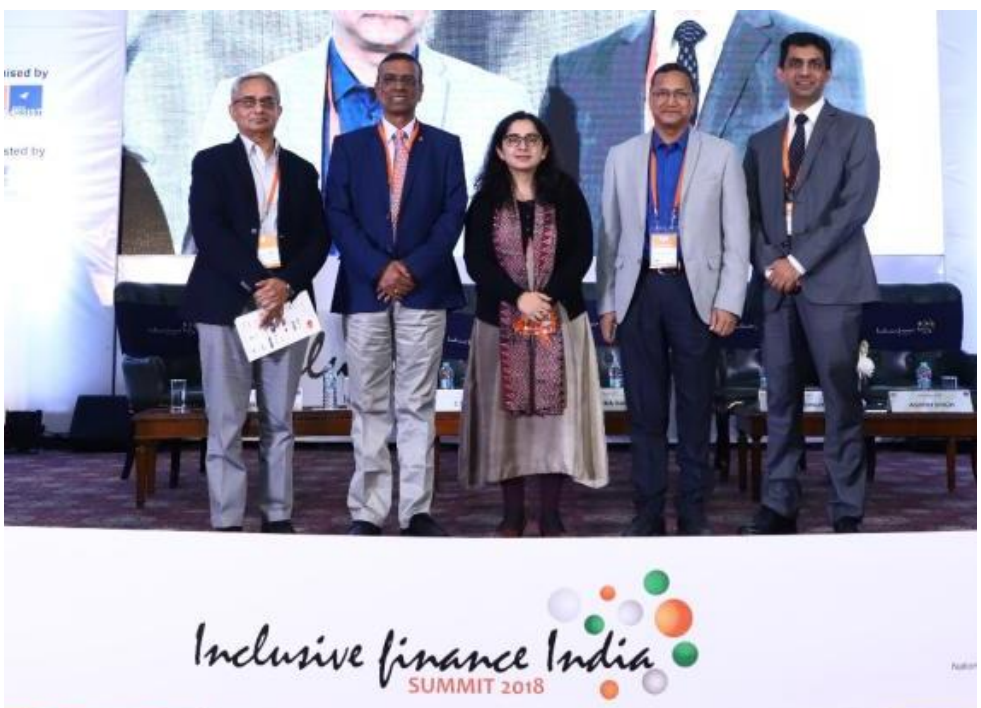
IDFC has been addressing obstacles and seizing opportunities at the same time. The bank's innovative strategies, where in the three fourths of the customers of IDFC were from the rural sector and branches housed in rural areas, extended reach through its micro ATM network and there has been a dramatic relook at how to customize products for the rural market. On the asset side also. The bank has mainly focused on building a partnership with customers and constant engagement through its Bharat Banking branches.

As Utkarsh Small Finance Bank is the youngest in the SFB sector, the change has been from isolated lending to offering a variety of products. The challenge has been to move out from the core MFI clients, with this there has been increase in competition. The lack of trained staff was the main challenge during transition. Human resource hiring and use of technology were the main differentiating factors between SFBs and commercial banks.

> ***"Financial Inclusion space greatly rests on facilitating institutions and instruments like Aadhaar"*** – Dr. Shamika Ravi, Research Director, Brookings India

Transitions have not been very easy for the new banks and lot has to do with the charismatic leader who founded them, however will these institutions survive beyond the leaders, needs to be looked at. These institutions must identify their unique scope, work accordingly move beyond commercial bottom line. This internal equilibrium is critical at the growth stage. It is fundamental to bring down costs by making use of systems like Aadhaar and the industry needs better representation on this front.

The panel concluded on a futuristic note forecasting how these institutions see themselves in the coming five years. It is an exciting time ahead but the competition will increase in the coming years.



Addressing the Gender Gap in Financial Inclusion: Recommendations for Policy and Practice

Moderator: Yamini Atmavilas, India Lead, Gender Equality, Bill & Melinda Gates Foundation
Speakers:

- Samit Ghosh, Managing Director & CEO, Ujjivan Small Finance Bank
- Chetna Gala Sinha, Founder & Chairperson, Mann Deshi Bank & Mann Deshi Foundation
- Amit Arora, Financial Inclusion Advisor, The World Bank Group
- Jayesh Modi, Head, Inclusive Banking Unit, HSBC
- Victoria White, Managing Director, Global Advisory Solutions, Accion

Session Highlights

- Customized products for women should be designed through dedicated research and resources.
- Women are graduating from microcredit to microenterprises.
- Democratized identity has catalyzed the pace of development at the ground level.
- Focus needs to be shifted from awareness to access to information

Of the world's 2 billion unbanked, 1.1 billion are women. For India, it may be a moment to celebrate that as per Findex 2017, 77% of Indian women now own a bank account against 43% in 2014. The evidence however, ironically, on broader inclusion of women into formal finance, is disappointing. They score disproportionately low on savings and borrowings - less than a fifth (16.7%) of those who have an account save formally, and they trail behind even more, in access to formal credit. While almost all of MFI micro-loans loans go to women, these principally help mostly in consumption smoothening. There are no guidelines for formal financial institutions for dedicated financing to women; there are no sub priority sector targets for women; neither do financial inclusion programmes like PMJDY have any specific gender focus. Going forward, the critical challenge of greater gender integration in our financial inclusion programmes need serious consideration. The session intended to identify gaps in policies and programmes for engendering financial inclusion and simultaneously propose recommendations to address these.

With the advent of SFBs, there is a new dynamic in the financial inclusion architecture in India. SFBs started business and it provided big opportunity not just to give loans and opening bank accounts but broadened financial inclusion by providing a range of financial services people need. The middle class in India in the eighties and the nineties experienced a change with availability of financial services. The same experience needs to be provided to the huge mass market in the low income and poor segment now, which is possible by SFBs. Drawing from MFI experience, the SFBs continue to target women to provide these kinds of services thus giving the access to the entire household.

Microcredit in India was successful because women repaid on time. However, in the last few years, women are graduating from micro-credit to micro-enterprise but that could be seen only on the demand side. Digital transactions have created an excitement in the current situation and Ms. Sinha gave example from her field experience on how women demanded ownership to smart phones and their bank accounts. Women feel powerful not with access to finance but with decision and control on finance.

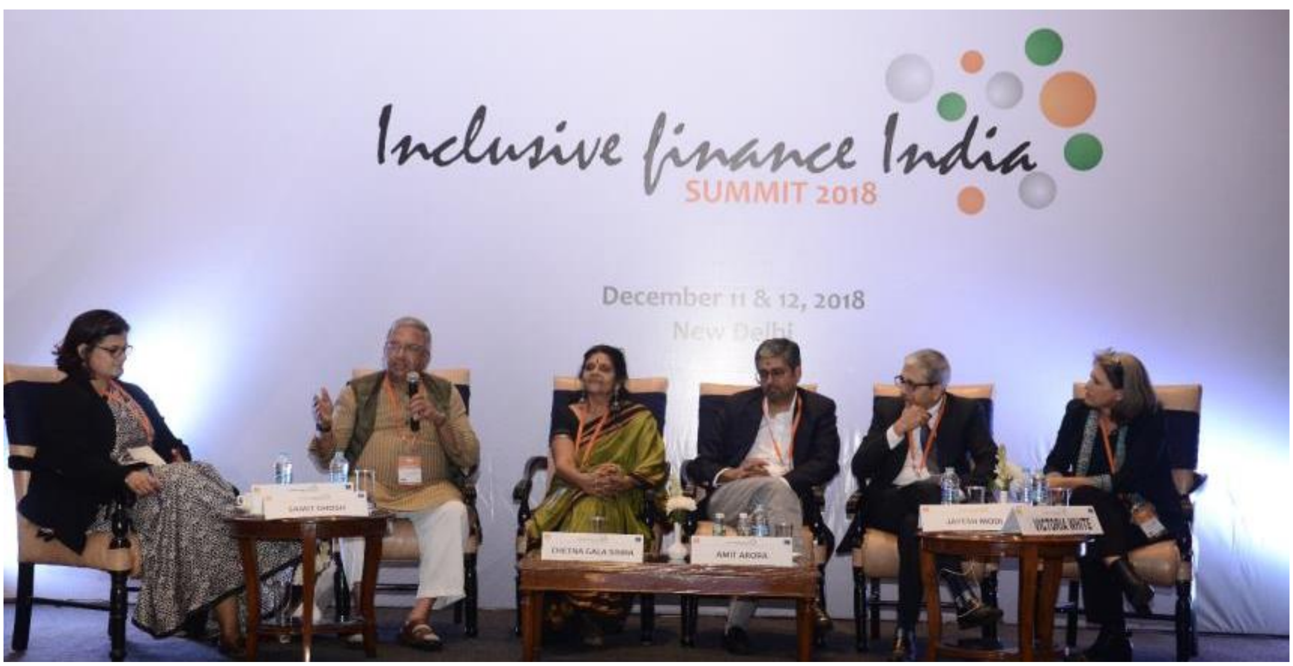
While there has been more diversity in the market, women are not a homogeneous group and hence require different products. Products are designed in a very patronizing manner especially if they are designed for women. There needs to be a fundamental shift in designing products for both the customer as well as service provider. Women need to be involved in product designing and development for a user-centered approach.

There are, around 160 million women associated with the SHG program, India ranks at 118th position out of 144 countries in terms of female literacy, 136 in terms of economic participation of women, and 141 in terms of sex ratio, which was 943 women to every 1,000 men in the country. These facts were in stark contrast to the achievements in financial literacy.

> ***"Women are not a homogenous group, hence require different products."*** - Victoria White, Managing Director, Global Advisory Solutions, Accion

Out of many others, two major barriers in reducing gender gap are- ownership of property and its relation to collaterals and patriarchy. The industry has had a mindset of selling standard products and rather than designing products according to the specific needs of the clients. This ignorance shown by most of the institutions caused over-borrowing among clients. On regulatory side, the Reserve Bank India should consider disclosing gender disaggregated data related to the number of active bank accounts, accounts with zero bank balance, and average bank balance as that could be of immense help for designing customer centric products.

Education is a critical barrier, although there has been tremendous evolution and development in that space but financial education needs reinvention. It is frustrating to see the pace and focus needs to be on the first level awareness to information gathering for behavior change.



Viability of Banking Agent Networks: The Conundrum Continues!

Moderator: Manoj Kumar Sharma, Director, Asia & Pacific, MicroSave Consulting
Speakers:

- Sushmita Chadha, Chief General Manager, Financial Inclusion & Microfinance, State Bank of India
- Seema Prem, Co-founder & CEO, FIA Technology Services
- Darpan Anand, Senior Vice President, Head-Urban Channel, FINO Payments Bank
- Srinivas Bonam, Executive Vice President, Head Inclusive Banking Group, IndusInd Bank
- Rajinder Babbar, Business Head- Rural Banking Group, HDFC Bank

Session Highlights

- The business correspondent model has been able to provide last mile connectivity to reach the underserved people
- There is a juggle between business viability and sustainability of business correspondence while addressing operating expenses and frequent service downtime.
- Regulatory and policy business uncertainty has always remained in India and Indian businesses have become resilient because of the constant fluctuations
- Viability of the agent will depend on the multitude of the products offered by him

Business Correspondents / banking agents are the most critical link between banks and the last mile low-income customers. To ensure that financial inclusion delivers tangible outcomes, their business viability and sustainability is of paramount importance. The 2017 Report on State of Agent Network in India provides comprehensive insights on this aspect. The report indicates that agents are offering more products and services and their median daily transactions have more than doubled with the G2P facilitation. Finally, there is a move from account opening to account usage, although largely cash in and cash out transactions, leading to improved viability of agents. However, high operating expenses, frequent service downtime and lack of resources are some key issues that continue to hamper the business model, and need to be addressed to optimize the potential of banking agents. The session deliberated on these key issues and propose practical solutions along with roles for banks, agent networks, policy as well as ecosystem support.

According to the Agent Network Accelerator Survey 2017 India Report. 94% of agents in India are exclusive agents but 55% of agents are non-dedicated agents with different sources if income, which is new to India. On the revenue generation side, India is doing very well on the purchasing parity basis for the agents. On the challenge end, agents in India have the highest operating cost because of multiple devices on the front-end architecture, biometric reader, laptops etc. 24% agents are still not interoperable but the number of services offered by an agent today has increased from Cash in Cash Out to integrating with government schemes.

> ***"Financial Inclusion is in SBI's DNA."*** - Sushmita Chadha, Chief General Manager, Financial Inclusion & Microfinance, State Bank of India

While SBI has been the leader in terms outreach and has the largest branch presence. It was difficult to deliver the financial inclusion mandate and hence the bank opted for the BC model in 2006. While the BC model is outsourced and has high operational risks, the bank opted to collaborate with Corporate BCs since they have their own system of managing risks, and the integrated model helps in monitoring as well. On attrition rate of CSP, in SBI's experience, it differs from area to area and region to region, because of the revenue streams for the BC agent. The commission is same for all the regions; however, the commission should be incentivized for the underserved areas. In SBI's case, they provide security to the agent with the help of the government through minimum commission assured and have invested in more products and technology. The attrition rate in dense geographies and urban areas is low.

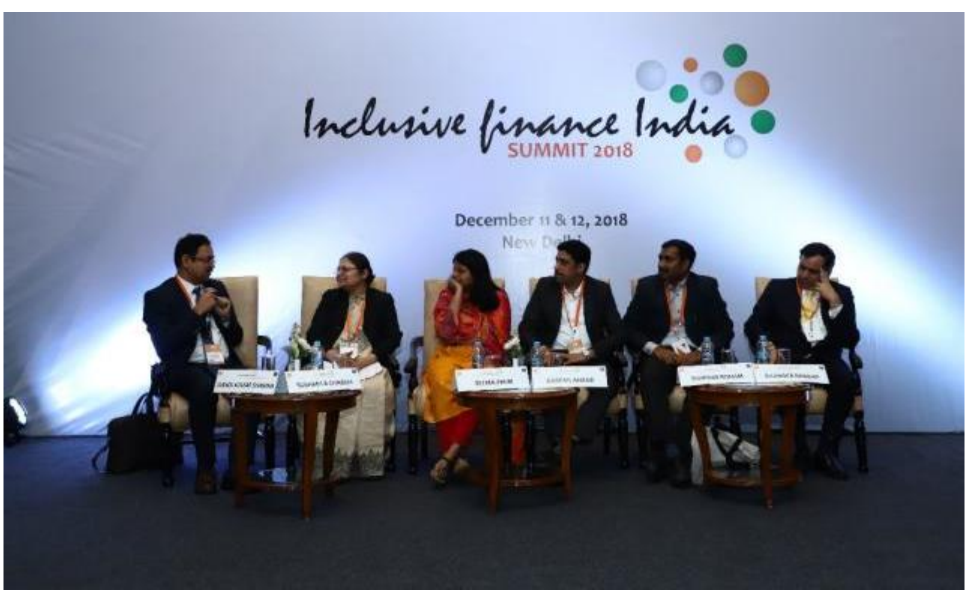
Fino was the first BC to become profitable. As Payments Bank, Fino is targeting customers with income ranging between Rs 1 lakh to Rs 5 lakhs, and adopting a strategy similar to that adopted by private banks in the 90's era. The three important strategies for their model being currently adopted -

- Banking in banker model: all suite of products through bank or partners
- "Physical Approach"- Move towards physical to the digital approach
- Partner with Bank: Sharing of costs and distribution network

For IndusInd Bank, the BC model is to the extent of Rs 4000 crores within the Rs 8000 crores of total portfolio and is viable and sustainable while being on the way of merging with Bharat Financial Inclusion. On attrition rates, for IndusInd the rate was same as MFIs due to the tough circumstances they work on but there is tremendous learning for the agent.

> "***Viability of agents will strengthen with larger bouquet of products, especially with credit products"*** Manoj Kumar Sharma, Director, Asia & Pacific, MicroSave Consulting

The BC model provides a great opportunity to reach the unreached but with changing times with digitization and improved technology, customers will move to mobiles for transactions and hence it is important to think about the sustainability. On sustainability of the agents, there needs to be a shift to moving from transactions to loans for viability and extra income for the agents and then this model will be a game changer. The biggest challenge to viability of banking agents are; infrastructure issues, need for training and skill development and thirdly operational management, reputational and technological risks along with educating the clients.



Fintech for Inclusion of the Last Mile: Experiences from the Frontline of Innovation

Moderator: Stephen Rasmussen, Lead Financial Sector Specialist, CGAP
Speakers:

- Badal Malick, Principal Innovation Officer, Catalyst
- Anand Bajaj, Founder, CEO, Nearby Technologies Pvt. Ltd
- Murali Krishnan, Managing Director & CEO, PayBee
- Pratyush Halen, Co-founder & CEO, Tapits Technologies
- Jagdish Ghuge, Co-founder & CEO, Bix42
- Puneet Gupta, Co-founder, Kaleidofin

Session Highlights

- Opportunities on the digital front needs to be leveraged.
- Importance of building of digital financial capabilities and integrate them into products.
- Disintermediation and disintegration of banking products in the near future through digital financial convergence.

While the infrastructure to build inclusive financial services has recently been upgraded with the roll-out of Unified Payments Interface (UPI), Aadhaar and India Stack, we are yet to see the power of these systems delivered to end users at scale. Innovations in both digital products and mechanisms to distribute them are needed. There also remains scope to build deeper and more targeted workflows on top of an increasingly commoditized transaction layer. These software, hardware or, in certain cases, operational solutions can generate tangible and immediate value to users – be it through analytics, access to financing, new revenue generating opportunities, or streamlined business processes. The session presented five unique companies that participated in the first batch of Catalyst's incubator program to promote companies that have reimagined financial solutions for the underserved, highlighting the opportunities and barriers associated with addressing the needs of this segment. The companies jointly span different segments – including merchants, their suppliers, and their customers – as well as different payment types and value-added services.

The session was co-organized with Catalyst, a digital financial inclusion platform. Five partners were invited by Catalyst to share their experiences on their model for outreach to the last mile and challenges, in the current scenario. The discussions were followed by brief highlights and rationale behind Catalysts work and overarching insights from their experiments on digital payments in India which are summarized below

- No perceived cost of cash in cash based transactions
- No one size fits all: Economics in context needs to be focused
- Businesses are unwilling to invest in digital until the customers demand it. From the customer end traction on digital platform was high.
- Trust is paramount: Technology has to work reliably
- Users that stand to gain are least equipped.

With these insights, Catalyst started exploring four areas especially on the product side solutions namely; Simplified user interfaces, Economic and business models, Behavioural Designs, Regulatory and Innovation interplay.

PayNearby empowers the local merchants and retailers to offer digital financial and hyperlocal services to common masses, through which remote areas gain access to money transfer, Aadhaar-based withdrawals etc., and thereby implementing financial inclusion across the remote locations of the country. On the challenges front, the urged for a change in tax structure, which has put an unintended toll on digital payments for small players.

PayBee improves transparency and efficiency in B2B transactions by digitizing payment processes. They seamlessly integrate with existing accounting and distribution management solutions, providing an end-to-end solution for businesses. The solution enables instant and scheduled payments, resolving the need for cumbersome post-collection reconciliation processes. In the digital payments industry, frequent cash backs pose a big behavioral problem with retailers, as there are no profits in digitization without cash backs. Interoperability will help to address some major challenges.

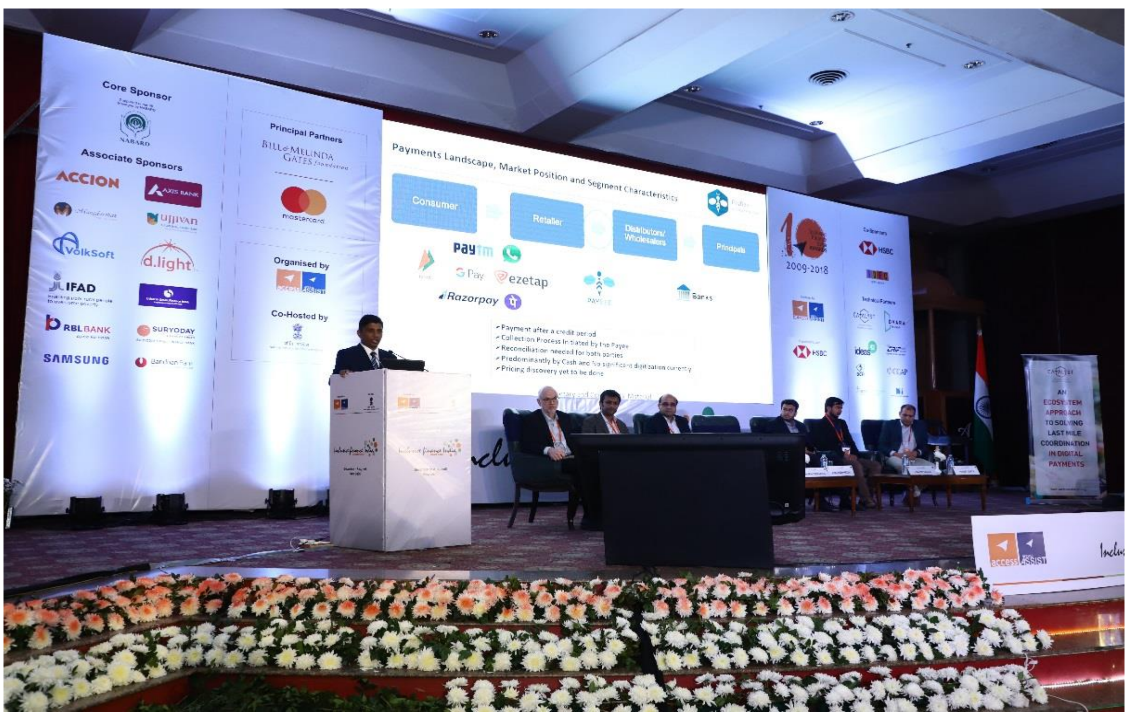
Fingpay (Tapits Technologies) enables 1.12 Billion Aadhaar cardholders in India to become a part of the Indian Banking and Financial system by making payments bare pocket, i.e. without a card, cash or a mobile, securely by just using their Aadhaar number and fingerprint. The broad challenges faced are - firstly, cash is a cost yet majority of the population engages in cash; secondly, rural infrastructure is yet to develop; and thirdly, consumer behavior. All the issues mentioned are now primarily being resolved but there is a long way ahead. On a personal business front, there are mostly issues of banks servers being down, insufficient balance with customer, training and capacity building, and low network connectivity among others. Although with these multiple challenges, Fingpay is able to address these issues with innovative approach.

The Bix42 business model, which is a solution system for newspaper vendors to manage client payments and reduce costs. The model does not only rely on the 0.1% charge per transaction, but also on selling the huge client data like Facebook. The model primarily leverage on vendor networks through android app solutions, to manage customers solving billing and collection issues. One of the biggest challenges faced is on boarding the vendors because of system migration from paper to digital. Currently the inertia is playing out. Cost effective expansion and revenue generation was also a major challenge.

Kaleidofin provides tailored financial solutions to people in the income bracket of Rs 1 - 3.5 lakhs per annum. They provide people with real life goals instead of products, which make it easier for people to understand the products and work towards goals instead of "managing their money." The model offers a suite of multiple financial services to customers. The one main challenge currently faced by the sector is the regressive step on India Stack.

"***Industry regulations are stagnant, rather than developing as the industry develops.***"- Puneet Gupta, Co-founder, Kaleidofin

It was highlighted that regulation has come up in a context but not necessarily fine-tuned to financial inclusion. Sandbox can help in future to deal with this gap. With regard to informal sector receptiveness to digital solutions, while smart phone penetration has increased but uptake of this for business, solution is difficult and is primarily looked at for entertainment purpose. The challenge on data prices is not relevant today but capacity building of the entrepreneurs in terms on onboarding, educating training etc. is required.



When Push Comes to Nudge: Using Behavioral Design for more Impactful Financial Inclusion

Moderator and Lead Presenter: Saugato Datta, Managing Director, ideas42
Speakers:

- Sameer Segal, Co-Founder & CEO, Artoo
- Ruchi Ramann, Director of Enviu, India & CEO & Co-promoter, Lakshya Inclusion Services
- Sasidhar Thumuluri, MD & CEO, BASIX Sub-K iTransactions Ltd.
- Santhosh Ramdoss, Director India Programs, Michael & Susan Dell Foundation
- Smita Aggarwal, Director - Investments, Omidyar Network

Session Highlights

- Behavioral design as a tool to create products which are better accepted by people
- Bias in product offerings to low income customers. More towards loan products than sustainable savings products,
- Field agent was cited to be the biggest enabler and simultaneously the biggest bottleneck in financial inclusion.
- High tech and High touch model is the way forward.

Indian customers and Financial Service Providers alike face a series of financial health challenges that are rooted in predictable patterns of human behavior. Over the past decade, behavioral design has been able to increase Digital Financial Service usage, build households' financial health, and improve the business practices of micro-entrepreneurs worldwide. The session will present behavioral design practices and a review of the recent, notable successes of its application to DFS and MSME growth in India. This session engaged with experts from various parts of the sector who are using behavioral design to cross the last mile in financial service provision and improve financial health of the under banked.

"***There is extensive work being done in promoting people from informal systems of credit to formal systems of credit whereas no work is being done in moving people from informal methods of savings to formal methods of savings.***"- Ruchi Ramanan, Director of Enviu India & CEO & Co-promoter, Lakshya Inclusion Services

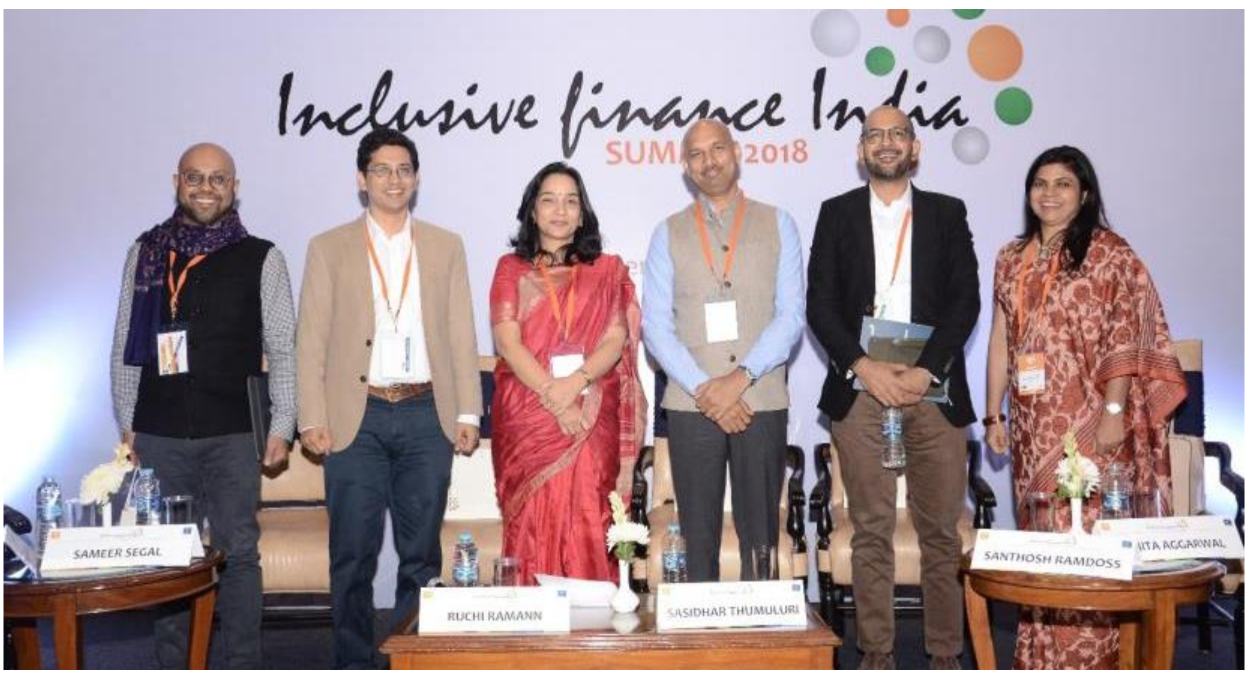
A person's decision process is not linear and there is a multitude of factors, which affect the final decision-making, and the science of considering these decisions while designing a product is behavioral design. A key observation to kick-start the discussion was to consider why the basket of products under financial services, available to the low-income customers is biased towards loan products rather than towards sustainable savings products.

Under the Jan- Dhan scheme thousands of new bank accounts have been opened but there has been no concerted effort made towards usage of these accounts, mainly because, it is costly to administer savings products as these are associated as high volumes and low value products and people are not accustomed to save. It is easy to take loans and repay than save and use the savings. There has been a large movement from informal to formal loans but the same trend has not been there for savings. Large amounts of savings are mobilized in chit funds due integrated nature of the product that allows the customers to borrow and save at the same time, which indicates that people do save.

From experience and insights of the financial service providers, the poor have a very unstable cash flow and have a mentality where they think that they will deposit money in their bank account only when they have a surplus. Factors like minimum balance and a lack of ease while doing a transaction, contribute to these perceptions. The need is to understand the product design issues that contribute to these perceptions, to counter this problem, the financial product should be designed in a way that it is relevant, contextual and has a proximity to physical and emotional touch in case required. This will in turn help the customers to build trust. The role of technology and human touch is the way forward and with a high tech and high touch model like that of a BC agent can improve productivity of the agent and these touch points can be leveraged to reach to the customer.

"Don't design a product and think of the customer but think of the customer and then design the product." - Santhosh Ramdoss, Director India Programs, Michael & Susan Dell Foundation

The behavioral aspect in designing a product should be foundational and should be inculcated in the ethos of the product from the start instead of at a later phase. The panel concluded by agreeing that people are willing to try new things as long as companies are making products which are viable to them and that, right time, right place and right context is essential in prompting people to buy a product which was made to cater to functions relevant to them.



SHG Bank Linkage Model: Scaling up Linkages to Livelihoods

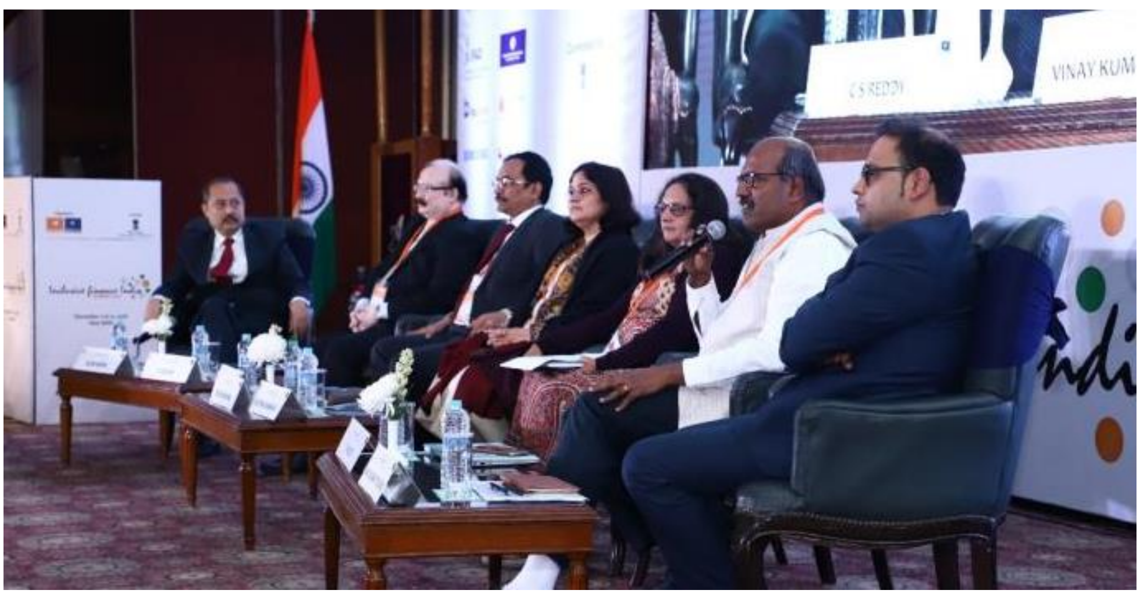
Moderator: Dr. Alok Misra, Professor & Chairperson, School of Public Policy and Governance, Management Development Institute (MDI), Gurgaon

Speakers:

- P Satish, Executive Director, Sa-Dhan
- K V Rao, Chief General Manager, Microcredit and Innovations Department, National Bank for Agriculture and Rural Development (NABARD)
- Meera Mishra, Country Coordinator, IFAD India
- Dr. Kalpana Shankar, Co-founder, Hand in Hand
- C S Reddy, Founder & CEO, APMAS
- Vinay Kumar Vutukuru, Senior Agriculture & Rural Development Specialist, World Bank Group

Session Highlights

- Streamlining NRLM and non-NRLM groups is imperative to avoid confusion at the community level
- Coexistence of NRLM and civil societies a decreasing trend.
- Need to maintain a centralized database all active SHGs in the country linked to credit bureau to avoid multiple lending.
- Strong monitoring of SHGs through a technology platform.



With 8.7 million women groups covering 110 million households with a loan outstanding of INR 755 billion, the Self Help Group bank linkage model continues to present a significant opportunity of leapfrogging to a version 2.0 that will leverage the bank linkage for accessing higher credit for asset creation and promoting livelihoods of rural women. Some government programs as well as non-government institutions have been able to optimize this potential with success but that has not evolved into a standardized model across the board. How can the indomitable movement that has endured the test of time for over a quarter of a century reconfigure itself to deliver higher opportunities for creating sustainable livelihoods for rural households is the current challenge. This session

reviewed coexisting of NRLM and non NRLM SHGs on the field and its implications at the field level on livelihoods.

The panel was well weaved and covered important questions revolving around field realities and the future of the SHGs in India. Since its launch, the NRLM's emphasis has been on low-income states, such as Bihar, which has done very well under the programme. Specifically working with NABARD, NRLM has been building the demand side capacity and the programme looks towards NABARD to work with bankers and address the supply side needs. On portfolio quality, SHG loans there had been a wrong perception about subsidies to SHGs. The private sector banks currently lend more to SHGs than earlier and is because of good quality of portfolio with low NPAs.

> ***"Character of SHG model has changed from an NGO-led model to a Government-led model."*** - C S Reddy, Founder & CEO, APMAS

While in some states the transition of takeover of NGO led SHG's by NRLM was smooth, in others there were issues. The confusion is on the agency providing support, therefore some NGOs have moved on to supporting the issue. NRLM has taken tremendous efforts to streamline the SHG movement and driving out the civil societies is being done by the state governments rather than NRLM. The impact of SHGs has been immense in terms of women empowerment, repayment of high-cost debts and modest engagements on microenterprise and accessible credit for women. Overall, there is a positive impact but a detailed review is required to establish this.

However, there is no harm in the classification of NRLM and non-NRLM as it could help the government to streamline efforts. The group size definitions are different and the gender variations do exist. NRLM group comes with benefits of CIF, revolving fund etc. While the SHG-BLP model is fully credit based linked to savings mobilization by the members. If the aspirations of the group rise, then there is a provision to provide additional funding. NABARD supports federation in case of non-financial institutions. The focus is now on FPOs for farm & non-farm activities in terms of community institutions. There is slight difference in perception between the groups at the field level but not at the national level. The national average on NPA in SHG loans includes 6% of the legacy loans as well. The SHG movement has indeed empowered the women and hence the banks are now seeing business opportunity in this. Drawing from this, NABARD has prioritized 13 states and is trying to bring them to the developed state. The lack of a single agency or platform for coordination of credit to Self Help Groups might lead to multiple borrowings by SHG members and make them vulnerable to frauds. NRLM is a great platform to reach the community but the local NGOs have invested a huge amount of social capital and during the convergence, the local NGOs ethos should be taken into consideration when large Government programs take over. The standardized principles of NRLM may not work across the country, since the variations in demography and geography are vast in the country.

> ***"Lack of single agency for coordination leading to multiple borrowings by SHG members."*** - Dr. Kalpana Shankar, Co-founder, Hand in Hand

On concluding note, the panel discussed the future of the SHGs will depend on strengthening and capacity building and that there is a need for a uniform approach towards SHGs. With changing aspirations, there should be flexibility in the programme. Savings of the groups have to be creatively used for the purpose of enterprise promotions. The Startup Village Entrepreneurship Programme under NRLM is the way forward for SHG entrepreneurs.

MFI 2.0: Is it Time to Reinvent and Push the Boundaries?

Anchor: N Srinivasan, Sector Expert

Speakers:

- Udaya Kumar, Managing Director & CEO, CreditAccess Grameen Ltd. & President, MFIN
- G.R. Chintala, Chief General Manager, Department of Refinance, NABARD
- Manoj Nambiar, Managing Director, Arohan Financial Services
- John Fischer, Chief Investment Officer, Accion
- Luca Torre, Co-Founder & Co-CEO, GAWA Capital Partners
- Praseeda Kunam, Co-founder & CEO, Samhita Community Development Services

Session Highlights

- Need to place customers at the center of product design and delivery.
- New players to learn from experiences of the seasoned MFIs for strategizing on growth
- Creating 360-degree client credit worthiness check is important
- Regulations need to transform with the changes in the microfinance environment

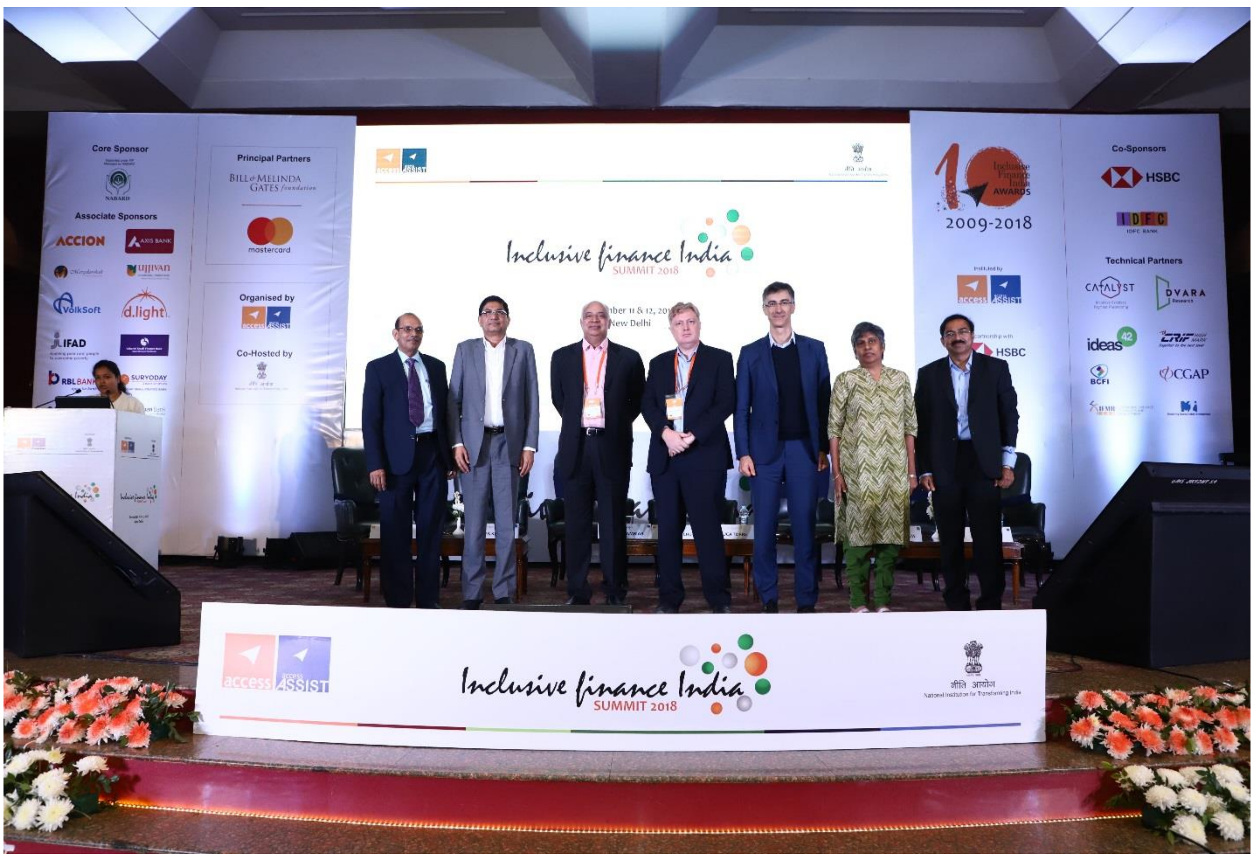
Microfinance Institutions have been at the forefront of delivering on the need for formal credit for the poor and unreached for over two decades. While the delivery model has been the Joint Liability Group involving peer pressure among clients, with a standard 'income generating/enterprise loan' product, the institutional form of MFIs evolved from non-profit to commercial non-bank companies, of which 8 have recently transitioned into Small Finance Banks. In the last few years, there has also been substantial progress in the policy and institutional framework in delivery of financial services to the last mile, with the government push to banks for opening banks accounts, setting up of MUDRA, innovations by banks in delivering credit through the partnership/BC model, digital lending by Fintechs etc. It might be an opportune time to rethink the MFI model in view of evolving and graduating customer needs, as the changing financial sector architecture. The session deliberated on whether the MFI model in the country needs reconfiguration to reconfigure itself and what can may be the major contours of MFI 2.0, which will make it relevant for customers while ensuring institutional viability

The microfinance sector has experienced changes in the ecosystem; system digitization; innovations; changing product design and processes. With changing ecosystem, there is also a need for new entrants in the business. The entrants need to draw from experiences of the players present in the sector to strategize growth. On reinventing the industry, the panelists brought in insights and experiences from across the globe and highlighted experiences from Spain, elucidating the key to success would be aligning products with client demands and client education.

In the current scenario, majority of loans are often given to female clients but in many cases, the ultimate usage is by male members. The loan products need to be diversified from simple loans to customized group lending, including family to increase participation. Considering the trend, the next step for MFIs is to transition into Small Finance Banks. MFIs transitioning into SFBs poses a huge regulatory shift. While regulations around the sector can prove to be conducive for such institutions, MFI regulations of the RBI have not changed with time and prove to be a hindrance for the sector. For transitioning to the next level, MFIs need to push their boundaries and reach to the remotest parts of the country for last mile delivery.

There is need to provide a holistic financially inclusive environment, comprising of all financial products like insurance, mutual funds etc. to the MFI clients and at the same time understand the issues related to disbursements and over lending and indebtedness. The sector should focus on creating 360-degree credit checks.

The session concluded by highlighting the internal strengths and resilience shown by the industry in coping with the sectoral changes and reiterated the need to identify and work around customer needs to ascertain invention and transition 2.0.



Direct Benefit Transfers: A Game Changer for Financial Inclusion?

Moderator & Lead Presenter: Graham Wright, Group Managing Director, MicroSave
Speakers:

- Yaduvendra Mathur, Additional Secretary, Knowledge & Innovation Hub, NITI Aayog
- Suresh Sethi, Managing Director & CEO, India Post Payment Bank
- Jennifer Barsky, Program Manager, Government to Person Payments (Bihar), World Bank Group
- Rajesh Bansal, Asia Regional Director, Banking Frontier Associates (BFA)

Session Highlights

- Role of private sector in utilizing the infrastructure created for digital innovations and enabling the transfer of services and benefits to the last mile
- Payment banks could address the last mile challenges by providing the services at doorstep
- Banks need to create a strong and smooth grievance redressal mechanism for ensuring customer protection

India has made substantial progress in digitising and targeting benefits to its citizens through Direct Benefit Transfer (DBT). Since the launch of DBT in 2014 until October 2018, about INR 474,911 crore have been transferred through the platform. About 56 ministries have adopted DBT for 434 schemes. Government estimates a savings of about INR 90,000 crore because of DBT. The Government has been leveraging on Jan Dhan and Aadhaar to push for DBT and there have been several on-going pilots and innovations under DBT to harness the synergies from various programmes. Is DBT truly a game changer both for the government as also for the BOP segment, or are their issues still that need to be ironed out for financial inclusion benefits to flow from the DBT opportunity?

India's financial inclusion is built on three pillars- Pradhan Mantri Jan Dhan Yojana, Aadhaar, and Mobile. The average balance in a PMJDY accounts is Rs 2600. In the past three years, the number of account holders in India has increased from a 53% to 90%. While nearly 90% adults had bank accounts in 2017, a very substantial proportion of these accounts remain dormant. India has witnessed a digital divide where people having digital access got the improved quality services compared to others. DBT has enabled to bridge the digital divide, by digitizing the system and by de facto adding digital value in the accounts of the poorest and most vulnerable population.

The impact of digitization in the G2P process are as follows:

- Significant reduction in leakages in MGNREGA payments
- Household earnings for MNREGA beneficiaries has gone up by 24%
- Increased number of transaction for agents which result in better viability of agents and an increased quality in their services

"Aadhaar is a very good enabler for enabling direct benefit transfer" - Suresh Sethi, Managing Director & CEO, India Post Payment Bank

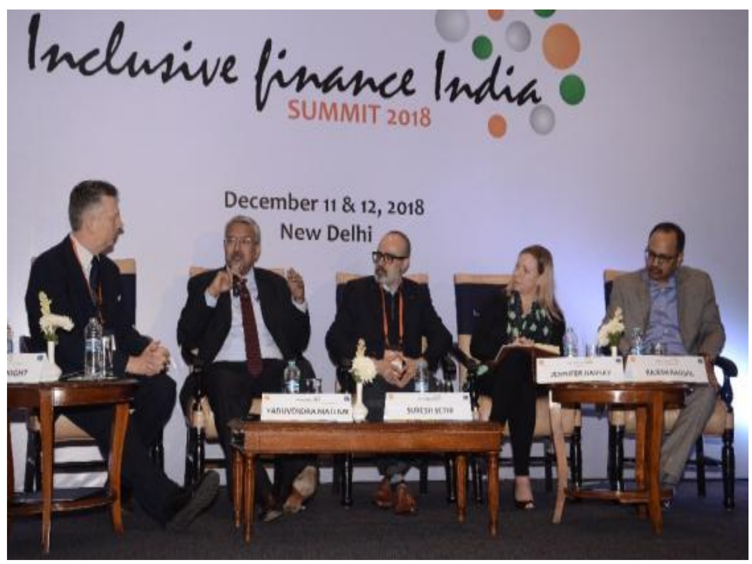
There has been an overestimation of the potential of savings through Direct Benefit Transfer (DBT). For example, in case of LPG subsidy savings, it was impossible to estimate the numbers. The number of subscribers started with 150 million in 2013, which went down to 140 million and at the same time, new subscribers were added. These variables have made the calculating the numbers subjective to the interpreter.

In many cases at the ground level, digitization is still largely human operated and there is a lot of paperwork that leads up to conditional cash transfer. To overcome these challenges, there is a need for end-to-end digitization, in processes and procedures to ensure transparency. In terms of financial inclusion, having an account gives an identity to people; having an Aadhaar has given visibility.

In respect to the role and future of the largest network in the country, the India Post Payments Bank is expected to be a game changer in addressing the accessibility issue. India Post Payments Bank has about 130,000 Points of service in the rural areas and over 300,000 postal employees that are being equipped for doorstep banking services. Payment Bank license provides the ability to ride on an interoperable system and bring banking services to the doorstep.

On the potential in agricultural sector, the data on the behavior of farmers would provide a huge opportunity for banking sector agent models to come into place. There is a need for the BC model to evolve and include insurance, health, agriculture related services.

The banks need to create an overall strong and smooth grievance redressal mechanism in the country. Private players can collaborate with the public sector as their reach is far more in remote areas and the government by itself would be unable to rollout to the last mile. There is a need for private sector to come in and build the relevant architecture around cashless transactions.



The session concluded with the panelists optimistically commenting upon the possibility of having digitally inclusive world with all the efforts by public sector in setting up the right infrastructure to enable digital inclusion and the financial institutions to build viable models that have the ability to scale.

Digital Financial Inclusion: Ensuring Data Security & Client Protection

Moderators: Vijay Chugh, Consultant, Payment Systems Regulation & Oversight
Speakers:

- L R Ramachandran, CGM, National Bank for Agriculture and Rural Development (NABARD)
- Rohan Mishra, Director, Public Policy South Asia, Mastercard
- Malavika Raghavan, Project Head, Future for Finance Initiative, Dvara Research
- Nehaa Chaudhari, Public Policy Lead (Policy and Regulatory Advisory), Ikigai Law

Session Highlights

- Use of consumer data for improving access to finance and promoting digital finance services has both opportunities & challenges in equal measure
- Sector needs to move beyond Privacy vs. Innovation Dichotomy
- Customized policies on data protection and data security need to be put in place, considering regional and topographical variations

While digital financial services offer huge opportunities for overcoming financial inclusion challenges, they also pose privacy and data security risks. Regulators are challenged that financial data is appropriately protected, while not being over cautious which may increase cost of services. Risks of loss of personal data, cyber-crimes etc. are common to all modern data-driven institutions and models; however, within financial inclusion, there are more specific issues such as lack in understanding of appropriate data security practices among users and agents, use of inadequately protected equipment etc. that need to be addressed. The Supreme Court also ruled at limited usage of Aadhaar as a compulsory KYC requirement, where Aadhaar was not compulsory to open a bank account or for a mobile connection, apprehending personal data misuse. The session deliberated on data protection and security risks particularly in the context of the new BOP customers brought into the fold of formal finance in India, and what policy measures as well as institutional mechanisms are required to ensure customer protection, as the Indian digital financial inclusion story evolves.

"While there are 4 million POS terminals in the country today, the utilization of these terminals is amongst the lowest in the world." - Rohan Mishra, Director, Public Policy South Asia, Mastercard

India is rapidly upgrading from brick and mortar system to a one that provides financial services through digitally enabled platforms. This is evident from the innovations in payments systems and with the recent PMJDY scheme, where most people have received debit cards. While there has been an increase in the use of POS machines from the last few years, there is a gap in capacity building; and POS infrastructure alone cannot address the need of digital financial transactions. The new age Fintechs is an initiative in the area of financial inclusion; they are able to create credit history, without having information on daily expenses of the customers.

"Regulation and innovation should go hand in hand." - L R Ramachandran, CGM, National Bank for Agriculture and Rural Development (NABARD)

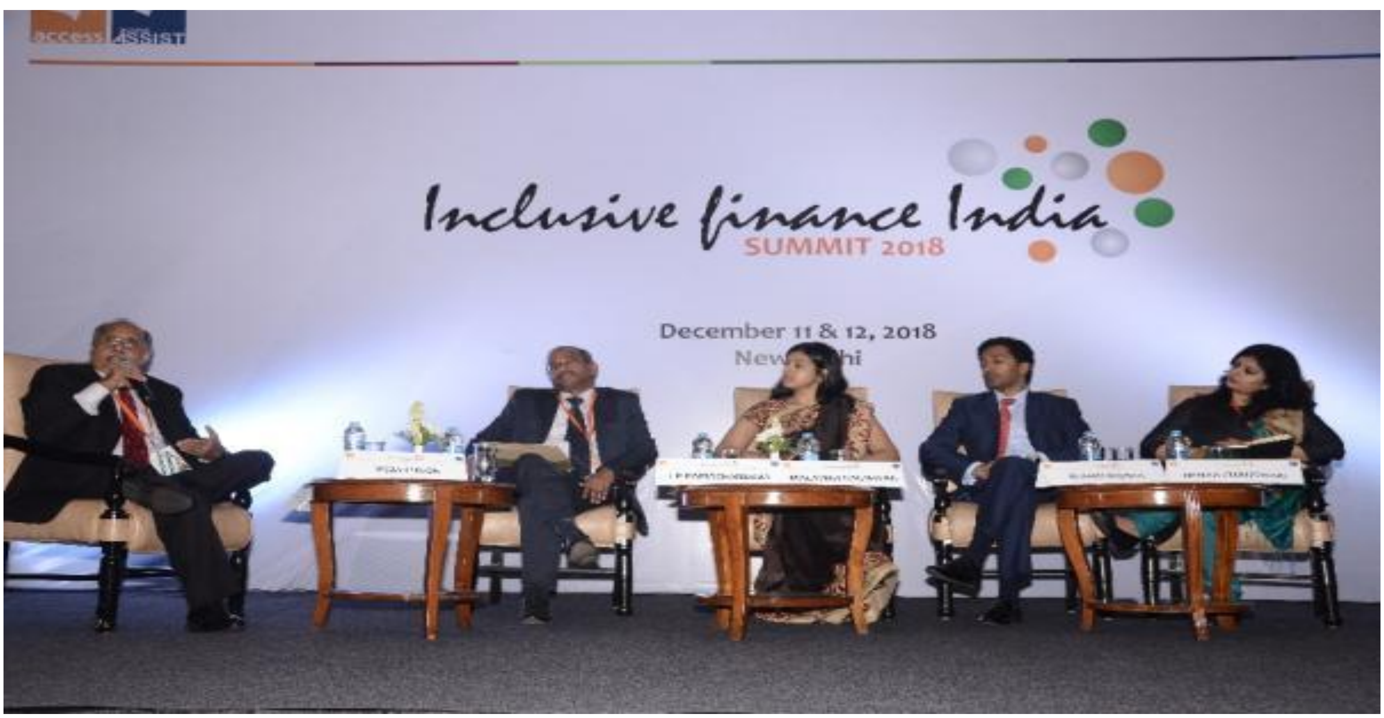
More than 300 million people in India are accessing financial services through costlier modes and digital channels need to reach out to the last mile in providing the financial services. There is need for upgrading the community towards digital platforms for transactions. This move would help in reducing significant transaction cost. Financial literacy and awareness to enable the utilization of POS terminals, especially across Tier II and Tier III locations is the need of the hour.

Along with Financial Education, there is need for concrete regulation and acceptance infrastructure. To address issues of data protection and data privacy some key points are:

- Need of concrete regulation
- Requirement of self-regulator
- Immediate grievance redressal mechanism
- Standardized policy for similar financial services.

A case study on data protection and data security presented at the session reflected that there is a trust deficit between community and service providers while providing financial services. Service providers need to work more aggressively in filling the trust gap by providing appropriate handholding support and assistance.

With regard to mechanisms for ensuring data protection, it is important to evaluate the effectiveness of notices and informed consent. The current IT Act reasonably addresses and helps in ensuring the data protection and data security from both consumer and service provider's perspective. However, there is a requirement of customized policies data security considering regions and topographical variations. The sector needs to move beyond the Innovation vs. Privacy Dichotomy.



The session concluded with an understanding of the opportunities digitization provides to extend financial services, and acknowledging the requirement for regulators to design adequate policy framework and to ensure that the guidelines are rolled out in an effective way.

Way ahead for Inclusive Lending: Tech-Driven, Evolving Products?

Moderator – Greg Chen, Lead Policy, CGAP
Speakers

- Prateek Shrivastava, Vice President, Digital, Global Advisory Solutions, ACCION
- Jagadish Ramadugu, Managing Director & CEO & Co-Founder, Vaya Finserve Pvt. Ltd
- Kalpana Pandey, Managing Director & CEO, CRIF High Mark
- Raul Rebello, SVP & Head - Rural Lending, Axis Bank
- Arun Nayyar, Chief Executive Officer, NeoGrowth Credit Pvt Ltd
- Saras Agarwal, Vice President, Bharat Innovation Fund (BIF)

Session Highlights

- Massive amounts of data available makes decisions more efficient
- There is still pessimism with regard to credit system going completely digital
- Innovations in credit delivery system using technology are evident, but need to show scale and reach to the last mile

For several years, MFIs have catered to the micro credit needs of low-income segments in both rural and urban areas, mostly with a standardised product and with a doorstep delivery model using group-lending methodology. Over the last 4-5 years however, other models of lending have come up that use new methods of credit assessment, offering new products through more efficient delivery channels, covering clients graduating from microfinance loans and other bottom of the pyramid customers not served by formal finance. The session revolved majorly around the changes that come in with reinventing credit technologies and delivery system. The panelists shared their experiences and products based on algorithms and psychometric tools.

The microfinance sector has evolved over time. Today microfinance customers are proactive in demanding new products and services. The needs of the customers have evolved and it is imperative to shift from mass standardization to customization of products. With evolving demand, there also has been reluctance to technology uptake from the customer's end. With diverse customer segments, it is an immense challenge for financial service providers to innovate with financial products. The MFIs have adopted an assisted digital model, where the staff takes the digital solution to the customer and assist them through the solution. High attrition rate of field level staff was another challenge, which was addressed by creating a data repository to retain knowledge of the customer.

Axis Bank has been undergoing both internal process and technological change. There has been redesigning of the entire JLG product on a digital platform. The onboarding process, which traditionally took 15 days, has been brought down to 3 days. While the model remains the same, technological integration has helped change processes.

On credit bureau's take on technological transformation, the quality data available today can enable analytics based software solutions. CRIF possesses a complete suite of data that provides a software solution covering issues from customer acquisition until the collection stage. Moving to customer management, CRIF provide solutions that can check the portfolio health.

Innovations such as the form of repayment system practiced by NeoGrowth, allows small business owners to repay loans electronically on a daily basis rather than monthly EMIs.

On the future of digitization, there were some insights from experience of microfinance in Africa. Small loans, such as one- or two-dollar loans, have seen a 50% default rate in African countries, proving how different the environment was from developed countries, in countries where microfinance is needed; and therefore, complete digitization in such countries was not as simple as it is in developed countries.

"It's not about access; it's about access usage and therefore impact." - Prateek Shrivastava, Vice President, Digital, Global Advisory Solutions, ACCION

Complete digitization is of course what the industry hopes for; however, that seems at the least "impractical" in the microfinance industry, for the time being. The India's credit framework going digital would be farfetched since there is demand for some human touch while dealing with the rural diaspora.

Leveraging Remittances to Achieve Impactful Financial Inclusion: What can India Learn from the Region?

Moderator: Michael Hamp, Lead Regional Technical Specialist Rural Finance, Market & Enterprise, Asia and Pacific Region, IFAD

Lead Presenter: Shahadat Khan, Global Coordinator, Migrant Family Motivation Initiative (MFMI), Academic and Researcher, RMIT University, Australia

Discussants:

- A G Varughese, Executive Vice President, ESAF Small Finance Bank
- Abhishek Sinha, Co-founder & CEO, EKO India Financial Services

Session Highlights

- Remittance is the first financial service for many migrant workers
- Remittance should be made as accessible as DBT
- Regulatory arbitrage around remittance is unfair towards private companies

Aligning the needs of migrants with the incentives of financial service providers creates the most sustainable foundation upon which to leverage the impact of remittances. Remittances are financial flows in search of financial products. When these resources land in transactional accounts linked to financial services, such as saving accounts, longer-term relationships between transnational families and financial institutions. Migrants' investment capital and entrepreneurial capacities are other development resources that are underutilized in countries of origin. There are emerging instruments and practices for pooling investment resources from the diaspora. Amplifying the development potential of these resources requires the recognition by public authorities that migrant capital, networks and entrepreneurship, deliver important economic and social spillovers and help contribute to SDGs. This session focused on learning from experiences from the regions where remittances have been leveraged to increase financial inclusion and diaspora investment and the potential to implement such models in India.

"Remittances enable market competition and reduce the cost of financial services." **–** Michael Hamp, Lead Regional Technical Specialist Rural Finance, Market & Enterprise, Asia and Pacific Region, IFAD

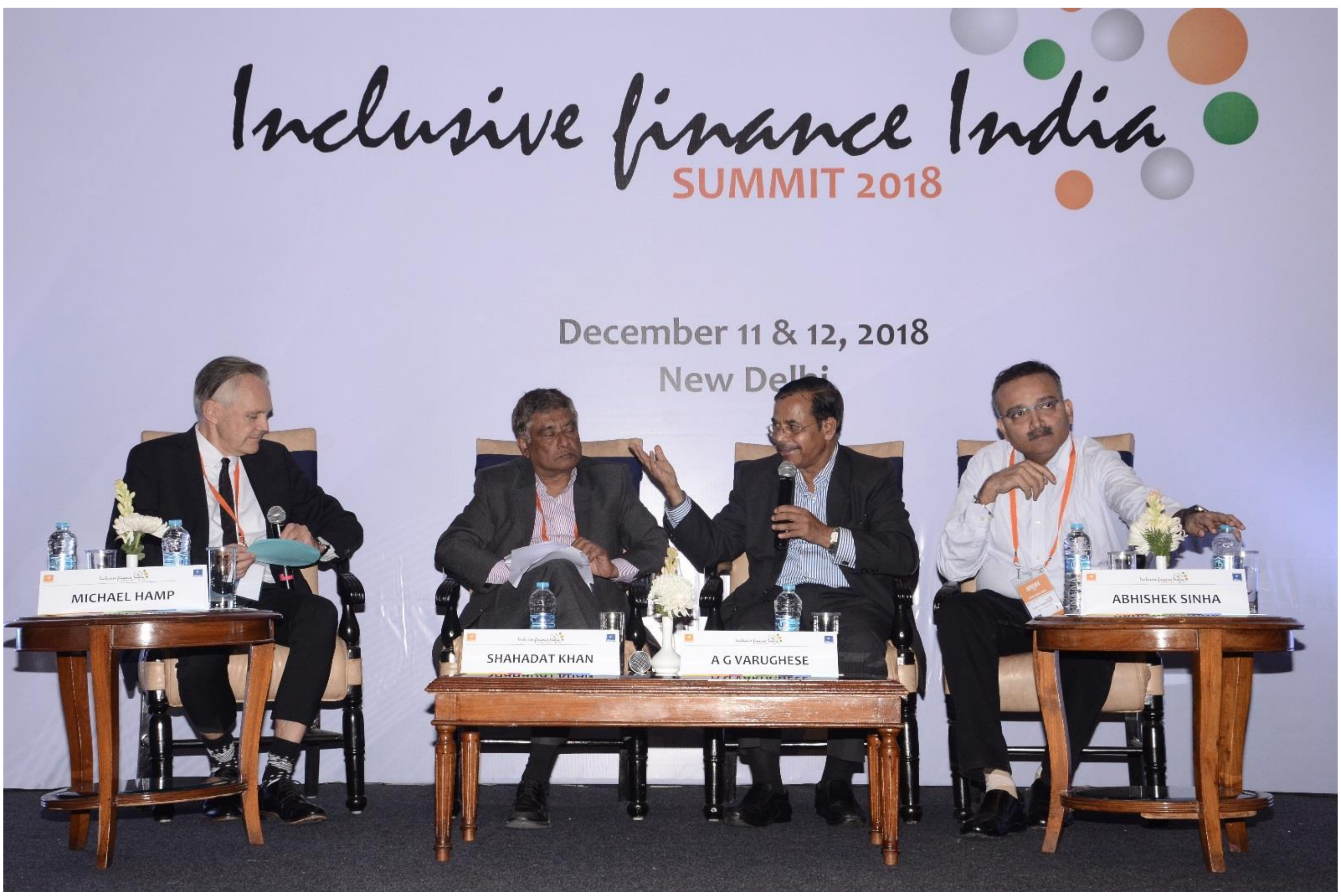
The session highlighted remittances as a key element when it comes to financial inclusion for migrants. The purpose of remittances is to provide opportunities and expand the variety and usage of financial services to migrants. In 2017, the major skilled workforce was at the age of 39 years globally, and it aspired to create better life for their family, a total 258 million migrants make up this workforce. The lack of easy access to financial services is a major issue and hence remittance is the first financial service used by them. The goal should be to develop a profitable business model around wealth building packages for migrant workers. Private players and governments should aim to provide this workforce with consumer protection and identification systems, Aadhaar has been an important step towards this; many other countries lack such a system.

While Asia and the Pacific remittances market covers 15% of the global remittances flow, the challenge in dealing with remittance is to reach and locate the migrated workers, and to develop an institutional service capacity. The local governments have lot of untapped resources, which can be leveraged upon, and to capacitate them would be a win-win opportunity.

"The government and regulators need to ensure that this remittance channel is as accessible as DBT." –Abhishek Sinha, EKO Financial Services

The economy of Kerala can be an example for remittance and financial inclusion, there are about 40 lakh migrants working in Kerala and send Rs. 100,000 crore in their home state annually. This is driving the per capita income of an average Keralite, which is much above the average of the rest of Indians. Migrants working in the state of Kerala, belonging to remote villages of the country are remitting about Rs 32,000 crores to their home states. This provides a big opportunity to facilitate financial inclusion and provide varied financial products. The government of Kerala has set up an agency, Non Resident Keralities Affairs (NORKA) that acts as a forum for addressing the problem, safeguarding their rights and rehabilitating the returnees. The agency also provides governmental support for coordinating the remittance activity in the state.

While government funds are an important source of income, this should not sideline remittances. Just as DBT, domestic money transfer can also be made effective. The kind of regulatory arbitrage that is available for private companies is unfair in view of competition.



Affordable Housing Finance: Enabling Policy and Ecosystem Support for Deepening Outreach

Moderator: Madhusudhan Menon, Sector Expert
Speakers:

- Anil Mehta, Managing Director & CEO, Indian Shelter Finance Corp. Ltd.
- Rakhi Mehra, Co-founder, MHS City Lab
- Sanjay Chaturvedi, Co-founder & Promoter, Shubham Housing Finance
- Rajan Samuel, Managing Director, Habitat for Humanity
- Subrata Dutta Gupta, Principal Finance Officer, Financial Institutions Group, IFC (World Bank Group)

Session Highlights

- Trust factor is a big issue and a hindrance in the functioning of the industry
- Schemes launched by government have made a huge difference, but the last mile connectivity is missing
- Technology has helped in decreasing costs
- The industry has not come even halfway to mission of- "Housing for all by 2022."

Housing finance for low-income segment is a critical service within the ambit of comprehensive financial inclusion. Delivery of housing loans to low income and poor is faced with several challenges including credit assessment in the absence of documentation, availability of long-term funding, delays in approvals and construction. However, a new group of Housing Finance Companies specialising in serving low-income, informal customers has emerged in the last few years and are successfully addressing this gap. These companies however need to be able to cater to poor and EWS customers and go deeper to serve unreached customers. The session focused on the issues related to affordable housing including- challenges faced by the Housing Finance Companies, Government schemes related to housing, the role of technology in the housing sector and some recommendations for the sector and government on housing schemes.

> ***"Housing is not a product; it is a process."*** – Rajan Samuel, Managing Director, Habitat for Humanity

There are only 0.03% write-offs in the housing finance industry. Despite this fact, it was easier to get other loans of the same size than a housing loan. The problem was not availability of housing but availability of quality housing. The major impediment in availing a loan is lack of trust with in the industry. People availing small loans are as much trustworthy at paying the loans back as the people taking larger loans. However, the first kind of people face more issues in getting loans, because a high percentage of them lack formal jobs and income. A trust-based system can change the whole ecosystem of the industry. There is a need for a shift in mindset of punishment and control to a mindset of trust.

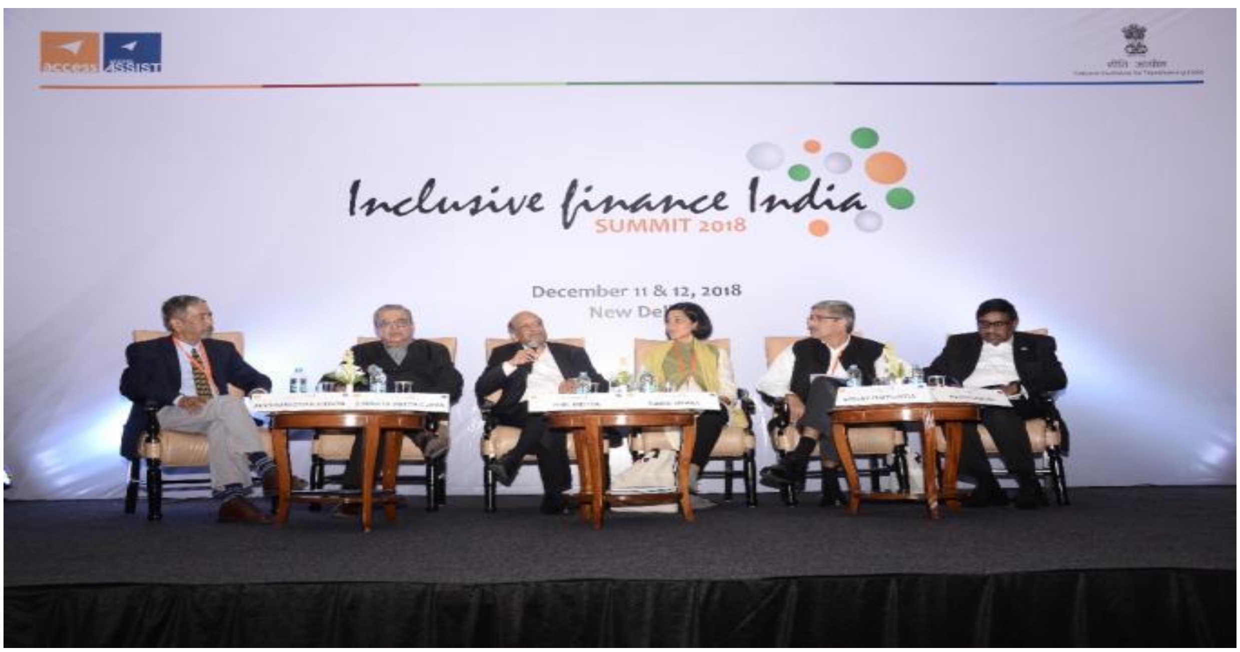
Approximately 90% of the population has informal sources of income and their incomes are often under-assessed. There is a need for change in method of assessing incomes for those who do not have salaried income.

Government schemes on housing like Pradhan Mantri Awas Yojana have made a huge difference but the last mile connect is still missing. There is a requirement for smart subsidies; the subsidies were received after the work was half done whereas people require subsidies mostly at the beginning of the work. There is also a big gap in terms of policy for better housing support services.

The panel also discussed that people did not invest only money in houses but emotions as well. Therefore, it is imperative to understand that the need of each client is different, and a standardized product cannot serve all the clients. Products need to be customized according to each client's requirement.

Experience indicates that, technology has been able to reduce the operational costs. There is a big opportunity in the partnership model between NBFC or MFI and housing finance companies. While MFIs have the outreach, they are often unable to design products in their institution and the Housing Finance Companies can step in with their expertise to create a wholesome product.

Analyzing the progress of the mission of "Housing for all by 2022", while there is some progress, we still have a long way to go.



Prioritizing Innovation and Customer Protection for Business Correspondents' Network in India: Is there a Role for Technology and Regulation?

Presenters:

- Graham Wright, Group Managing Director, MicroSave
- Hema Bansal, Senior Director, South & South East Asia, Smart Campaign

Moderator: Nitin Nagpal, Partner, Government & Public Sector, PWC

Panelists:

- Anand Shrivastav, Founder and Chairman, Beam Money & Chairman, BCFI
- Sunil Kulkarni, Deputy Managing Director, Oxigen & Chair, Standards Committee, BCFI
- Sasidhar Thumuluri, MD & CEO, Basix Sub-K & Chair, Operations & Resource, BCFI
- Poorna Bhattacharjee, Financial Sector Specialist, IFC- World Bank Group

Session Highlights

- Banking and payments can be merged into one digital entity
- Processes and interfaces need standardization
- Transaction and service agents should be differentiated
- Maintaining agents difficult, especially with high regulation and low incentives

The session highlighted efforts of the Corporate BCs (CBCs) in India in delivering services with a focus on client protection and innovation, such as developing a Code of Conduct. BCs are increasingly becoming the more preferred vehicle to deliver financial services to low income groups. They are growing fast and at the same time, differentiating with advancements in technology. Currently, 7.86+ lakh Agent Business Correspondents (ABCs) are providing various Financial Inclusion services including Jan Dhan schemes to over 33 crore customers in India and enabling access to diverse products including savings, credit, insurance, remittances etc. It however remains to be seen how the sector further deploys latest technologies in the fintech and payments space to deepen coverage in under-banked areas of India.

Embedding responsible finance principles into the core delivery of financial services enables the financial service providers manage risks, balance profitability with inclusive finance and contribute to long-term sustainability. Therefore, it is critical to come up with a framework that can help integrate these principles into systems and processes. In the session, customer code of conduct for the Indian BC industry, pioneered by BCFI was launched. It is primarily aimed at ensuring fair treatment of customers and protecting their rights and includes requirements for both institutional and operational systems within the CBC and ABC ecosystem.

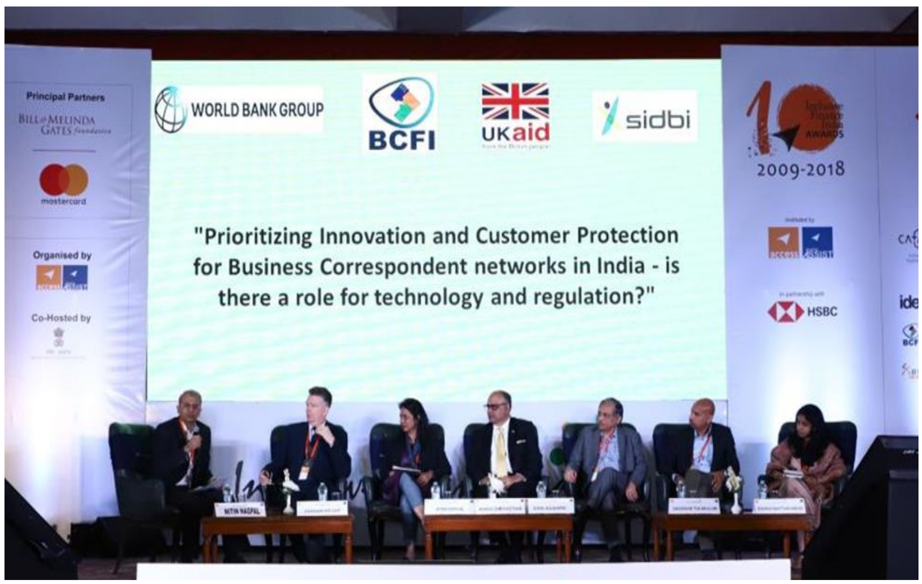
The Code of Conduct for Corporate Business Correspondents comprises of the following sections:

1. **Institutional Section**, comprising of four core areas a) customer oriented governance, the ownership of the code needs approval by the board. The board also needs to be reviewing the operating procedures on a continuous basis. Overall, how is the customer centricity being maintained needs to be overseen by the

governance. b) Internal audit, CBCs shall set up adequate monitoring mechanisms to ensure the effective implementation of the Code of Conduct internally and among ABCs. c) Recruitment training, customer's treatment and experience is largely dependent on the quality of services provided by ABCs and d) suitable product design, CBCs and ABCs shall contribute to product design with the Principal to ensure that the products are suitable for target customers.

2. **Operational Section**, this is designed around consumer protection comprising elements like fair and respectful treatment of customers, which talks about the delivery and interaction off the CBC with the ABCs and then subsequently with the customers. The second core area is suitable product delivery, a space where CBCs can have more ownership, transparency. This also entails approval of the privacy policy, informing customers about the confidentiality, training them, showing that the technology systems are in place, and overall ensuring that data is protected. Lastly the Customer Charter, in the vernacular language, which all the ABC's, will have to display in their outlets. It displays the duties of the ABCs and do's and don'ts for the customers.

The session included a presentation on ABC Shiksha, which is a digital training platform, developed by MicroSave for BCFI with financial support from IFC and SIDBI. The platform runs on both laptops and mobile phones. It has the training modules which are available both on and offline so that the agent can download these training modules and use them at their own pace in areas with low internet connectivity. It provisions for agent examination and certification process where they undergo online tests.



The panelists opined that the regulators should provide some space for disruption and innovation in the system. The panelists suggested differentiating between transaction and service agents to create a more trustworthy ecosystem. This suggestion faced differing opinions from the panel, the major one being that a customer will prefer dealing with one person rather than different people for different financial services and transactions. However, the panel did agree that if done well, this could diminish client protection issues to a reasonable extent.

The panelists then discussed ideas around some of the major issues in client protection The RBI mandates plays a major role in the BC Model, for there to be a fixed number of agents in one village, which makes it hard to maintain a branch. There are also issues of agent compensation, and poor incentives that demotivates the agents towards client protection and ensuring quality of services.

Operationalizing Suitability in Microcredit: Preventing Over Indebtedness among Borrower Households

Moderator: Avinash P, Director & Head-Risk, Northern Arc Capital
Presenters:

- Nishanth K, Senior Research Associate, Dvara Research
- Deepti George, Head of Policy, Dvara Research

Session Highlights

- Research indicates that 21% of microfinance clients had unaffordable institutional debts causing household financial distress
- Credit information on more than half the households from the microfinance credit bureau was incomplete
- MFIs can adopt four steps to adopt suitability in microcredit – (1) Define suitability; (2) Assess suitability at household level; (3) Credit decisioning based on Debt-To-Debt Service Capacity Ratio (DSR) and (4) Setting up system level capabilities at various stages

The 'Right to Suitability' features as one of the rights in Reserve Bank of India's Charter of Customer Rights. This Right is particularly important for low-income households given that they face vulnerabilities stemming from risky, multiple, seasonal and volatile cash flows from uninsured productive assets. Microcredit regulations acknowledge this and contain a set of directives that limit the number and sizes of loans that a borrower can avail from microfinance institutions, bringing in clarity to the sector and resulting in its orderly expansion.

Microfinance has a standard product and process, which the borrower and the MFI staff understand and follow. The model is seemingly efficient; there is growth in lending will near zero defaults. Dvara Research conducted the study in Krishnagiri district of Karnataka in 2015-16 by following 400 rural households through rigorous monthly interviews over a course of 12 months. Krishnagiri has medium to high access (lending by a range of financial institutions) and the household of the clients had income volatility, expected of a typical microfinance client profile. The research measured the level of financial distress of microfinance borrowers, which essentially constitutes mis-sale. It is a minimum expectation from financial institutions that the loans they make do not cause hardships to the borrowers.

In the session, Dvara's work on practitioner led solutions to operationalize suitability assessments was presented:

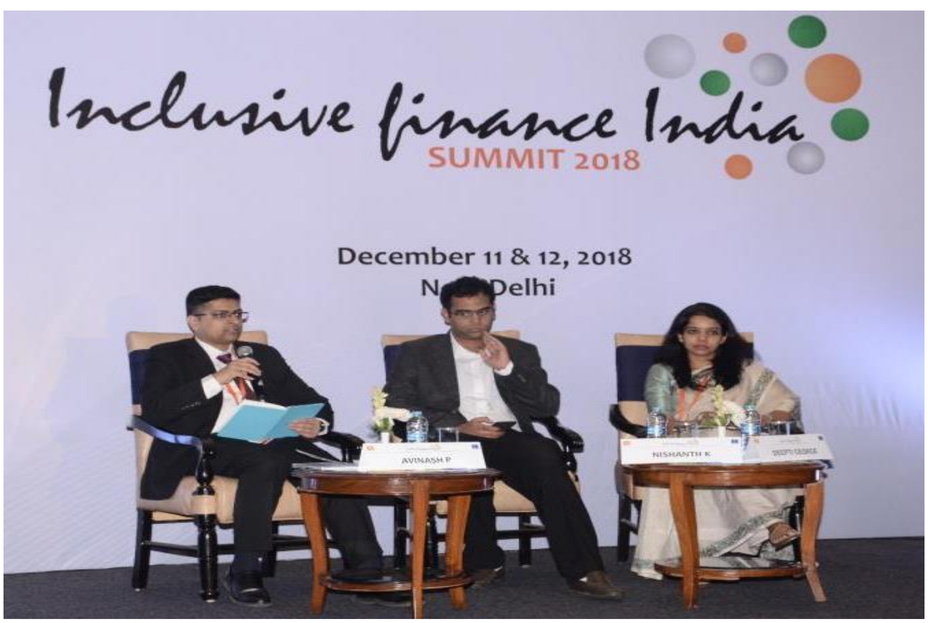
The study showed the following results:

1. 21% of households sampled were causing over indebtedness; had unaffordable institutional debt (not including informal debt)
2. Households resorted to negative coping strategies to tide over stress
3. Credit information on these households from the MFI bureau was incomplete.

These findings are clear evidence that some of the households have unaffordable levels of debt and therefore that there is an extent of mis-sale in microfinance loans.

It is the responsibility of the providers to offer the right product through the right process. It is therefore imperative for MFIs to establish better systems to prevent over-indebtedness. While loan officers are the last mile connects for MFIs, they have no incentives for reporting difficulties being faced at client levels as far as repayments are coming in regularly. Dvara presented suggestions in the form of business processes that financial institutions can incorporate into their operations to reduce and prevent instances where loan disbursements push borrower households into over-indebtedness.

1. Defining Suitability in Microcredit - For microcredit, *"a loan is unsuitable for a borrower if, based on an assessment of her financial situation at the point of sale; she is likely to face substantial hardship in servicing that loan through the tenure."*
2. Assessing Suitability at a Household level - This requires an understanding of the ability to make repayments at the level of the household and building a picture of the household's formal and informal debt and its repayment capacity.
3. Determining a workflow for decisioning - The decision to lend based on the Debt-To-Debt Service Capacity Ratio (DSR) Indicator for the household is to be arrived at using a decisioning logic. The decisioning logic requires the calculation of the surplus cash flows of the household and the existing and new DSR of the household, at current and proposed/new levels of debt.
4. Setting System-level Capabilities based on Organisational Capacity – Dvara made suggestions for incorporation of capabilities at the Loan Application Stage, Credit Bureau Check Stage and at the Loan Approval Stage. MFIs exist at various scales have and field staff capabilities, and it may not be possible for all of them to operationalize one single uniform suitability assessment process. For this purpose, Dvara proposed three levels of sophistication of the suitability assessment process to choose from, to build organisational capacity.



Approaches for Micro Enterprise Financing: Are these Inclusive Enough?

Chair: R M Mishra, Additional Secretary and Development Commissioner, Ministry of MSME, Govt. of India
Moderator: N K Maini, Former DMD, SIDBI;
Speakers:

- Vikas Muttoo, Chief Executive Officer, Swadhaar Finserve Limited
- R Baskar Babu, Managing Director, Suryoday Small Finance Bank
- Sanjay Sharma, Managing Director, Aye Finance
- Geeta Goel, Country Director, Michael and Susan Dell Foundation India

Session Highlights

- Small Finance Banks can fulfill gaps and reach the last mile in MSME financing
- Government of India is investing 6000 cr. in Technology Hubs under Udyam Sathi Program
- Impetus should be given to outreach and scale as opposed to interest rates

There has been a substantial interest and investment both from the government policy and programs and from the private sector in enhancing flow of formal finance to the Micro and Small Enterprise (MSE) sector. Some of the focused initiatives of the government towards creating a supportive ecosystem for MSEs include setting up of MUDRA, SIDBI's Stand-Up India scheme and Startup India portal, MSME Ministry's Udyog Aadhaar and other schemes. In addition, financial institutions including banks, SFBs, MFIs, NBFCs and some Fintechs are focusing on this segment with innovative models. However, how inclusive these approaches and models are in targeting and catering to tiny and micro enterprises that operate in the informal economy needs to be reviewed.

The tone of the session was set with the question on whether we are addressing inclusion, taking in account the gender divide, the digital divide and the social divide.

"Social Venture Funds should not be funded by the government, ideally; people with money should be the ones initiating them." - R M Mishra, Additional Secretary and Development Commissioner, Ministry of MSME, Govt. of India

The involvement of private players in MSME financing can be fruitful to create an ecosystem for all businesses to thrive. While a scheme like Mudra has widened the scope for access to finance, private players should be allowed an equal stature to address the gap in MSME financing. The government has positioned various schemes, like the Udyam Sathi and Udyam Sakhi that support the growth of the MSME sector. Udyam Sathi/Sakhi programs are mentor programs, where experts are available for providing advice to micro enterprises. The cluster-based approach seems like a viable model for intervention, which facilitates development of common facilities and common knowledge dissemination for supporting enterprise growth. The basis of clusters however should not be around a government scheme.

There are concerns about the high cost of customizing finance products for a low-income market. With the option of customizable products, there is an inevitable rise in operational costs for the lender, and higher interest rates and management fee for the borrower. This poses a great challenge in a market that is predominantly non-digital.

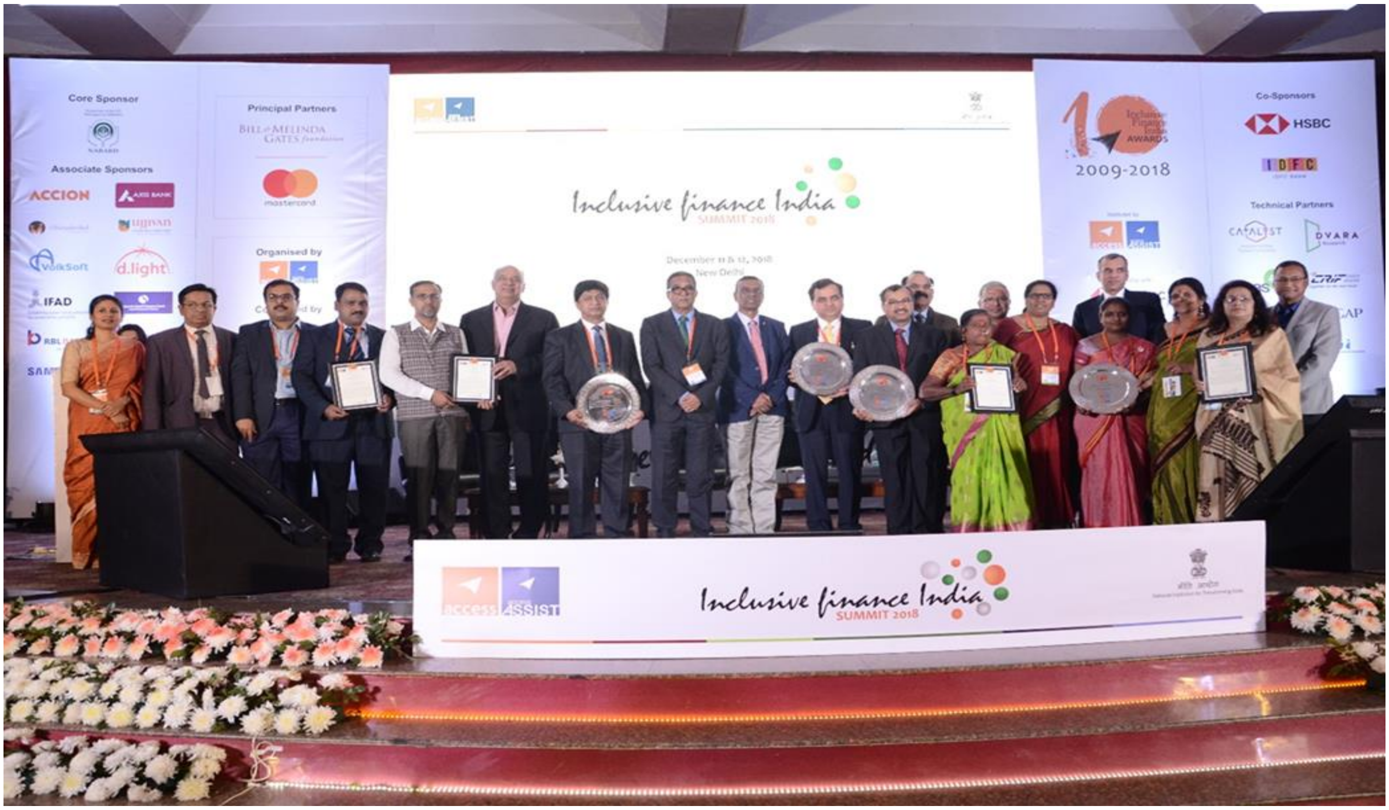
The removal of minimum 10-lakh cap on Credit Guarantee Fund is a great step for Small Finance Banks and that if taken advantage of, this could help reach areas that are often left out by Public Sector Banks. While the number of bank accounts has increased, meaningful banking remains elusive.

> ***"110 million people are employed because of micro-enterprises, the second largest employment generator after agriculture and to support these enterprises is the best way towards inclusion."*** - Baskar Babu, Managing Director, Suryoday Small Finance Bank

In terms of outreach, while 40% employment is in MSME sector 70% of the credit being sanctioned is limited to five states in the country. In terms of serving the Micro of the MSME sector, the lack of a bank account of business nature and a credit history poses a challenge for the lenders. The cluster-based approach for easy classification and understanding of client proves to be for microfinance to flourish, there should be free market driven pricing, and as the industry matures, the interest rates will reduce with competition.

Inclusive Finance India Awards 2018

Opening Address: Dr. Arvind Mayaram, Chairman, ACCESS Development Services
Special Addresses: Surendra Rosha, Chief Executive Officer, HSBC Bank



The Inclusive Finance India Awards is an initiative instituted by ACCESS Development Services in partnership with HSBC. The Awards provide a way of recognizing efforts and performance of various institutions and some individuals that have contributed in advancing the goal of financial inclusion. The Inclusive Finance India Awards celebrated ten years of the initiative, on Day 1 of the Summit.

Surendra Rosha delivered the special address, he discussed the journey of how the sector has gone through some turbulent times and yet grown. He acknowledged the players of the sector present at the ceremony, as the strength of the sector. Mr. Surendra Rosha and Mr. Arvind Mayaram felicitated the Awardees.

The Awards were presented in the following categories:

Micro Finance Organization of the Year: Arohan Financial Services Limited
Arohan Financial Services Limited set up in 2006 as an MFI in the eastern part of the country has seen a blazing growth in the last few years. It currently serves over 1.4 million clients across thirteen states, covering 190 districts with 564 branches and an outstanding portfolio of almost INR 28 billion and features amongst the top 6 NBFC-MFIs in India. In its quest to further improve its reach in the remotest locations of these geographies and diversify its portfolio, Arohan works with strong, local partners on the ground. At the core of Arohan's operations is a deep sense of customer centricity, borne out by its transparency in business practices and a unique bouquet of products and services to meet specific customer requirements. Arohan offers a wide suite of credit products

serving underprivileged women, micro and small enterprises coupled with an active cross-sell, business correspondent, microfinance partnerships and MSME lending verticals. Arohan truly serves as a model for MFI channel in India.

Non-Banking Finance Company Lending to Micro and Small Enterprises: Vistaar Financial Services Limited

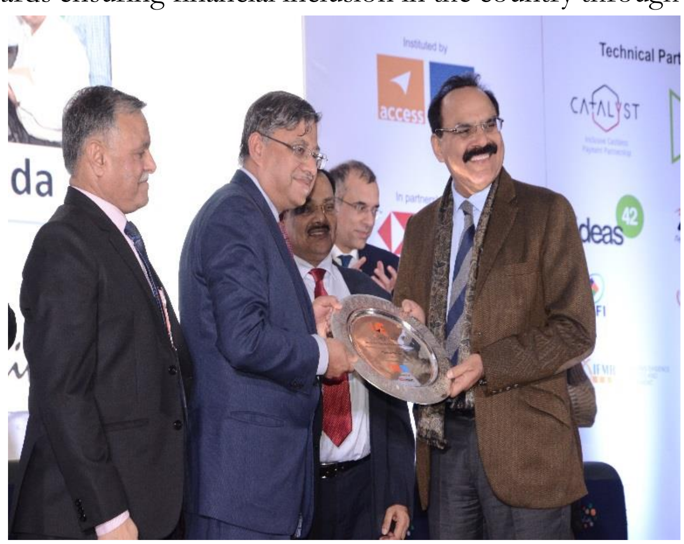
Vistaar Financial Services Limited is a new generation NBFC, well diversified across sectors, geographies and offers unique products aligned to the company's long-term policy of de-risking, while meeting customer demands to a maximum. Vistaar has serviced over 2 lakhs MSME customers till date since its inception in 2010, which has created direct & indirect employment of about 6 lakhs. Vistaar has a unique methodology for its vastly varied customer segments. It constantly innovates on its processes to serve its customers, using differentiation created through linkages. Vistaar focuses on providing customized products aligned to the needs of small businesses on the three key dimensions of loan size, repayment frequency and tenor. The Company is committed to ensuring high standards of transparency and accountability in all its activities.

Innovation and Inclusiveness in Priority Sector Lending by Banks (Private Sector): HDFC Bank

In 2004-05, HDFC Bank laid the foundation for the Retail Agribusiness Finance with the objective of reaching out and serving the last mile customer. The Bank, besides it core business, also engages with its bottom of the pyramid clients as an advisor. It works with farmers through its 12 Kisan Dhan Vikas Kendras spread across Punjab, Maharashtra, Uttar Pradesh and Madhya Pradesh. At these centers, farmers secure information on soil health, mandi prices, various government initiatives and expert advice. It has already touched the lives of 4.4 lakh people spread across 75,000 villages. HDFC is among the few banks that has designed appropriate strategies, processes and products to meet its stipulated priority sector targets.

Innovation and inclusiveness in Priority Sector Lending by Banks (Public Sector): Bank of Baroda

Bank of Baroda is amongst the leading public sector bank with an innovative approach towards empowering the under-banked segment by offering suitable financial products and services. Bank of Baroda has achieved priority sector lending targets and its other sub components well above mandated levels. The Bank remains committed to play a meaningful role and engage at every level towards inclusive growth and economic empowerment using digital platforms. The Bank has been actively working towards ensuring financial inclusion in the country through its branch and business correspondent network and has deployed around 14,659 BCs to cater to 21,826 villages and semi urban and urban areas across the country. In order to encourage financial literacy, financial counselling, skill enhancement training, its programmes are organized under Baroda Swarozgar Vikas Sansthan Trust which operates 51 financial Literacy and Counselling Centres and 49 Baroda Swarojgar Vikas Sansthan (BSVS) all over the country. Bank of Baroda, through its innovative strategies and programmes, is one of the few banks to achieve its statutory obligations well above the stipulated benchmark.



Contribution to Advancing Financial Inclusion in India by an Enabling Institution: NEDFi

NEDFi has established itself as the premier development financial institution of the North-East, with clear vision and mission for the economic development of this neglected and difficult region. NEDFi, over the years, has been playing the role of a catalyst for overall economic growth of the region, not only by giving impetus to financial and entrepreneurial ecosystem but also through facilitating key services, critical interventions and disseminating knowledge. Out of its over 7.6 lakh beneficiaries, 96% are women. NEDFi's commitment to the region is exemplary.

Contribution to Advancing Financial Inclusion in India by an Individual: Chetna Gala Sinha

Chetna Gala Sinha is an Indian social activist working to empower women in drought prone areas of rural Maharashtra, teaching entrepreneurial skills and providing them access to finance and other means of production. Chetna founded several dedicated institutions for delivering customised services and hand holding to poor women, including the Mann Deshi Foundation, the Mann Deshi Mahila Sahakari Bank - India's first bank for and by rural women, the first Business School for Rural Women and the first Chambers of Commerce for women micro-entrepreneurs in the country. Mann Deshi has supported over 400,000 women and Chetna plans to reach one million women entrepreneurs by 2022. She has been instrumental in driving significant policy changes to support low-income communities and has served on several national and state level boards and committees pertaining to issues of women development and access to financial services. Her pioneering work on holistic empowerment to poor and marginalised women in a challenging geographical area is commendable and inspiring.

Jury Special Award for Contribution to Advancing Financial Inclusion in India: Muhammad Yunus

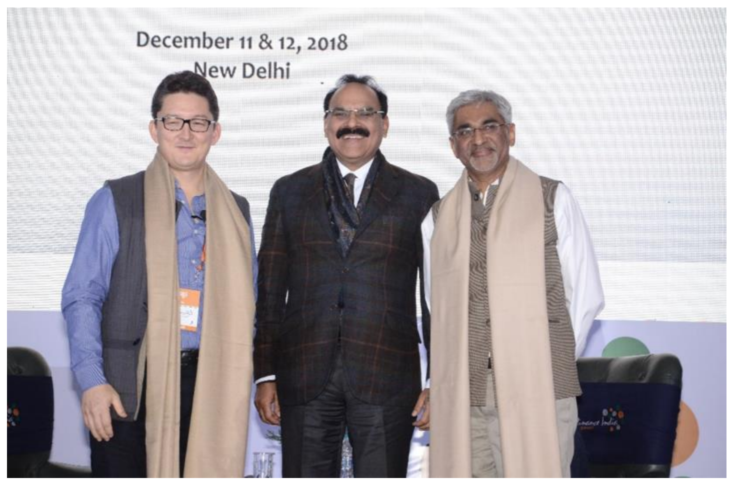
Prof Muhammad Yunus is a global leader in the fight against poverty. He is the recipient of the Nobel Peace Prize in the year 2006 along with Grameen Bank, which he helped establish. The Grameen Model of microcredit that he pioneered in 1976 by lending $ 27 to 42 poor women in Jobra village near Chittagong University, has since been replicated by hundreds of microfinance institutions around the world, serving several million of the poorest people. Prof Yunus is one of the founders of Grameen Foundation, established in 1997 to enable the poor, especially women, to create a world without poverty and hunger. Grameen Foundation's mission is to support replication of the Grameen model around the world. These include several of the largest, most successful and respected microfinance institutions in India. The Yunus Social business, a new pursuit of Prof Yunus, is a non-dividend company dedicated to solving social problems, such as healthcare, education, sanitation, water pollution, unemployment and environmental degradation. Yunus Social Business Fund India and Yunus Social Business Fund Bengaluru are pioneer investors for promoting Social businesses in India, and have supported innovative ventures addressing critical social needs. One of the biggest contributions of Prof Muhammad Yunus has been to recognize the importance of dignity of low income people and the idea that poor people are credit worthy. His work has brought new hope and aspirations amongst the most vulnerable and marginalized people around the world, including several million poor women in India.

Fire side chat – Greg Chen, Lead Policy, CGAP in conversation with Rajiv Lall, MD & CEO, IDFC Bank

Key Highlights

- With the advent of technology, the share of Public Sector Banks is expected to fall dramatically
- Under the garb of data privacy, the poor are being deprived of government services
- The concentration of credit to corporates is likely to reduce and the market is expected to open up to the underserved

The Valedictory of the Summit featured a Fireside chat between Greg Chen and Dr. Rajiv Lall. Their conversation delved into perspectives on the dynamic architecture of financial services in India and the challenges to achieve full financial inclusion. It covered discussions around the key components of banking initiative of the IDFC Bank and the challenges to meet the larger financial inclusion goals, which are relevant to all the financial institutional ecosystem players.



Greg Chen set tone to the conversation by appreciating the changes India has seen in the past decade. The shift from a predominantly bank centric financial system and within the banking system, a very public sector banking centric financial system to new entrants coming in the picture.

Dr. Lall, in the context of Financial Inclusion in India, mentioned two major changes that will play out in the future. First is the share of the public sector in the financial system will fall dramatically over the next five years specifically on the liability side. Second, there will be a lot of evolution in technology, the payment systems, and the associated regulatory changes. Financial inclusion in the real sense will emerge in a self-sustaining profitable model because technology and data will make the servicing of customers commercially viable. 45% credit to the corporate sector is concentrated in 300 corporates. The number is expected fall dramatically and the flow of credit and market would work in the favor of previously underserved customer segments.

> ***"Data is the new currency*** - Rajiv Lall, Founder, Managing Directo & CEO, IDFC Bank

Greg Chen enquired whether the scope of public sector banks in financial inclusion due to their outreach would be substituted by the technological advancement in the private sector. Dr. Lall responded that public sector banks have carried a disproportionate share of the burden of compliance and policy direction for inclusion. However, the private players will take this on because they see profitability. The need to force financial inclusion through regulation and compliance will abate. While people in the country have found comfort in using technology, the trickier challenge is financial literacy. As that customer segment becomes exposed to finance, they learn what it is that they are buying. The focus of regulations will need to shift to consumer protection, and product design should be the focus to ensure that there is no miss selling.

On the issues of data protection and debate around privacy, it is ironic that the people are concerned about privacy, are people are the most worried about losing out stakes. According to him, the poor and the low-income segment have nothing to lose; they want nothing more than to be recognized by the state. So in the garb of privacy, people are being deprived of services. This should not dismiss that there are problems data use; but the important part if that only data will help to understand the demands and requirements of the poor

The chat concluded with an optimistic view that the ongoing data revolution, would achieve its end in the coming five years.

The valedictory session was concluded by delivering of vote of thanks by Radhika Agashe, Executive Director, ACCESS ASSIST.

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