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Inclusive finance India SUMMIT

The Inclusive Finance India Summit

REPORT

2022

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Hotel Ashok, New Delhi


Inclusive finance India SUMMIT
19th Inclusive Finance India Summit
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INTRODUCTION

Inclusive Finance India Summit is a global platform to inform, influence and support policy toward strengthening an enabling environment. It creates scope to discuss key issues and challenges and build consensus on the way forward. The pandemic and its immense impact on economies across the globe have made the platform more relevant, especially after witnessing and recognizing the exclusion of the vulnerable from the mainstream economy. The Summit could be arranged virtually only due to the pandemic for the last two years, and the 19th Summit finally was back in its actual form and has been arranged physically in New Delhi, India. The sessions during the 2022 Summit aimed to understand the roles of diverse stakeholders, identify impeding and enabling factors and assess the value of different models. The sessions were also dedicated to focusing on financial health and financial well-being, especially after the pandemic. The Summit provided many opportunities for Ministry officials, representatives from RBI, Private Sector Banks, SFBs, Financial Institutions (NBFC, MFI, and others), Payment Gateways, Credit Bureaus, Fintechs, Impact Investors, Multilaterals and policymakers to interact, engage, initiate dialogue and enable action through partnerships, innovation and facilitating policy support in the financial inclusion space.

This year, the summit was designed with four highly valued plenary sessions, ranging from the gap in the mainstream inclusive system to women's participation to the high potential of digital financial services. The Technical sessions were designed keeping the essence of the theme of the Summit, and the sessions were on climate, digital public infrastructure, financial health, banking agent, Agriculture, MSME etc.

There were a few book releases at the Summit, including the Inclusive Finance India Report. There were also associated events organized by summit partners, which made the summit theme more inclusive.

The Summit was attended by senior officials from central and state governments, Policy bodies, banks, NBFCs, regulatory and research organizations, and many others. Many of them addressed the audience with their idea of inclusion and futuristic thinking, which not only made the 800 audience engaged, but opened ways for more discussion, association, and collaboration.

INAUGURAL SESSION

Welcome Address – Radhika Agashe, Executive Director, ACCESS Development Services

Highlights of Inclusive Finance India Report 2022 – N S Vishwanathan, Former Deputy Governor, Reserve Bank of India

Special Addresses –

- V. Vaidyanathan, Managing Director & Chief Executive Officer, IDFC First Bank
- Hitendra Dave, Chief Executive Officer, HSBC India
- Ravi Aurora, Senior Vice President, Global Public Policy & Indo-Pacific Policy Operations, Mastercard
- Alkesh Wadhwani, Director, Poverty Alleviation - India, Bill & Melinda Gates Foundation

Launch of Global Community of Practice Action Platform – Jaspreet Singh, Global Lead – Financial Health and Innovations, UNCDF

Inaugural Address – S Ramann, Chairman & Managing Director, Small Industries Development Bank of India (SIDBI)

The Inclusive Finance India summit 2022 inaugural session brought together experts and practitioners to discuss the challenges and opportunities for promoting inclusive finance in India. The event focused on financial literacy, technology, collaboration, and innovation as crucial factors in enabling access to financial services for underserved and unbanked populations, especially women entrepreneurs and SMEs. To start off, the Inclusive Finance India state of sector report was launched. This report annually captures the landscape of financial inclusion initiatives, their progress, policy directive issues, and constraints.

The speakers noted the importance of financial literacy to improve financial health and enable access to credit and other financial services. They also suggested that fintech solutions and digital payments such as UPI can significantly promote financial inclusion. The role of women SHGs in promoting financial literacy and enabling access to credit for women entrepreneurs was also highlighted.

Technology and innovation were seen as critical factors in promoting inclusive finance in India. The potential of fintech solutions to address the unique challenges faced by different segments of the population was discussed. Digital payments, mobile banking, and agent banking were presented as ways to improve access to financial services, particularly in rural areas. Additionally, the importance of data and analytics in developing targeted financial products and services that meet the specific needs of underserved and unbanked populations was highlighted.

The speakers emphasized the importance of collaboration and ecosystem development in promoting inclusive finance in India. They discussed the roles of the government, private sector, and civil society in enabling access to credit and financial services. It was suggested that partnerships between banks, fintech companies, and civil society organizations could create a more robust ecosystem that promotes financial inclusion. The need to address the economic shocks caused by the pandemic and improve access to credit for SMEs was also highlighted.

In addition to innovations, the speakers stated that behavioural change among the bottom of the pyramid segment is critical to ensuring the impact of inclusiveness. During the discussion, the role of various government initiatives and schemes, such as the Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Awas Yojana, and Pradhan Mantri Jeevan Jyoti Bima Yojana, in directing the less impacted segments of society towards a path of inclusiveness was also raised. The challenges faced by women entrepreneurs in accessing credit were also discussed. The speakers acknowledged that women entrepreneurs face unique challenges such as social and cultural barriers. Women SHGs were suggested as playing a crucial role in enabling access to credit and improving financial literacy. The need for tailored financial products and services that meet the specific needs of women entrepreneurs was also emphasized. The speakers highlighted the significance of directing the focus of lending to nano enterprises in addition to MSMEs, as nano enterprises constitute the majority of enterprises in India. The formalisation of SMEs, such as Udyam registration, GST, and ITR compliances, was also discussed, recognising their greater potential to perform better and contribute more to the GDP.

In conclusion, the Inclusive Finance India Summit 2022 inaugural session highlighted the importance of financial literacy, technology, collaboration, and innovation in promoting inclusive finance in India. The need to address the economic shocks caused by the pandemic and improve access to credit and financial services for underserved and unbanked populations, particularly women entrepreneurs and SMEs, was emphasized. Fintech solutions and digital payments were seen as having significant potential in promoting financial inclusion. Additionally, ecosystem development and partnerships between different stakeholders were identified as necessary to create a more robust ecosystem that enables access to credit and financial services for all.

Key Takeaways

- Financial literacy is crucial for promoting financial health and enabling access to credit and other financial services. Women SHGs can play a key role in promoting financial literacy and enabling access to credit for women entrepreneurs.
- Technology, particularly fintech solutions and digital payments such as the UPI, can promote financial inclusion by increasing access to financial products and services.
- Collaboration and ecosystem development among different stakeholders, including the government, the private sector, and civil society, are essential for promoting inclusive finance in India.
- The economic shocks caused by the pandemic have highlighted the need to improve access to credit and financial services for underserved and unbanked populations, particularly women entrepreneurs and SMEs.
- Behavioral change among the bottom of the pyramid segment is critical to ensuring the impact of inclusiveness.
- Tailored financial products and services that meet the specific needs of different segments of the population, including women entrepreneurs and SMEs, are critical for promoting inclusive finance in India.
- Data and analytics can be used to develop targeted financial products and services that meet the specific needs of underserved and unbanked populations.
- Women entrepreneurs face unique challenges in accessing credit, including social and cultural barriers. Women SHGs can play a crucial role in enabling access to credit and improving financial literacy for women entrepreneurs.

PLENARY SESSION ONE

CLOSING THE GAP – AS MORE GET FINANCIALLY INCLUDED

Moderator: Sumita Kale, Advisor, Indicus Foundation

Speakers:

- Saniya Ansar, Economist, Development Research Group, World Bank
- Maya Vengurlekar, Chief Operating Officer, CRISIL Foundation
- Dr Pawan Bakhshi, India Lead, Financial Services for the Poor, Bill & Melinda Gates Foundation
- Praveena Rai, Chief Operating Officer, National Payments Council of India
- Kalpana Ajayan, Regional Head - South Asia, Women's World Banking

India's financial sector has made significant strides towards greater financial inclusion and a robust digital payments ecosystem, thanks to proactive measures taken by government agencies, fintechs, think tanks, and other stakeholders. However, there are still gaps to be addressed to ensure a more comprehensive and effective approach. One key challenge is the lack of reliable data and metrics on financial inclusion, which makes it difficult to accurately assess progress and identify areas for improvement. The current national financial inclusion index is limited in scope, nuance and information, which highlights the need for a more comprehensive and detailed snapshot of the country's financial inclusion progress. By improving the quality of information and metrics available, India can build on its current success and work towards creating a more equitable and inclusive financial system.

There are other indices put forward by various organizations that are being used as well. According to the World Bank's Global Findex 2021 report, an index focusing on the demand side of financial inclusion, India has made remarkable progress in providing access to finance irrespective of gender and income level. However, the report also highlights persistent challenges related to the usage of financial services. Only 40% of individuals with bank accounts are actively using them, which is comparatively low in comparison to other countries that are at par with India's level of access.

Additionally, there are significant disparities in usage rates based on gender and income levels, indicating inequitable access to financial services in India. This disparity in usage rates has remained persistent for the past decade. Some ways to address these challenges could be creating better digital infrastructure, strengthening Business Correspondence (BC) network, building trust with customers and having more women targeted financial products. Though landmark improvements have been noticed in terms of digital infrastructure with the advent of UPI, India still needs to capture more women and poor adults into the system for making access more inclusive.

The CRISIL Inclusix another index that provides a detailed assessment of financial inclusion from the supply side. It is created by gathering data from various regulators (RBI, MFIN, IRDA and PFRDA) and is a comprehensive process that allows for insights at the district level. However, the main challenge in compiling the index is the lack of available data in some areas. This relative index ranges from 0 to 100 and is calculated on four dimensions: branch penetration, deposit penetration, credit penetration, and insurance penetration. Pension index is also measured but isn't considered while calculating the index as data relevant is not significant in number and may skew the overall index. The launch of PMJDY in 2014, demonetization in 2016, and the COVID-19 pandemic in 2020 are three key moments that have impacted financial inclusion in India. Over the past ten years, the overall Inclusix score has improved significantly, with credit penetration becoming increasingly important followed by deposit and then branch. The gap between the South and Northeast regions has not significantly narrowed, but progress is being made across different regions.

The financial resilience of disadvantaged communities has been impacted, especially given the aftermath of the COVID-19 outbreak. Additionally, women tend to face greater obstacles when accessing financial services, which means they often rely on informal support systems during times of financial difficulty. It is crucial to provide easily accessible and cost-effective financial services, like insurance and savings accounts, to help individuals manage unforeseen financial crises. It's crucial for Financial Service Providers (FSPs) to view financial inclusion as a potential business venture, rather than solely a Corporate Social Responsibility (CSR) activity. Crafting tailored products and solutions that cater to the unique needs of women can be a valuable strategy for FSPs. Women are known to have lower Non-Performing Asset (NPA) rates and can become great customers once they understand the benefits of financial products and services. One of the ways to build trust and comfort among women towards formal finance can be investing in financial literacy and targeted communication. By doing so, FSPs can ensure a larger share of women's wallets and continued participation in the formal financial system. FSPs should also work on removing their personal biases towards women present in their processes while conducting operations with women customers and genuinely work step by step to improve usage.

Digital payments system has significant penetration and usage in India but it needs to be further eased to bring comfort to further increase the user base and move India towards a cash-less economy. One such effort in this direction is UPI 123PAY which uses IVR for making transactions. NPCI is also ideating towards conversational payments which would be in multiple languages (and dialects) where users can call and make payments. It is important to understand that digital systems touch all possible points in their life for giving customers enough reasons to become regular users. India also has a significant informal workforce who aren't paid digitally, /and they transact with nano-merchants who aren't using digital payments either. Parallel efforts should be made to fill the trust deficit and move them from physical banking to digital. The business opportunities related to micropayment and microcredit on the rails of UPI is the next step forward as it can significantly reduce friction related costs for the financial institutions.

It is also to be considered that while operating indices for financial inclusion there are three major challenges: time lag, limited public and non-public data availability at district level, and inadequacy of data. Finding demographic and geographic details is a big issue as it pertains to privacy concerns. It is important to look financial inclusion holistically both from supply side and demand side for addressing exclusion and end-to-end needs of customers. Some of the gaps while preparing such indices can be identified by mystery shopping.

Key Takeaways

- India's financial sector has made significant strides towards greater financial inclusion and a robust digital payments ecosystem
- Lack of reliable data and metrics on financial inclusion is a key challenge that needs to be addressed to ensure a more comprehensive and effective approach
- Creating better digital infrastructure, strengthening business correspondence (BC) network, building trust with customers and having more women targeted financial products could help address the challenges related to usage of financial services
- Financial Service Providers (FSPs) should view financial inclusion as a potential business venture and craft tailored products and solutions that cater to the unique needs of women
- Long turnaround time (TAT), limited public and non-public data availability at the district level, and inadequacy of data are the major challenges while operating indices for financial inclusion

TWO TRACKS ONE MISSION: REACHING THE BOTTOM OF THE PYRAMID

Anchor: Tamal Bandyopadhyay, Consulting Editor, Business Standard

Speakers:

- Ms. Jayshree Vyas, Managing Director, Sewa Bank
- Mr. Udaya Kumar, Managing Director and CEO, CreditAccess Grameen

The panel discussed 'the different strategies and innovations adopted by two entities- microfinance and cooperative banks- to ensure the financial inclusion of the bottom of the pyramid segment'. The panellists representing each entity spoke about their individual organization's innovations, action plans, and challenges they face in the inclusion space in terms of growth and customer reach out.

Sewa Bank began its banking operations five decades ago with the goal of providing women with access to formal finance in the form of credit. They have a client base of 6,00,000 women and have been successfully providing credit and other financial services to them. CreditAccess Grameen, with a 40,00,000 customer base throughout the country, identified the new RBI regulation as a blessing to the entire microfinance sector. With the RBI' s new regulations for MFIs (such as flexible interest rates, and regulations to make the sector more activity-based rather than entity based), a level playing field has opened up between the MFIs and banks. With India having another 10 crore households yet to get formal financing, these regulations should open up a plethora of opportunities for the MFI-NBFCs and small finance banks to address the financial inclusion gaps.

However, in order to address this gap, the inclusion must go "beyond credit." CreditAccess Grameen, as an early adopter of "need-based" or "life-cycle needs" financing, provides loans tailored to the customer's requirements beyond the typical income-generating loans offered by MFIs and NBFCs. They also offer "beyond credit" services, such as insurance, cash benefits, cash withdrawals via loan office through a mini-ATM model, and bill payments. Mr. Udaya believes that MFIs and NBFCs, also known as credit lenders, have all of the tools and equipment necessary to reach the bottom of the pyramid, particularly in the deep rural, without entering the deposit game. Sewa's approach to providing 'beyond credit' products is based on the interactions with the customers and what their requirements are. The products include gold loans, savings, insurance, and pensions. But it was observed that even after having these options, customers mostly used credit products. In case of an emergency, customers tend to borrow money from moneylenders due to their poor financial literacy. Therefore, Sewa started a financial literacy program to help the customers plan their finances and understand the basics and purpose of each financial product.

When it comes to digital literacy, both entities discussed their efforts to promote it. Sewa implemented a UPI payment system along with QR code for their customers. 40% of them use the digital mode for transactions as it saves time and cost of travel, as well as boost their self-confidence. Meanwhile, Mr. Uday noted that 60% of CreditAccess Grameen's client households own smartphones, and 25% use them for transactions. Despite the increasing adoption of digital transactions, the number of cashless transactions for MFIs remains low due to challenges related to digital literacy, as well as geographical and infrastructure limitations. While digitizing operational processes is efficient and time-saving, the collection process needs to be one-time to maintain the organization's efficiency standards, given that it is an unsecured business. One-time collections help to prevent delinquencies from escalating, thereby increasing the chances of recovery. Further technological advancements are needed to make both processes and transactions faster, enabling the business to remain high-tech and high-touch.

In the financial inclusion space, good customer relations were recognized as a crucial factor by both entities. CreditAccess Grameen emphasized the importance of maintaining a personal connection with customers based on mutual trust, as they believed that under normal circumstances, the poor would not default on their repayments. Meanwhile, Sewa also stressed the significance of working closely with customers, with their field staff staying with women members to comprehend their financial needs and holding regular meetings with BC agents and middle managers. As a result of this relationship, the customers reciprocate with honesty and sincerity, rewarding the organization.

While speaking about the challenges faced by the industries in terms of growth as well as customer outreach, Ms. Jayshree mentioned the challenges the cooperative bank faces in finding the right and efficient human resources to work with them. The cooperatives also need to hire external consultants to assess the impact of their products and the lives impacted by their initiatives. The cooperative bank is making steady progress by reaching out to even the most remote areas through individual efforts and by prioritizing employee training for their growth. It recognizes the importance of striking a balance between social relevance and commercial sustainability, which is critical for achieving long-term success. According to Mr. Uday, the biggest challenge in MFI has been maintaining a balance between financial profitability, meeting the needs of our customers, and keeping the investors happy. With the right quality of businesses and processes replicating continuously and providing suitable products at suitable prices, growth will never be a challenge. However, the growth is expected to be at a moderate pace and not an exponential one.

In conclusion, the discussion on the different strategies and innovations adopted by microfinance and cooperative banks to ensure financial inclusion highlights the importance of a customer-centric approach and technology adoption in the industry. However, to ensure inclusion is truly 'beyond credit,' efforts need to be made to provide financial literacy programs and 'beyond credit' products to the customers. Good customer relations, effective digitization, and maintaining a balance between financial profitability and meeting customer needs are also key factors for success. With the right approaches and suitable products, the growth of these entities will continue to address the financial inclusion gaps.

Key Takeaways

- Financial inclusion is critical for the development of the bottom of the pyramid segment, and Microfinance Institutions (MFIs) and cooperative banks are important players in this space.
- With the Reserve Bank of India's new regulations for MFIs, a level playing field has opened up between MFIs and banks, creating opportunities for the sector to address the financial inclusion gap.
- To be effective, financial inclusion must go beyond credit and include services such as insurance, savings, and financial literacy programs.
- Digital literacy and technology are important enablers of financial inclusion, but there are still challenges to overcome, including infrastructure constraints and low digital literacy.
- Strong customer relations are critical for success in the financial inclusion space, with both CreditAccess Grameen and Sewa Bank emphasizing the importance of building trust and maintaining a personal connection with customers.

MAINSTREAMING BANKING FOR WOMEN– REALIZING THE TRUE POTENTIAL OF INCLUSION

Moderator: Pallavi Madhok, Head Advisory Services - India, Women's World Banking

Speakers:

- Jagannath Shetty, GM Financial Inclusion, Union Bank of India
- Jayshree Vyas, Managing Director, SEWA Bank
- Joshua Raja, Regional Business Manager, Micro Banking, Ujjivan Small Finance Bank
- Ashish Mehrotra, Managing Director and CEO, Northern Arc

"Mainstreaming Banking for Women," is the next logical step in financial inclusion for India which requires making the usage of banking services more widespread, particularly among women. While the Pradhan Mantri Jan Dhan Yojana (PMJDY) has helped to address the gender gap in the bank account ownership in India, the focus now is on enabling women to make better use of their accounts and financial services available to them.

Basic banking services available cover over 500 million Indians, with 78% of Indian adults (both men and women) now having access to a bank account. However, the usage of these banking services remains low, with only 35% of Indians making or receiving digital payments, 13% saving at a financial institution, and 13% borrowing from a financial institution. Only 8% of Indians are financially resilient, which highlights the potential for further financial inclusion.

Looking at the scenario through a gender lens reveals both disparities and opportunities for women. For example, while 41% of men made or received digital payments, for women the metric is only 28%. This highlights the need to understand the specific needs and constraints of women, as well as the importance of creating a welcoming and safe environment for women to engage with financial services. When women have access to financial services, the benefits are felt not just by them but also their families, communities, and the overall economy.

Recognizing the importance of women as customers, financial service providers in India understand the necessity of reaching out to them at the grassroots level. They are seen as reliable customers of credit, and banks need to focus on providing financial literacy to women so they can make informed financial decisions. Banks should develop curated products for women, such as loans for female entrepreneurs and products that consider the different life stages of women. They should also focus on becoming more diverse and inclusive by having more leadership positions for women as well.

Public sector banks in India still struggle to reach the last mile, particularly in rural areas. To address this challenge, the Business Correspondent (BC) model is proposed, where local individuals can act as BCs and offer banking services to customers in their local areas. This can ensure that banking services are accessible to all, including women in rural areas who may not have easy access to traditional bank branches. Though banks like Union Bank having a huge BC network of around 17,000 BC outlets which also focus on hiring more women BC agents providing multiple banking services, still struggle with low utilization, especially by women, due to a lack of financial literacy and education. They are focusing on establishing more financial literacy centers for building the capacity of women to increase their income levels so that they can better serve and bridge the gap between the bank and the last-mile customers.

Financial literacy is key to making microfinance more effective and affordable for women, and digital transformation can help reduce costs and improve access to credit, but it needs to be accompanied by education and support for borrowers. There is a need for intentional and targeted efforts to address these issues, and banks should commit to concrete actions to better serve women. In addition to promoting financial literacy, it's equally vital to ensure that women are not left out in the process of digitization. Ujjivan Small Finance Bank has taken an initiative to address this concern by appointing their staff as 'digi-buddies' who assist customers with digital payment methods, mobile banking, and UPI payment applications.

Some of the strategies for improving financial literacy include providing financial education and step by step training, using group-based learning approaches and using local language and content. There are examples of successful approaches to serving women's financial needs, such as using savings accounts as a gateway to other financial products, investing in "BC Sakhis" (women agents who act as intermediaries between banks and their communities), and making digital financial products accessible and relevant for women.

In order to make women the true beneficiaries of financial services, it's not necessary to have different financial products. Instead, it requires adopting different approaches and processes, as well as making adequate investments in building the financial capabilities of women. Additionally, loan issuance restrictions can also be a challenge. When underwriting a borrower, irrespective of the gender, lenders can use more comprehensive scoring methods like the Neo-score created by Northern Arc, which gives the lenders probability of default, credit score of the borrower and risk-based pricing for the loans.

Key Takeaways

- Financial inclusion is critical for the development of the bottom of the pyramid segment, and microfinance institutions (MFIs) and cooperative banks are important players in this space
- With the Reserve Bank of India's new regulations for MFIs, a level playing field has opened up between MFIs and banks, creating opportunities for the sector to address the financial inclusion gap
- To be effective, financial inclusion must go beyond credit and include services such as insurance, savings, and financial literacy programs
- Digital literacy and technology are important enablers of financial inclusion, but there are still challenges to overcome, including infrastructure constraints and low digital literacy.\
- Strong customer relations are critical for success in the financial inclusion space, with both CreditAccess Grameen and Sewa Bank emphasizing the importance of building trust and maintaining a personal connection with customers

DIGITAL FINANCIAL INCLSUION– LESSONS FROM INDIAN & GLOBAL BREAKTHROUGHS

Moderator- Anil Kumar Gupta, Partner, Digital Financial Services, MSC

Speakers-

- Hillary Miller-Wise, Deputy Director, Digital Financial Services, Gates Foundation
- Iain Brougham, Vice President, Digital Transformation, Accion
- Arinjoy Dhar, Senior Director Microfinance, BRAC
- Rupali Kathuria, Manger – Social Impact, South Asia, Centre for Inclusive Growth, Mastercard

The panel discussed the functional framework of technology in the financial sector, which includes savings, payment, credit, and products like insurance or pensions. There has been promising global progress in account ownership, with an increase from 51 to 76 percent. Mobile money accounts have helped many people, especially in sub-Saharan Africa, where 33 percent can access their accounts. However, financial inclusion remains a challenge for low-income people, women, and young adults, who may lack skills, confidence, and access to financial institutions. Notable successes include India's Prime Minister Jan Dhan Yojana, which has created 480 million accounts with a total balance of $23 billion.

The Gates Foundation has supported research on women's involvement in digital financial services, revealing challenges such as fee transparency, preference for female agents, communication control, and identification difficulties. Supporting women's access to these services requires an understanding of their unique circumstances and challenges to promote transparency, agent networks, communication, and identification systems that better serve female customers.

Integrated development is an approach that aims to address poverty and inequality holistically by considering factors such as healthcare, education, and skills training. Policymakers, regulators, and FSPs need to understand the "theory of change" that recognizes poverty as a complex issue requiring multifaceted solutions. For example, to address poverty in areas affected by climate change, interventions must go beyond financial inclusion and include efforts to provide healthcare, education, and skills training.As per the Mastercard Center for Inclusive Growth, digitization can aid small business recovery and boost resilience through wider market connections and online sales channels. However, small businesses lack tailored training and tools, especially for women entrepreneurs, hindering their ability to sustain digitization. Collaborative efforts from organizations such as Center for Inclusive Growth and Accion are providing customized digital tools and training to micro-businesses to help them thrive in the digital economy.

In India, accounts are mostly used for payments, savings, and credit. However, digital payment adoption needs to increase as only 11% of adults made digital in-store payments in 2021. Credit democratization using account aggregators and open credit enablement networks is an interesting experiment in India, but landing money from lender to borrower account is a challenge. Smaller financial service providers can help address the challenge of access to capital for SMEs who lack collateral. Digital footprints can serve as an alternate to collateral, enabling FSPs to lend to those without property, including women. Organizations should prepare their operations, forecasting, and budgeting for digital transformation and invest in their internal infrastructure to succeed. Starting with a clear investment plan and expectations of returns from the beginning can make it easier, but overselling the benefits and timelines can make it more challenging in the long run.

Digital transformation relies on a set of principles. The first principle is to cut costs and boost efficiency. The second principle is to enhance the customer experience. The third principle is to provide digital solutions that help customers earn a living. To create tailored solutions, it's important to understand customers' digital readiness, including smartphone ownership and internet access. It's also crucial to link digital solutions to livelihoods, encouraging customers to utilize digital platforms and purchase smartphones.

Key Takeaways

- While there has been global progress in account ownership and mobile money accounts have helped many people, financial inclusion remains a challenge for low-income people, women, and young adults, who may lack skills, confidence, and access to financial institutions.
- Supporting women's access to digital financial services requires an understanding of their unique circumstances and challenges, and promoting transparency, agent networks, communication, and identification systems that better serve women customers.
- Integrated development is an approach that aims to address poverty and inequality holistically by considering factors such as healthcare, education, and skills training.
- Digitization can aid small business recovery and boost resilience through wider market connections and online sales channels, but small businesses lack tailored training and tools, especially for women entrepreneurs, hindering their ability to sustain digitization.
- Credit democratization using account aggregators and open credit enablement networks is an interesting experiment in India, but landing money from lender to borrower account is a challenge. Smaller financial service providers can help address the challenge of access to capital for SMEs who lack collateral.
- Digital transformation relies on a set of principles, including cutting costs and boosting efficiency, enhancing the customer experience, and providing digital solutions that help customers earn a living.

TECHNICAL SESSION ONE

LENDING TO WOMEN'S ENTERPRISES – BALANCING SOCIAL AND FINANCIAL RETURNS

Moderator: Swati Chowdhury, Director, Network Development and Advocacy, Women's World Banking

Speakers:

- Siddhika Aggarwal, Co-founder, Mahila Money
- Manish Bhatia, President- Technology, Analytics & Capabilities, Lendingkart
- S S Bhat, CEO, Friends of Women's World Banking (India)
- Roshaneh Zafar, Managing Director, Kashf Foundation (Pakistan)
- Dr. Humaira Islam, Founder & Executive Director, Shakti Foundation (Bangladesh)

MSMEs are crucial to economic growth. Despite women representing approximately 34% of these enterprises, they have been historically underserved by financial service providers. During the panel discussion, topics such as the potential benefits of gender intentionality in the lending market, strategies for encouraging financial service providers to be more gender intentional, and the identification of key enablers were explored.

Women-owned businesses currently have a credit requirement of USD 158 billion, and the credit rate is increasing two-to-three-fold every year. However, this growth rate is not sufficient, and a ten-to-fifteen-fold increase is required to meet their credit needs. Despite this, Lendingkart has reported that women's credit portfolios have performed better than men's credit portfolios. According to a study conducted with the assistance of the Women's World Bank, Lendingkart found that women's portfolios had 200 basis points more than men. The loan repetition rate for women is also high. This highlights the potential value that can be generated from gender intentionality and the opportunity for financial service providers. Nonetheless, lending to women is still not a commonplace practice, and it requires greater awareness. According to the World Bank, there is a gender disparity with 19% of women getting rejected as opposed to just 8% of men during credit applications.

Microfinance was initially started to cater to the survival needs of first-generation borrowers and for poverty alleviation. This evolved into SME loans for mature borrowers in the second generation. The present generation is of digital financial services and it's not doing well with women borrowers, unlike the previous generation. The onus is on the digital finance service providers for restricting the credit to women in this generation. The DFS needs to segregate and segment data into different generations (age-wise segregation) of borrowers and design women-specific products catering to different generational level needs. The DFS needs to understand the digital divide and make technology simpler, rather than complicating it and design technology in such a way that women will accept it. It is about making the digital technology work for the women rather than expecting the women to build capacity and come back to the DFS.

When it comes to lending to women, there are three key factors that need to be considered: Firstly, a safe and comfortable space needs to be created for women, as around 70% of women borrow from the informal sector due to fear and lack of understanding about the financial market. This can be achieved by removing the fear barrier and providing education on financial jargon and terms. Secondly, leniency is important as most individuals and micro-enterprises may not have Udyam registration or other certifications. Lenders should consider alternative data, such as social media posts or photos of the business, for easy lending. Thirdly, financial institutions should provide handholding by offering business mentorship, market linkages, and exposure to help these enterprises succeed.

INR 75,000 – 10,00,000 is the range of loan products that catapult women's entrepreneurship, and this loan bracket needs to be addressed with gender intentionality. Financial service providers should set specific targets for women entrepreneurs when it comes to their credit portfolios in this range. Even the credit guarantee scheme structure needs to be modified as it has too many conditionalities attached to it, which complicates the loan process for banks. One or two deviations from the conditionalities or stipulation of the credit guarantee schemes, and the credit application is rejected by the bank, therefor support should be provided even if there are small deviations for women.

Over the years, the government, NGOs, and public institutions have provided training in specific sectors such as beauty parlors and stitching, resulting in significant growth in women entrepreneurship in these sectors. Therefore, there is a need to modify the credit score structure to be skill or strength-based for women lending. Cashflow underwriting is also a good method for underwriting women credit. Financial institutions can also do discounting women's credit for encouraging women to take credit.

There are women who are aspirational and willing to grow and there are not many solutions and products for the willing middle. This willing middle needs to be addressed with different types of products. Educating and training women about finance is also vital in boosting their confidence. The financial institutions should keep in mind women have historically been good borrowers with low NPA percentages and a good customer loyalty base. So, there are both financial and social returns from women lending.

Key Takeaways

- Gender intentionality can create value for lending companies as Women are more loyal customers than men and they do well when it comes to credit repayment. Even the credit repletion is higher when it comes to women lending
- Gender discrimination is very glaring when it comes to lending. Women's loan applications are rejected twice the times when compared to men.
- Women need to be trained and educated in the financial aspects so as to have easy access to credit. Since financial knowledge is something that restricts women from accessing credit. The financial institution also needs to give handholding support to the women enterprises
- Financial institutions need to create a safe space where women can avail the credit without going through a lengthy process and financial jargons that confuse them
- A strength/skill-based credit rating or underwriting should be done by lending institutions when it comes to women lending. This helps in improving women's access to credit

TRACKING MSE LENDING IN INDIA TRENDS AND INSIGHTS

Keynote address: Ms. Ashwini Lal, Additional Development Commissioner, Ministry of MSME

Moderator: Amit Mandhanya, Senior Director, Retail Initiatives, Northern Arc

Speakers:

- K M Nanaiah, Managing Director, Equifax Credit Information Services & Country Leader – India & MEA, Equifax
- Hardika Shah, Founder & CEO, Kinara Capital
- K Paul Thomas, Managing Director & CEO, ESAF Small Finance Bank

Factually, 90% of the enterprises in India are MSMEs and contribute to 30% of the GDP deploying around 110 million of workforce. Ministry of MSME envisions a progressive MSME sector. Promoting growth and development of the sector including Khadi village and coir industries in cooperation with concerned ministries and state governments to encourage the creation of new enterprises and support enterprises adopting cutting edge technology. MSME ministry is targeting to boost the MSME contribution to GDP from 30% to 50% by 2025. India has approximately 6.3 crore MSMEs, from which a large chunk of MSMEs exist in informal sector. Government's vision is to onboard all MSMEs irrespective of their size and legal status through Udyam registration so that they can get integrated into the formal ecosystem and avail of benefits from various schemes of the Ministry. At present, there are 26 million micro-enterprises in the country, but only 8 million have registered in the Udyam portal making it hard for them to access capital and get beneficial interest rates. The government is promoting procurement from MSMEs to give it access to the market by setting targets like 3% and 4% of procurement from Women and SC/ST enterprises respectively. MSMEs are encouraged to get onboarded on government portals such as GeM and My MSME which gives the MSME an electronic marketplace to showcase and sell their products.

MSME Samadhan portal was also introduced to address the challenges faced by MSME due to delayed payments by the buyers. An emergency credit line guarantee scheme of INR 50,000 crore and collateral-free loans of 3 lakhs was announced in the union budget of 2023 for supporting financing needs of MSMEs. The Government of India has also announced a self-reliant India fund of INR 10,000 crore with the objective of supporting venture capital and equity firms to encourage them to invest in MSME sector.

In June 2022, the MSME portfolio was around INR 36.4 trillion. The introduction of small finance banks by RBI was a big advantage, enabling them to develop products suitable for micro enterprises. The active loans for the MSME segment are around 7.8 million and in the last one year, the portfolio on the micro segment has grown by 15%. PSU is the largest player in micro enterprise financing, disbursing around 60% of business loans. In the past year, the 90 plus delinquency rate is down by 168 basis points (BPS). The 0-3 lakhs credit portfolio is the most concentrated, but there is a missing middle segment of the credit portfolio offered by lending institutions, which is 7-8 lakhs. This does not mean they are not getting funded, but they might be getting personal loans or loans from informal sources which are not classified as business loans. That is one gap that needs to be addressed by policymakers and lenders. A holistic approach is required to build micro enterprise financing, including a high-touch model that provides technical and market linkage support.

According to the annual report "Status of Micro Enterprise Lending 2", the 0-3 lakh ticket size portfolio increased in July 2020 -June 2021 and then reduced in July 2021 -June 22, this is likely due to the different policies announced by government during COVID-19, such as repayment moratorium which halted the repayments and the interest amount increased. This caused the increase in portfolio and as gradually repayments came even after disbursement portfolio decreased in the later stage. This trend can also be seen in 5-7 lakhs portfolio. The percentage of business loans was highest in semi urban enterprises and PSU banks. Tamil Nadu has the highest average loan size, while Uttar Pradesh has the lowest. In Agri-business loans, PSU banks lead with 79% share. Tamil Nadu has the highest share in Agri-business loans. In Mudra loan disbursement PSU banks lead the way. 0-3 lakh ticket price has the largest share in Mudra loans. Andhra Pradesh has the highest share in Mudra loans coming around 18%.

Credit bureaus in India enable lending by providing access to credit data managed at a central location. This enables the lenders to access the credit list before making lending-related decisions. There are new models coming up like the phygital model, supply chain finance, and revenue-based financing which have access to more credit data and underwrite better. Credit bureaus give comprehensive credit views of the borrower which give the lender a clear picture of the borrower's indebtedness and help them assess the potential borrowers more efficiently. Bureaus provide granular level details that help the lending institution in making better business strategies. Credit bureaus like Equifax also provide credit bureau data plus which is incremental data through an account aggregator, that gives the financial statements (Balance sheets and P&L statements) and GST data of an enterprise helping in cash flow-based financing which is critical for micro-enterprise to get access to finance. Financial literacy has also improved because of the credit bureaus due to which access of capital through formal systems have increased phenomenally over the years.

There is a possibility that microfinance borrowers are graduating to take business loans or Agri-business loans now. Credit bureaus have introduced graduation scores where lenders can identify from their customer base who will qualify to take the next loan. This helps the financial institutions in contacting only these select customers instead of talking to all the customers. New models are built in digital platforms to make decisions which will take the bureau data and application data and give out application scores. There is also a new digital decision platform called interconnect where the lenders can connect to multiple data sets and host their models and rules by segments to get the decision which is integrated into Loan Origination System. The lenders need to come up with platforms to bring in all the data together because bureaus have limitations when it comes to obtaining the data from financial institutions.

The major three trends in the MSE lending sector in the past decade are: 1) access to India stack and the digital infrastructure has helped in fully digital automated data science driven underwriting model, 2) customers now have a better understanding of credit bureau and their credit scores, 3) how customers are engaging, with the advent of new technology they are using apps like WhatsApp and digital tools like google my page or google business.

MFIs need to focus on partnership lending with NBFCs, fintechs, credit bureaus which can help in scaling the micro enterprises. Digitally operated branch network results in fast disbursements while ensuring quality and better underwriting. Embedded finance is also emerging which focuses on how to embed the financial institution with customers and give the credit on demand at the point where the product is developed according to their customer's preferred tenure or structure. There is a lot of data available in this sector now and it is up to the lender to figure out the analytics part and develop products which is beneficial to the MSME sector in a holistic way.

Key Takeaways

- MSMEs contribute to 30% of the GDP deploying around 110 million of the workforces. So, its relatively a very important sector
- Government has implemented many schemes and policies for strengthening of MSME sector. Government intends to take the MSME contribution to 50% of the GDP by 2030
- Credit information companies or credit bureaus play a major part in the MSME lending by providing valuable data for the lending institutions helping their portfolios perform better. Different trends and data given by credit bureaus are beneficial and the lenders can analyse the trend and develop their products accordingly
- Lenders should have a holistic approach when it comes to MSME lending which includes technical support and market linkage support
- There is a need to address the missing middle segment of 7-8 lakhs credit portfolio which may be due to the informal borrowing in this credit bracket that is not showing up in the formal business loan
- Digitally operated branch network results in fast disbursements while ensuring quality and better underwriting
- MFIs need to focus on partnership lending with NBFCs, fintechs, credit bureaus which can help in scaling the micro enterprises
- New innovations are required like embedded finance which caters specifically to the MSMEs needs

EXPANDING OUTREACH TO MASS MARKETS– NEW PATHWAYS FOR BOP LENDING

Moderator: Sugandh Saxena, CEO, Fintech Association for Consumer Empowerment (FACE)

Lead Presenter: Subhrangshu Chattopadhyay, Director Business Development, CRIF High Mark

Speakers:

- HP Singh, Chairman & Managing Director, Satin Creditcare Network Ltd
- Ashish Goel, Chief Credit Officer, Ujjivan Small Finance Bank
- Rakesh Kumar, Executive Director and CEO, Light Microfinance

The mass market has big potential with significant and growing demand for financial products and services. The increase in demand is by rising incomes, urbanization, and increasing financial literacy, among other factors. This presents a significant opportunity for financial institutions to tap into this market and expand their customer base. The Mass Market is highly competitive, with multiple players for the same customers. This means that financial institutions must have a differentiated value proposition, efficient operations, and strong distribution capabilities to succeed in this market. Mass Market in India presents significant opportunities for financial institutions to expand their customer base and grow their business. However, to succeed in this market, it must develop a deep understanding of its customers, tailor their products and services to meet their needs, and have a robust risk management framework to manage the credit risk.

The Mass Market, on the other hand, provides some obstacles. The market, for example, is highly fragmented, diverse, and heterogeneous, with various borrower profiles, credit needs, and risk profiles. To manage credit risk, financial institutions must have a thorough understanding of their consumers, adjust their products and services to their needs, and have a strong risk management framework in place.

The question of customer segmentation in the mass market segment is highly heterogeneous and it's not easy to make it homogeneous. Different customers have different needs and expectations. Some customers may prefer microfinance loans for their specific needs like a small business loan or a home renovation loan, while others may prefer to go to a bank or a non-banking finance company for their consumer loans or other needs. It depends on factors like the loan amount, interest rate, repayment terms, and so on. For example, a microfinance customer may also have a bank account or a credit card or maybe use digital payment services. Similarly, a bank customer may also be availing of microfinance loans or other financial services from non-banking finance companies. So, the key is to understand the customer's needs and expectations and to provide them with the right products and services at the right time and through the right channels. This requires a deep understanding of the market and the customers, as well as continuous innovation and adaptation to changing market trends and customer needs.

One significant shift is the transition from unsecured to secured lending, which solves the issues raised by demonetization. There is increasing importance of assets, including gold loans, microfinance, and housing loans. The rise of digital transactions and UPI has led to a shift in the industry's focus from liabilities to transactions, and it is expected that digital lending will grow in the coming years as the ownership of mobile phones continues to increase. Another trend is the move towards deeper market penetration and wider geographic reach, as microfinance institutions expand their operations to new states and regions. And the last one is the challenges of finding skilled staff to work in rural areas and the importance of addressing the needs of the "missing middle," which includes customers who have graduated from microfinance and require loans of higher amounts. It is crucial to ensure that customers understand the risks and responsibilities of taking on debt and can make informed decisions. This can be done through various means such as financial education programs, transparency in pricing and terms of loans, and providing clear information about the risks and consequences of defaulting on a loan.

At the ecosystem level, there should be regulations and policies in place to ensure that lenders are operating responsibly and ethically. This includes measures to prevent predatory lending, such as capping interest rates and fees, ensuring transparency in lending practices, and providing mechanisms for customers to lodge complaints and seek redress in case of disputes. Another important aspect of customer protection is data privacy and security. With the increasing use of technology and data in lending, it is important to ensure that customer data is protected and used only for legitimate purposes. This can be achieved through strong data protection regulations and ensuring that lenders have robust data security measures in place.

Ensuring customer protection is an essential element of responsible lending and should be a top priority for all lenders, particularly when catering to vulnerable segments of the population. Lenders who take a proactive and responsible approach to customer protection can build trust with their customers, strengthen the ecosystem, and contribute to sustainable growth and development. It's important to be aware of the risks associated with intermediaries and the need for customers to have ownership over their financial information and transactions.

The growth of digital ecosystems in some countries has led to an increase in transaction-based lending and the creation of large data repositories. However, it's important to recognize that mass-market products carry differentiated risks, and lenders should clearly define exclusions to optimize portfolio quality and approval rates. It's also crucial to avoid subjective evaluations to ensure that the right customers are being approved and rejected based on objective criteria.

The lending industry in India is quite diverse. There are various segments of customers that lenders cater to. While microfinance has been a significant area of focus, there are also opportunities in other segments, such as retail lending, corporate lending, and SME lending. Additionally, macroeconomic factors, such as inflation and interest rates, can have a significant impact on credit behaviour and the ability of customers to repay loans. Therefore, lenders need to be mindful of these challenges and adapt their lending practices accordingly. The advent of technology and digitalization has provided opportunities for lenders to reach out to customers in rural areas and make loans available to them. However, it also brings its own set of challenges, such as data privacy and security concerns. Therefore, lenders need to strike a balance between leveraging technology and maintaining responsible lending practices.

Key Takeaways

- The mass market presents a significant opportunity for financial institutions to expand their customer base and grow their business in India.
- To succeed in the mass market, financial institutions must develop a deep understanding of their customers, tailor their products and services to meet their needs
- Customer segmentation in the mass market is highly heterogeneous
- The shift from unsecured to secured lending solves the issues raised by demonetization.
- Customer protection is an essential element of responsible lending, and lenders.
- The advent of technology and digitalization has provided opportunities for lenders to reach out to customers in rural areas and make loans available to them
- Lenders need to strike a balance between leveraging technology and maintaining responsible lending practices.

ACCELERATING AGRI DIGITIZATION AND FARMER FINANCING – FINTECH BREAKTHROUGHS

Moderator: Arindom Datta, Senior Advisor- Sustainability/ Agribusiness/ Technology

Speakers:

- Manish Thakkar, COO & Co-Founder, Avanti Finance
- S G Anil Kumar, Founder & CEO, Samunnati
- Rema Subramanian, Managing Partner, Ankur Capital Fund
- Jayesh Modi, Chief Executive Director, Kushal Finnovation Capital
- Himanshu Bansal, Vice President & APAC Head - Community pass, Mastercard
- Amit Salunkhe, Chief Commercial Officer, SatSure

Transaction and risk costs have been ultimately the biggest pain for rural and Agri-financing. The Agricultural ecosystem is highly fragmented, with 86% of farmers being small-scale holders. One of the key challenges around enabling Agri-credit is the lack of data and documentation since rural economy relies heavily on cash transactions. Rural financing mostly runs on single-product standardization because that reduces the operation costs of the financial institutions. India has a robust financial product called Kisan Credit Card (KCC) which provides subsidized funds to small and marginal farmers. However, the primary challenge is the time it takes to process a single form, which can take up to 45 days. Despite this, the government has made considerable progress in achieving a 50% penetration rate among farmers with KCC. Even the farmers who have KCC are still dependent on the input dealers who provide below-average products due to the lack of access to credit. The absence of comprehensive data and transparency in the Agricultural economy, which operates primarily on cash transactions, has made banks wary of creating alternative products to the KCC. Currently, there are no intermediate products available for farmers, as they must choose between an 8-9% KCC loan or an 18-20% informal loan. This creates an ample room for innovative products. The high cost of collecting payments from farmers is also a significant challenge in the supply chain, making low-ticket loans ranging from INR 20,000 to 30,000 unfeasible for banks.

When it comes to Agri-digitization, there exist several challenges including the lack of rural relevance in technology and its misalignment with rural realities. Smartphone penetration in rural India still remains at 50% , with only around 25% of farmers having access to smart phones. Another challenge is the digital and financial literacy, which highlights the need for a 'phygital' model which combines physical and digital elements. Developing a commercially sustainable and viable model is another critical issue that requires attention. Various Agri fintechs, banks, and deep tech companies are exploring different ways to unlock the challenges in Agri-digitisation and farmer financing.

Samunnati is an open Agri network ecosystem with farmers at the centre, aims to harmonize the journey between farmers and other Agri ecosystem players. Samunnati works around customized finance, market linkages as well as advisory services for the farmers and also provides a platform for Agri startups. It works with multilateral agencies to bring in guarantee structures to facilitate the flow of credit into the Agri ecosystem.

Mastercard, through its Community Pass initiative, works on financial inclusion driven by rural digitization. The focus is on three main components: digitization of Agriculture or Agriculture value chains, rural payments or rural commerce and enabling Agriculture credit. One of its offerings is the Farm Pass, an Agri-digital ecosystem platform designed to connect multiple disparate components of a complex Agricultural ecosystem with the ultimate goal of digitizing farmers' income.

Paperless, presence-less, and cashless are the three key pillars of Avanti Finance. Its technology works in an assisted mode, where farmers are onboarded to a digital economy and graduate to self-service. Avanti Finance follows a phygital model with various partners and community networks on the ground. The organization also believes that rural communities can govern themselves with the right framework and the tools for self-management. Bharat Khata provides rural retailers with a free application that allows them to record transactions when buying inputs and selling to farmers. As a motivation, the retailers are given some credit. Jai Kisan aims to empower the farmers to buy products that they are comfortable with and make them aware that they can avail more once they repay the loan.

Deep tech companies like SatSure use Earth observation data to provide analytics to various Banks and financial institutions. Its farm reports consist of information such as the farm's location, the crops produced, and the frequency of farming in a year. This helps to streamline the underwriting process and reduces the processing time from 45 days to just 3 days. Through these reports, SatSure works towards getting formal credits for farmers who have traditionally relied on informal credit sources.

Although India is ahead of the curve in terms of what can be seen globally when it comes to Agri digitization, there is still lots of work to be done. Banks can play a crucial role in solving the problem of product innovation by using their low-cost funds to develop products with interest rates ranging from 12% to 14%, currently lacking in the Agricultural segment. To enable the entire ecosystem, a central data platform is needed, which involves fintechs, lending institutions, banks, and governments working together. This approach would eliminate the fintechs creating their own digital platforms which then reflects back through FLDGs and various other cost components in the final cost of credit that gets rolled out to the farmer. RBI has formed a new innovation hub, the RBIH, where tech companies and banks are working together to create a single data platform from an Agri perspective which reduces the processing time. There is also a need of supply chain innovations from Agri tech and Agri fintech. From sourcing to collection, technology can help reduce funding risks, lower cost and make the entire ecosystem cost efficient. Collaboration between private parties should be encouraged, as the sector is large enough to support more collaboration than competition.

Key Takeaways

- Rural and Agri financing faces major challenges due to high transaction and risk costs, fragmentation of the Agricultural ecosystem, lack of data and documentation, and heavy reliance on cash transactions.
- The Kisan Credit Card (KCC) is a robust financial product that provides subsidized funds to small and marginal farmers, but the time it takes to process a single form can be up to 45 days. Farmers with KCC are still dependent on input dealers who provide below-average products due to the lack of access to credit.
- The lack of comprehensive data and transparency in the Agricultural economy has made banks wary of creating alternative prod
- ucts to the KCC, and there are currently no intermediate products available for farmers, creating room for innovative products.
- Agri digitization faces challenges such as the lack of rural relevance in technology, low smartphone penetration in rural India, and digital and financial literacy. A 'phygital' model that combines physical and digital elements is needed.
- Companies such as Samunnati, Mastercard, Avanti Finance, Bharat Khata, Jai Kisan, and SatSure are exploring different ways to unlock the challenges in Agri digitization and farmer financing. These companies offer customized finance, market linkages, advisory services, and technology that streamline underwriting and reduce processing time.
- Banks can play a crucial role in solving the problem of product innovation and reducing interest rates in the Agricultural segment. Collaboration between private parties is also encouraged to make the entire ecosystem cost-efficient.

TECHNICAL SESSION *FIVE*

GRADUATING FROM GROUP BASED LOANS – TWEAKING THE SHG MODEL

Moderator - Amit Arora, Senior Rural Finance Advisor, World Bank

Speakers-

- Nita Kejriwal, Joint secretary, Ministry of Rural Development, Government of India
- Shantanu Pendsey, Chief General Manager, SBI
- C S Reddy, Founding CEO, APMAS
- Pramod Dubey, Group Product Head - Rural & Agri Business, ICICI Bank
- Rahul Kumar, CEO, BRLPS

The rural livelihood mission of each state should organize a celebration to recognize the accomplishments of these women in light of the success of the Self-Help Group (SHG) Bank linkage over the past three decades. This can be an opportunity to highlight the massive social capital that has been built through the efforts of the SHG bookkeepers, auditors, bank sakhis, and community resource persons. To continue this success, the women SHG federations could consider setting up their own "Mahila Bank" with the support of institutions like SRLM and NABARD. Utilizing their savings more effectively and utilizing technology to obtain reliable data on member savings could be beneficial. The SHG federations could also play a role in promoting farmer-producer organizations and micro enterprises. To take the SHG movement to the next level, the focus should be on developing the cluster-level federations as autonomous, member-owned, and self-regulated organizations through annual audits, elections, and ratings. This will make it easier to support, incubate, and mentor a larger number of SHG federations.

The SHG (Self-Help Group) model for microfinance lending has been successful with low credit losses. The presence of the bank in certain states varies based on the quality of operations and collaboration with various stakeholders such as the SRLM and NRLMs. The bank has started piloting a graduation model for those members who have graduated from microfinance needs to individual needs. There is a gap of approximately Rs. 3 lakh crore in the market for loans between 1 lakh and 10 lakhs, which is not being met by either microfinance institutions or banks in the form of MSME loans. It is also estimated that 10% of existing customers who have availed JLG or SHG loans and have a good track record can graduate with this new scheme.

The pillars of lending are the same whether it's a small loan or a large loan. The bank evaluates the capacity to pay, the intent to pay, and the collateral. The SHG model has all three of these factors in place, but to graduate to the next level, additional steps need to be taken. For example, verifying the business activity of the borrower and conducting research to create templates for various types of businesses operating in rural areas. The bank will also perform a Bureau check to evaluate the intent of the borrower to use the loan for the intended purpose. To ensure the quality of the loan, the bank suggests that the social collateral, in the form of group recommendations, should continue even as the loan size increases.

The State Bank of India has started a pilot program in a few states where they work closely with the government to identify and finance entrepreneurs. They are working with organizations such as the IFC and the National Rural Livelihoods Mission (NRLM) for technical and hand-holding support. The bank has also started a Women Enterprise Acceleration Fund to provide small credit guarantees and interest subsidies for female entrepreneurs. The purpose of this pilot is to learn from it and eventually scale up their efforts to support more entrepreneurs. The pilot has been successful, with over 1046 enterprises supported so far, and the bank hopes to continue to drive this initiative across the country with the support of the government and other financial schemes. The focus of the program is to give wings to the aspirations of women who are already a part of the SHGs (Self-Help Groups) and livelihood activities.

National Rural Livelihood Mission (NRLM) has taken several steps to identify and support entrepreneurs in rural areas. It has developed an app to gather information about the entrepreneurs and track their progress, as well as provided training to their staff and community members to assist in loan assessments. To further support the entrepreneurs, they have established a credit guarantee fund and added a small subsidy element. The speaker also highlights the success of using cluster-level federations and Non-Banking Financial Companies (NBFCs) as business correspondents to provide financial services at a low cost. The speaker suggests that the National Rural Livelihood Mission should take a more proactive approach in implementing the Self-Help Group (SHG) Federation Act and promoting self-regulation and self-supervision of the cluster-level federations to enhance the success of these interventions.

There will be a democratization of trade, and credit decisions will be made through automated processes, similar to the Kisan Credit Card (KCC) and Mudra loans, which range from INR 10 Lakhs to INR 5 Crores. The bank is collaborating with Digital Financial Services (DFS) to create these loan schemes, which will eliminate credit risk. Additionally, the government is providing ample policy support for collateral-free loans, creating a favourable environment for enterprises to thrive. As Non-Banking Financial Companies (NBFCs) evolve into small banks and larger banks expand into the NBFC space, interest rates are expected to drop to double digits, making credit more accessible through technology and physical presence. The private sector's loan rates are determined by their cost of funds, which can be reduced with access to lower-cost funds from social investors.

Key Takeaways

- The SHG (Self-Help Group) model for microfinance lending has been successful with low credit losses. Focus should be on developing cluster-level federations as autonomous, member-owned, and self-regulated organizations for the SHG movement to reach the next level.
- There is a gap of approximately 3 lakh crores in the market for loans between 1 lakh and 10 lakhs that is not being met by either microfinance institutions or banks in the form of MSME loans.
- The State Bank of India has started a pilot program to identify and finance entrepreneurs, and has established a Women Enterprise Acceleration Fund.
- The National Rural Livelihood Mission (NRLM) has undertaken a number of initiatives to find and aid entrepreneurs, including the creation of an app and a credit guarantee.
- Focus on democratization of trade and credit decisions being made through automated processes, with the bank collaborating with Digital Financial Services (DFS).
- Interest rates are expected to drop to double digits with the evolution of Non-Banking Financial Companies (NBFCs) into small banks and larger banks expanding into the NBFC space.

TECHNICAL SESSION SIX

NANO ENTERPRISE LENDING – INSIGHTS ON BORROWER PROFILES

Lead Presenter: Abhishek Gupta, IFMR-LEAD

Moderator: Geeta Goel, Country Director, MSDF

Speakers:

- Shweta Aprameya, Founder & CEO, ARTH Impact
- Mayur Modi, Co-founder & Co-CEO, MoneyBoxx
- Puneet Gupta, Founder, Kaleidofin
- Smita Premchander, Founder, Sampark

A majority of MSMEs in the country are micro-enterprises. Among them, most enterprises are nano enterprises with annual turnover below 1 crore. Nano enterprises are known for their ubiquitous hyper-localness as they are usually shops, small businesses and neighbourhood stores spread across the nation. These enterprises have great potential to scale up multi-fold with the right kind of support in terms of access to finance and expertise to manage capital judiciously. It is expected that by 2025, micro and nano enterprises will contribute 50% to the GDP of the country. To achieve this, special attention from all the stakeholders, financial service providers and policymakers is needed. IFMR is conducting an impact investment study of MSDF's NBFC portfolio for nano enterprises in India. Excerpts from the report show that nano enterprises are relatively new in the country, as the median business vintage is as less as 7 years. Also, 55% of the enterprises are in commercial spaces that are not owned but rented by entrepreneurs. As per the report, out of the 2250 SMEs studied, 1647 SMEs have significant rental outflows each month. 60% of these enterprises are unregistered which means they don't have their administrative and operating licences.

There exists a significant gap in access to finance for nano enterprises in the country. Access to credit can unlock the potential of such enterprises as it will enable them to make the requisite investment for scaling up their businesses. Financial service providers can address some of the supply-side issues such as the 'new to credit' challenge, the need for bigger ticket-size loans and the need for digitization. Fintechs such as Arthimpact Digital Loans has coined a new concept called 'Active financing' which involves the aspects of coverage, care, and community to understand the needs of the customer. Coverage pertains to capturing data and information at the grassroots level; care is about understanding the events of vulnerability around credit, payments, or insurance for both the customer and the market; working with the community is about activating tools such as upscaling productivity, access to information and payment services.

Microfinance has been relevant in the country for the last 20 years and today, the nano enterprises' customer base is mostly comprised of microfinance customers who need a greater ticket size loan to scale up their businesses. It is easy to get financed in the MFI model but not as an individual borrower. This is because banks and NBFCs have stringent policy frameworks and targets for lending to collectives but not so to individuals.

Most of the nano enterprises today are 'thin file', which means there is a dearth of data that can aid financial institutions to assess their financial needs. This is because the enterprise owners were primarily microfinance customers and their credit needs have graduated from "micro-loans" to "working capital loans" of higher ticket size. Also, data available for such customers are credit bureau data of microfinance loans, so the challenge exists to underwrite these customers.

The IFC in 2014, calculated the funding gap for women-led MSMEs in India to be around US$ 90 Billion. Banks and financial institutions fund to SHGs rather than lending to women-owned businesses, as SHGs are approved for priority sector lending. Most banks have well-laid-down policies for lending to MSMEs but no such policy measures for lending to nano enterprises. Moreover, many lender organizations don't have strategies or institutional policies for outreach, nor is there any provision for non-financial service linkages, such as financial literacy, other than government schemes.

Interventions in the realm of credit appraisal and policy reforms to encourage lending to such enterprises are the need of the hour. Developing customer-centric apps, credit appraisal tools, planning value chain, and cluster development to extend outreach along with policy reforms will encourage lending to nano enterprises which in the coming times will be the key to unlocking their potential.

Studies show that a vast majority of nano enterprise owners still use cash as the means for their day-to-day transactions. They lack knowledge and education in financial management and the use of technology to enable them to upscale their business. A lot of financial service providers are opting for "phygital" models which are hybrid models wherein they try to establish a connection by being physically closer to the customer segment and soon after, they touch base and digitize all the processes.

'Alternative data' refers to the data gathered from non-traditional information sources. Fintechs, NBFCs and financial institutions are trying to formulate credit scoring models to underwrite the 'new-to-credit' customers based on alternate data trails such as GST filings, utility bill payments, electricity bills and internet usage data, etc. These scoring models can be leveraged to design a customized financial solution having a mix of savings, credit, insurance, and investment. A relatively newer concept of "failure capital" must be introduced by the policymakers, based on the approach to providing funding to an entrepreneur during times of shock, rather than providing them with a moratorium. Social relationships, practised by NBFCs, should also be replicated by the fintech service providers for individual enterprises as it is the most important factor for the repayment of loans.

Awareness around government schemes, their convergence and benefits need to be disseminated among the players in the sector. New and emerging players in the supply side, like NBFCs and fintechs, must develop a mixed approach entailing aggregation of government schemes with the supplier of credit. In the priority sector, there should be segmentation around the size of micro-enterprises and the size of NBFC as lots of innovation will have to come through the younger generation fintechs.

Key Takeaways

- Nano enterprises are a segment within micro-enterprises having an annual turnover of less than 1 crore annually.
- Access to credit is a major challenge for these enterprises. IFC calculated the funding gap for women-led SMEs to be around US$ 90 billion.
- Majority of the nano enterprises are new to businesses so there is a lack of data to appraise a customer for entrepreneurship development loans.
- Policymakers and regulators should focus on developing policies and regulations that encourage more avenues for partnership.
- Approaches based on the convergence of credit with relevant schemes that benefit the micro-enterprises should be developed by Fintechs, NBFCs, etc.
- New credit scoring models based on alternative data should be encouraged as it will ease the burden of underwriting the 'NTC' (New-to-Credit) customers.

DIGITAL PUBLIC INFRASTRUCTURE – GEN-NEXT MODELLING FOR ADVANICNG FINANCIAL INCLUSION

Moderator: Anil Kumar Gupta, Partner Digital Financial Services, Microsave Consulting

Speakers:

- Shalini Gupta, Head Strategy, Sahamati
- Hrushikesh Mehta, CEO & Co-Founder, CredAll
- Manish Bhatia, President, Lendingkart
- Nikhil K, Co-founder & CEO, Finarkein Analytics

The estimated credit gap in India is about $400 to $600 billion and the demand for credit is growing for all sectors. Also, there is a demand for small ticket loans by MSMEs, small & marginal farmers, migrant and gig workers, which is not economically viable in manual disbursement. It is seen that there are more than 600 alternate lending startups in India which led to a threefold increase in credit disbursement in 2020 compared to 2018 and 2% of the disbursement was done digitally. The development of digital public infrastructure for digital lending is narrowing the gap and improving access to credit.

There are three layers to digital lending: the identity layer (KYC), the payment layer and the data layer. With the help of the digital public infrastructure, the costs of acquisition, operations, and processing for small-ticket loans have been reduced, making them more accessible to customers based on their needs. Open Credit Enablement Network (OCEN) is an infrastructure that creates a digital pathway where a Loan Service provider (LSP), which can be a customer-facing application like 'Google Pay' acts as a loan distributor, and the lender acts as a product manufacturer. This enables the credit to be available for all the people who are transacting through any application.

An example of a reference implementation is GeM Sahay, a national public procurement portal owned by the government that focuses on sole proprietors. It offers credit with reduced delivery costs and disburses loans within 10 minutes of the customer's application.

Account aggregators play a vital role in the 'data sharing' stage of the lending decision process, within the digital public infrastructure. Account aggregators help in the accumulation, digitization and sharing of different units of data with the lenders, enabling them to make informed lending decisions. As RBI regulated consent managers, account aggregators serve as a channel or a mechanism for citizens to share their data for availing favourable services. Also, the consent data flows in a real time basis which results in a seamless and secure data sharing process that can be utilized by lenders to prevent fraud.

Technology service providers such as Finarkein Analytics use raw data and converts them into structured, meaningful data based on the standard protocols or open API base for publishing and consumption. The use of data-driven digital public infrastructures reduces the costs of acquiring and processing data since the data is in open formats rather than proprietary ones. This data helps lenders to gain insight into how to acquire new customers, revise credit risk policies, create new policies, and provide other services to borrowers.

The digital public infrastructure has eased the process of credit availability by lenders. By utilizing account aggregators, lenders like Lendingkart have been able to disburse more than INR 1,000 crores, and with the help of OCEN, they are now able to disburse loans ranging from INR 2,000 to 2.3 lakhs. Consolidated information like GST, insurance, transaction, or any data comes in a framework supported by digital public infrastructure, it enables lenders to innovate on their strengths and focus on serving the customers who were previously out of reach.

Even though digital public infrastructure is trying to bridge the gap, there are several challenges related to accessing credit. Small and medium enterprises face difficulty to comply with the processes of financial institutions because the banking system is skewed towards large enterprises and also due to the inability of borrowers in sharing the right documents. Also, there is a pressing need to re-think on KYC process in light of the current use of digital tools, to ensure a seamless digital journey. Another challenge in the digital space is the standardization of regulatory compliance processes as well as the Application Programming Interfaces (API). This will open a channel for credit to be embedded in all the available applications, eliminating the hassle of integrating into each individual application. It is also crucial to ensure that digital public infrastructure services are not limited to digitally savvy customers and it's reaching the bottom of the pyramid segment as well.

Digital public infrastructure solves these challenges by creating an ecosystem where it may go to a public credit registry for real-time data to be used to disburse small-ticket loans in real-time. In terms of lenders not taking risks in the new segment, a credit guarantee scheme for short-term loans is a time-bound credit guarantee or interest subvention where first-time borrowers are provided with some break in interest for the affordability of credit. There are challenges for credit to reach the bottom of the pyramid and digital lending happens in real-time, which is 24X7 and the infrastructure related to it is not complete and these gaps need to be addressed in this industry. Digital public infrastructure in credit is building the ecosystem and is still evolving.

Key Takeaways

- Digital lending is helping to bridge the credit gap in India by making credit more accessible to small and marginal farmers, migrant workers, and MSMEs who may not have had access to credit previously.
- Digital public infrastructure, including identity, payment, and data layers, is streamlining the lending process, and reducing the cost of acquiring and processing financial data, which is enabling lenders to serve customers who were previously out of reach.
- There are challenges to be addressed, including the difficulty for small and medium enterprises to comply with the processes of financial institutions, the need for standardization in regulatory compliance and API integration, and the need to reach the bottom of the pyramid.
- The ecosystem is still evolving, and new solutions and technologies will likely be developed to address these challenges and further bridge the credit gap.
- Some of the initiatives that are helping to address these challenges include a credit guarantee scheme for short-term loans, time-bound credit guarantees, and interest subventions for first-time borrowers to improve affordability of credit.

GREEN INCLUSIVE FINANCING– FRAMEWORK FOR PROMOTING UPTAKE

Moderator and Lead Presenter: Howard Miller, Research Director, Center for Financial Inclusion, Accion

Discussants:

- Presenter- Purvi Bhavsar, Co-founder & MD, Pahal financial services
- Hemendra Mathur, Co-founder, ThinkAg
- Biswarup Banerjee, Program Manager, Renewable Energy, Ikea Foundation
- Abhishek Raju, Co-founder, SatSure AG

The climate is becoming more critical and has been impacting low-income populations in India. Excerpts from a study conducted in January 2023, by Center for Financial Inclusion, predicted summer in 2050 will have a devastating effect on communities in the northern plains. Climate change has catalysed the drive for financial inclusion in India and has been affecting important global issues like food security and ultimately health. It is necessary to discuss how specific tools can be developed and should be viewed through an inclusive lens when talking about green finance. Smallholder farmers, small business owners and vulnerable populations (such as urban poor, migrants, and coastal & river communities) should be included under the umbrella of green financing as heatwaves and floods will lead to shock and stress in the long run. Climate risk mitigation should be a priority when designing financial instruments and products for the green financing market.

In recent times, organizations such as Center for Financial Inclusion have been working towards developing a framework focussing on financial inclusion of the rural communities that are vulnerable to the changing climate. The framework broadly focuses on the aspects of building resilience, driving adaptation, aiding in mitigation, and facilitating the transition towards forging robust rural communities that are resistant to climatic shocks when they arrive. The need of the hour is to imbibe the drive for green financing in the realm of financial inclusion. Financial service providers must restructure their products by skewing them towards providing protection against environmental factors that will affect vulnerable communities in the years to come.

Microfinance, since its inception, has been working with the poorest of the poor and vulnerable populations, especially underprivileged women. A new term called "climate refugee" has emerged because of the significant seasonal migration that occurs in plains like Bihar, and coastal regions due to repeated floods every year. To enhance climate adaptation, affordable and easily accessible products need to be developed for cattle, crops, affordable housing, medicine, and life. Several MFIs are developing products apart from the usual loan products such as affordable housing and life insurance, to protect vulnerable populations from climatic shocks. The nation is transitioning to decentralized renewable energy systems for combating climate change. MFIs are also trying to fund and encourage green businesses (like waste management solutions, solar-run businesses, etc.) by forming meaningful partnerships with the government, DFIs, Agri-tech and Insurtech organizations to ensure efficient delivery of climate-sensitive products & services to the targeted customer base. It is necessary to understand that the transition cost from one era to the next will be an expensive affair.

The private sector has come forward for utility-scale transformation of clean energy solutions like solar grids, rooftop solar and solar lighting solutions to the un(under)served populations. However, there is a need to shift focus from traditional measures (utility-scale) to decentralized energy systems to build resilience and adaptation capacity of underprivileged sections with the changing climate. Currently, there are valid concerns around the delivery of clean energy solutions for the FSPs such as the technological stability of interventions, after-sale services, cost of borrowing, and the high transactional involved in extending such services. Blended finance instruments such as concessional finance can play a significant role in strengthening the sector and building a strong portfolio by extending credit guarantees or through low-cost concessional capital provided to financial institutions. There have been lots of incentives forwarded by the public sector and the government in diversifying the solar-product market for utility-scale transformation and the same can be replicated for decentralized rural applications as well.

Investments in AgriTech interventions have been comparatively high as opposed to other sectors as such investments are based on KPIs and other quantifiable outputs. However, concepts such as adaptation and resilience are harder to measure and draw inferences to attract investment towards. There is a need to shift focus of Agritech investors to climate-tech investments as Agriculture is one of the most vulnerable sectors to climate change. A lot of startups have come up in the recent past that are based around digitization and capturing data related to the quality of soil like its health, moisture level, nutrition content, and carbon content. They also capture data pertaining to crop yield, crop health and hyper-local climatic conditions that can aid in customizing financial products to help assess and hopefully mitigate climate risk.

In terms of building resilience against climate change, avenues for promoting the market linkage of farm produce must be encouraged. Startups such as 'WayCool', 'Ninjacart', 'FarMart', etc. have been working towards enhancing market linkages in ways such as reducing the number of intermediaries and focussing on food loss reductions. These are sufficient but essentially not necessary conditions to drive resilience, per se, but partnering with fintechs, banks and policymakers can surely create the necessary drive toward forging resilient communities.

Newer risk-reduction strategies are being developed by data-driven startups that make inferences and models from alternate data sources. Green financing should be built into an ecosystem that utilizes remote sensing alternatives in addition to being a data-driven process. Data is the future in green financing and risk mitigation is definitely happening, and the impact will be visible soon. The good part is that it has been taken up by private sector players who are providing products and solutions for financial inclusion and risk mitigation, publicly. Available climate change models should serve as national benchmarks and public funds should be utilized for the greater good. Index and risk-based pricing should be developed for farmers in sync with the incentive process.

Financial inclusion enables behavioural change across geographies, so the method of incentivizing and disincentivizing can be used to facilitate the uptake of clean energy solutions. Awareness and education need to be extended to every individual to instill knowledge and widespread acceptance of countermeasures for combating the adverse effects of climate change. India is now largely digital, and digitalization can reinforce economic development. As digital capabilities improve and connectivity becomes more widespread, technology has the potential to alter nearly rapidly and dramatically every sector of India's economy.

Key Takeaways

- Climate change is a critical issue that is affecting vulnerable populations, such as smallholder farmers, small business owners, and urban poor, and there is a need for green financing to mitigate the long-term impact of climate shocks.
- Financial service providers must develop inclusive financial products that protect vulnerable communities from environmental factors.
- Microfinance institutions are playing a crucial role in providing affordable and easily accessible products for climate adaptation, such as affordable housing, life insurance, and products for crops and cattle.
- The private sector is investing in clean energy solutions such as solar grids and rooftop solar, but there is a need to shift focus to decentralized energy systems to build resilience and adaptation capacity of underprivileged sections with the changing climate.
- Startups are using technology such as digitization and data-driven models to measure climate risks and create financial products to mitigate them. Financial inclusion can be used to incentivize behavioral change and education can be extended to every individual to instill knowledge and widespread acceptance of countermeasures for combating the adverse effects of climate change.

TECHNICAL SESSION NINE

FINANCIAL INCLUSION LEADING TO FINANCIAL WELLBEING: EXPECTATION SETTING AND MEASUREMENT

Moderator: Misha Sharma, Lead, Household Finance Practice, Dvara Research

Presenter: Dr Susan Thomas, Senior Research fellow & Co-Founder, XKDR Forum

Speakers:

- Abhishekh Agarwal, Managing Partner, Accion Impact Investment
- Seema Prem, Co-founder & CEO, FIA Global
- Jaspreet Singh, Global Lead, Financial Health & Innovations, UNCDF
- Krishnadas Nair, Business Head - Microfinance, Axis Bank

Institutions and multilateral agencies across the globe working towards financial inclusion have different definitions of financial well-being and a standard definition is important for developing a framework to measure it. The premise of formal finance working towards financial inclusion being beneficial in improving financial wellbeing of lower income households still waits to be widely established due to lack of rigorous, holistic, and nationally representative studies. Measurement of financial well-being will not only help to validate or invalidate the premise that drives the policy but more importantly it will also function as a feedback mechanism using which the implementation of the initiatives taken in this regard can be adjusted. This framework could then be utilised by impact investors, agencies, NGOs, Financial Service Providers (FSPs) and other stakeholders to track the financial well-being of the people involved over time.

For a long time, impact of financial inclusion has been measured in terms of increase in income/ consumption and in empowerment of women. But there is also a growing consensus for need of an alternative approach to measure the impact, as there are very less data sets available to ascertain its ties to financial well-being. Financial well-being as defined by Dvara Research, is the extent to which a person or family can smoothly manage their current financial obligations and have confidence in their financial future. In IFI report 2022, a framework for measuring financial inclusion initiatives is discussed which shows that measurement should be done in a manner that allows policy makers to understand not just the inputs (e.g., access to financial services provided by FSPs, number of financial instruments that are held by the households) but also the outputs (e.g., usage of financial products and services) and outcomes (e.g., improvement in the household's financial well-being and ability to sustain consumption). This framework emphasizes on creation of a minimalist survey instrument to gather data on households' well-being and consumption. It also mentions that the survey should be focused solely on households, and their growth should be observed over a period of time. It is further recommended to collect data from both low-income and high-income households to determine if the gap between them has reduced over time. As this would help in understanding relative improvements in financial well-being of those households.

The goal of financial inclusion a decade back was primarily to focus on product offerings and building an infrastructure to bring more people into the formal finance system. Today, it is believed by the banking sector that financial well-being is a journey and financial inclusion is only the first step towards it. Financial inclusion has had an impact over the years and the consumption of financial products and services is the best proxy in terms of measuring its outcomes. Currently not many products are catered specifically for the low-income segment of the population but some gaps are being addressed by financial inclusion which are crucial for achieving financial well-being over time. The services that are made available through financial inclusion allows households to save wealth, take credit for the purpose of higher income leads and avail insurance products for achieving financial resilience and well-being. Also, it is important to understand that the responsibility of financial service providers is not only to approach the customer with the right solution but it is also to empower them with the right knowledge and make them aware about the product rather than just pushing it.

It is important to note that financial industry should not be burdened with multiple theoretical terminologies like financial health, well-being, resilience, etc., and must be given practical indicators like usage & access as they can be easily comprehended and measured. The efforts made and results achieved in financial inclusion should be the bottom line for financial institutions working in the sector. This narrative will bring more participation from all the stakeholders in the financial inclusion sector including banks and other financial institutions. Some financial institutions like Axis Bank are working towards inculcating financial discipline, insurance awareness, and making customers aware of government schemes. This not only empowers customers but also helps the bank understand the needs of low-income households. This burden of providing financial literacy by financial service providers will reduce if basic financial education in schools is prioritized. Since behavioral changes have been observed due to the pandemic, infrastructural availability, and awareness among customers with regards to taking up digital financial services. Financial institutions can further enhance this positive behavioral change by promoting digital technology to customers to make their operations smoother.

It's important to view 'Credit' as a contextual factor and not as a direct determinant of financial well-being. Instead, when it comes to financial inclusion and well-being, 'Credit' should be regarded as a means to empower customers and generate sustainable value over time. The key to financial well-being is to look at it as a business case and not just as a quarter-to-quarter or year-to-year profit and loss statement. In general, a measurement framework for assessing financial well-being should be cost-effective and include both subjective and objective measures, for it to be operationalised by financial service providers.

Key Takeaways

- More rigorous, holistic, and nationally representative studies should be conducted to establish that financial inclusion is beneficial in improving financial wellbeing.
- A standard definition of financial well-being, agreed upon by different institutions and multilateral agencies, is important for developing a measurement framework.
- It is essential to establish a connection between inputs, outputs, and outcomes when constructing a financial inclusion framework to determine whether financial inclusion is effective for households/individuals.
- More financial products, catered specifically for the low-income segment of the population, need to be developed for achieving financial well-being over time.
- It is the responsibility of financial service providers to approach the customer and the household with the right solution rather than pushing a product without understanding the customer needs.
- Credit must only be considered as one of the many factors in the holistic picture of financial well-being.
- Financial institutions should prioritise financial literacy efforts because it not only empowers their clients, but it also provides valuable insights for developing tailored products

AGENT BANKING: QUALITY, VIABILITY, PRODUCT / SERVICE DIVERSIFICATION

Moderator: Prabhat Labh, CEO, Grameen Foundation India

Speakers:

- Sasidhar Thumuluri, CEO & MD, Sub-K
- Sunil Kulkarni, CEO, BC Federation of India
- Chetna Gala Sinha, Founder & President, Mann Deshi Foundation
- Prabir Borooah, Program Officer, Financial Services for The Poor, Bill & Melinda Gates Foundation
- Pallavi Madhok, Head Advisory Services - India, Women's World Banking

The panel began by highlighting the outreach of Business Correspondent (BC) model in India, the innovations, challenges and its importance in reaching the unbanked population. At present, 3.3 million active BCs are serving the majority of the 450 million savings account opened under the Pradhan Mantri Jan Dhan Yojana (PMJDY).

The BC model has attained tremendous scale over time but there is still scope to leverage the strengths of this network to make it more viable and useful . The needs and aspirations of a typical unbanked customer go much beyond the requirement of a readily available transaction touchpoint. They have limited understanding of financial services as a result they could do with a helping hand to guide them around the features of different financial products. With the right product mix, proper capacity building, and supporting technology; BC agent network can easily be transformed into selling touchpoints offering a much wider range of services. This could potentially serve the needs of the customers while making the BC agent model more viable.

Efforts are underway towards this transformational journey and many BC agents are already up-selling and cross-selling products in addition to core banking transactions. Although the major challenge is building the business literacy and capacity of BC agents to handle multiple products efficiently. Other challenges include cost of compliance around the regulatory framework, liquidity management for BC agents, and solving the viability issue for inactive BC agents.

There have been major regulatory reforms in India around agent banking which have led to the reduction in the amount of paperwork required for banking transactions. This paperless initiative in general have helped in bringing down cost of acquisition, as it has become increasingly easier for BC agents and customers to complete transactions through technology.

Another challenge agent banking faces is the management of liquidity at touchpoints. It is important to have reliable cash management systems in place, along with effective monitoring of the agents. Liquidity crunch often turns BC touchpoints inactive. However, there have been positive steps in this regard in the form of working capital credits for BC agents. The stakeholders have also recognized that by building the capacity of BC agents in cash management, this challenge can be overcome. Dedicated infrastructure is also a barrier to BC agent network viability, as many BC agents are only allowed to serve one corporation or bank. Promoting a shared infrastructure where BC agents are allowed to offer services from multiple businesses, would make it a much more viable business case. It was also suggested during the panel discussion, that BC agents having alternative sources of income could play a crucial role in transforming the current state of the agent banking network.

From a demand-side perspective, it can be argued that the viability of BC touchpoints in extremely remote areas is limited. There is a big gap between the current status of financial inclusion, the need for it, and the possibilities that it brings. Reported data shows that the penetration of financial services for the unbanked has not been very effective. Around 20% of accounts opened under PMJDY are dormant, while only 16-20% of people access formal credit services. Penetration of insurance has also been around 10%.

One possible solution to mitigate the demand mapping for BC agent services is by taking a cue from the telecom industry and mapping the areas of high demand using geospatial techniques. While this does not necessarily benefit remote areas, it does provide visibility into areas where the BC agent model can prove to be sustainable. Subsidies available to BC agents also can be targeted better towards agents operating in remote areas where the agent banking business viability is low.

The panellists emphasized the need for collaboration between different stakeholders in the agent banking ecosystem. These stakeholders are currently working in silos which translates to extremely limited positive impact in the whole ecosystem including the viability of stakeholders' business, viability of the BC agent's business, and also the impact on the unbanked population. It is also important for regulators, banks, MFIs, and other organizations to work together to create a strong and sustainable agent banking ecosystem.

Key Takeaways

- The BC model has been successful in reaching the unbanked population in India, but there is still a need for more innovations and improvements to make it more viable and useful for customers.
- Efforts are underway to transform the BC agent network into selling touchpoints that offer a wider range of financial services. This can serve the needs of customers while making the BC agent model more viable, but there are still challenges around building business literacy, compliance, liquidity management, and viability of inactive agents.
- Regulatory reforms in India have helped reduce paperwork and bring down the cost of acquisition for BC agents and customers, but challenges remain around cash management and dedicated infrastructure.
- Demand-side challenges include limited viability in extremely remote areas, and a gap between the current status of financial inclusion and the possibilities it brings. There is a need for better demand mapping using geospatial techniques, and targeted subsidies for agents operating in remote areas.
- Collaboration between different stakeholders is essential for creating a strong and sustainable agent banking ecosystem. Regulators, banks, MFIs, and other organizations must work together to have a positive impact on the whole ecosystem, the viability of stakeholders' business, and the impact on the unbanked population.

FINANCIAL HEALTH AND WELLNESS- DESIGNING PRODUCTS FOR NEW ECONOMY WORKFORCE

Moderator & Presenter: Sharon Buteau, Executive Director, LEAD at Krea University

Speakers:

- Parul Seth Khanna, CEO, Pinbox
- Badal Malick, Founder & Chief Business Officer, KarmaLife
- Rahil Rangwala, Managing Partner, Accion Venture Lab
- Kartik Ayer, Senior Partnership and Resource Mobilization Officer, International Labour Organization

There is a lack of real-time data on the gig economy; however, some studies have been conducted by BCG and Niti Ayog. A study was conducted by KREA University on gig workers that focused on key characteristics of gig workers like basic details, motivation to join the gig workforce, different categories of gig workers, and their vulnerabilities. Some of the key insights from the report are: Gig workers have an average age of 27 and earn INR 18000 per month. The average household size comes up to 4.6 per gig worker. Around 66% of them have received formal education. Most gig workers want a stable and steady income. There are three types of gig workers: constrained earners, Millennium spenders, and ambitious savers. They have different reasons for being part of the temporary work setup or digital gig workforce.

Some of the features of constrained earners are the primary earners with high family obligations and too little wiggle room. For them gig work is the primary source of income. They live day to day with their incomes and at times have more expense than their incomes. They have an average income of 16000 and save their cash at home.

Ambitious savers are in search of an extra source of money, they are not the primary earners of the family and have an average income of 20000 thus they are able to save. Millennium spender are in gig work to buy new things thus have non-recurring expenses; their parents are the primary earners and have an average income of 15000.

The panel discussion focused on three main questions: 1) What financial products are required for gig workers? 2) What models exist to address this, as well as the actions required from other actors? and 3) How can these models be made viable?

Gig workers often face frequent cash flow shortages, and therefore require financial products that offer recurring liquidity solutions, specifically those with small-ticket short cycles, to meet their cash flow needs. Also, traditional finance is not adequately underwriting this particular segment as needed. This is primarily because the gig workers are non-salaried and the traditional underwriting methods such as bureau score, bank statements and tax returns are not robust for them. To provide liquidity solutions to the gig workers, there is a need to look at alternatives like work activity, earnings, work performance etc. And use them as the underwriting base. When the gig workers need money for emergencies, they need it quick and seamlessly, thus two major things to be considered are processing and pricing of the product. To tackle both these issues KarmaLife has enabled a mechanism where the gig workers can be digitally onboarded keeping its geography agnostic. KarmaLife has introduced a low cognitive overhead model based on flat usage fee within a limited borrowing period. This has turned out to be a simpler model from the customer point of view against the traditional interest model.

Pensions and insurance are hugely important for this segment because of the family member who are dependent on the Gig workers and the lack of savings. The product requirement comes from two point of views; Customer's point of view and Business's point of view. From customers point view there is need based product, desirable product and product offered because of the lack of knowledge or comprehension. The access to these financial services should be in alignment to their income. So, it is about saving small amounts like 20 or 30 per day instead of saving large amounts. The access to these financial services in an aggregated form through technology keeping cost down is essential. Customer centric approach of knowing the customer is very important. There should an embedded approach where some part of their earnings goes into a pension scheme.

The mindset of people regarding pension also needs to change, where they spend more money on religious donations/ marriages in a month but are reluctant to pay even lesser money for their pension. The technology has a major part to play in proving better access of financial products to gig workers. It was mentioned that the processes done through papers takes more time but if it's linked to some technology like WhatsApp takes nominal time. Also, gig workers believe they are not entitled to pension because they are not government employees. Furthermore, the earnings of gig workers are highly volatile, fluctuating between surplus and deficit periods. So, the products must be portable, accessible, and sustainable for the gig workers. The scope of tipping system for gig workers be integrated into the pension accounts can also be explored. Innovative programs like gift a pension is also present. When it comes to investment there is an appetite for experimentation in this field but the patience for the experimentation is the one in question. The grant funding and donor capital is more patient than venture capital.

To effectively reach out to gig workers with these financial services, it is critical to bring the entire ecosystem- policymakers, financial service providers, gig worker employers, and gig workers themselves- to a common platform. This would allow stakeholders to discuss and identify roadblocks as well as potential solutions. Social security needs to be deliberated by bringing all three parties-gig workers, employers, and government- together. Policies must be developed to provide social security through insurance, credit, and savings, as well as to ensure service to the bottom of the pyramid, which is currently lacking in the absence of social dialogue.

Value chain working seamlessly from the design of the product to regulated entity and digital aggregator is necessary. But the thing to be kept in mind is that the unit economics and the business sense is different for each individual player and how can you align it and make it work for all players and then deliver value to gig workers.

Very small ticket-sized, fast churning loans is a great starting point to enter the sector. The advantage of these kinds of loans are; it helps to cap the risk, get higher frequency data and build better product that in turn helps to learn more about the customer and create market footprint. Accessing funds mid-cycle before the paycheck is also important because some gig workers get their wages after a gap of 1-2 months at times which is accrued earnings rather than forecast earnings. There is a massive untapped potential in payout linked finance.

The gig and platform economy worker lack representation at national level like trade unions. The gig workers need to be mobilised and a formal association has to be brought into existence to make their voice heard and talk about their rights to policy makers.

Education about financial products and services is essential, but so is structured social and behavioural change. This could be accomplished by communicating with the segment through the appropriate channels, which emphasises the importance of establishing a mechanism for disseminating information to the last citizen who is unable to access institutionalised financial products.

Key Takeaways

- There is very less availability of real time data on gig workers economy
- Small ticket short cycle with recurring liquidity solutions that address the cash flow needs are the major product gig workers require
- Traditional underwriting methods cannot be used when it comes to gig workers so an alternative method of underwriting should be used.
- Small ticket-size, fast churning loans is a great starting point to enter the sector
- There is a massive untapped potential in payout linked finance
- The scope of tipping system for gig workers be integrated into the pension accounts can also be explored
- Innovations like gift a pension is also available now
- The gig workers need to be mobilised and a formal association needs to be formed to establish social dialogue

AFFORDABLE HOUSING FINANCE CONTOURS OF THE GROWING MARKET

Moderator - Madhusudhan Menon, Social Impact Entrepreneur

Speakers-

- Jayesh Shah, Chief Operating Officer, Svatantra Micro Housing Finance Corporation
- Henrietta Isaac, Independent Consultant, Housing Finance
- Mona Kachhwaha, Partner, UC Impower
- Anjalee Tarapore, General manager, HDFC Limited
- Sandeep Menon, Founder & Managing Director, Vastu Housing Finance Corporation

The microfinance and affordable housing finance sectors in India have seen significant growth and change in recent years. The increased participation of women and support from the government has been instrumental in driving this growth. The self-employment sector has also been a major recipient of these loans, and the low-risk factor associated with such loans has made them more attractive to lenders. The shift towards digital delivery models is expected to make the loan process more convenient and efficient for customers, while co-lending and partnerships between banks and other financial institutions can help balance the risk. These developments are likely to have a positive impact on the overall growth and sustainability of the microfinance and affordable housing finance industries in India.

There is a massive opportunity to build large long-term institutional businesses by making a significant and genuine impact in affordable housing. Reforms introduced by the government like the digitization of land records, schemes such as PMAY, the PMAY-Urban scheme, state government schemes, and other activities have helped create meticulous untapped markets in housing finance across India. Currently, the market outstanding on affordable housing is nearly Rs. 1.5 lakh crores, which can potentially go up to Rs. 24 thousand lakh crores with the right efforts by lenders in the segment. The digitization of the sector and the focus on reducing friction in the credit fulfilment process is a step in the right direction, and the industry needs to continue to embrace new technologies and innovations to improve the efficiency and accessibility of affordable housing finance for everyone.

However, retail mortgages in the small ticket-size segment are accompanied by hiccups such as high operating risk, highly intrusive lending, and huge operational expenses. Also, the targeted customer base for such loans belongs to small towns and markets characterized by their turbulent and fragile nature. A silver lining exists today in the availability of traditional and alternate data which can be leveraged to formulate interfaces that provide blended financial services. Smartphone penetration has significantly deepened its roots in India and arguably 50% to 60% of these customers can be extended loans through mobile phones itself. So, the demand characteristics for such loan products is high and there is a huge untapped market, venturing into which can provide a financer with a first-mover advantage over other players in the sector.

Affordable housing finance organizations can partner with MFIs to extend housing loans by taking help in sourcing microfinance customers. This model can fly because of certain factors. Firstly, the MFI customer base is already credit-tested by going through 2 or 3 credit cycles, hence they would have the discipline of repayment. Secondly, sourcing customers generally is a time-consuming and costly affair but the customer base of the partner MFI can be leveraged to build a pipeline for affordable housing loan delivery. However, this partnership may not be as rewarding and lucrative for the MFIs to aggressively scale up the delivery of housing loans, but certainly, such partnerships can be forged and reasonably scaled.

The MFI sector has been prone to shocks and every time a mishap occurs, the economically weaker section of the society is the sector that gets the least financial flows. Incidents in the past such as the Covid-19 pandemic, and the liquidity crunch of 2018-19 were accompanied by asset liability management issues and it was the microfinance customer base that got the least amount of capital inflows. The post-pandemic credit performance data, however, reveals that the housing finance segment performs the best in terms of NPA recovery, overdue, and numerous other parameters. It is important for the government, regulators, and policymakers to continue to focus on the most vulnerable sections of the income pyramid. There is a huge demand for affordable housing loans, but the supply has been mostly disproportionate. New-age housing finance companies are continuously thriving to devise innovative interventions to underwrite and process the loan within a shorter turnaround time (TAT) to meet the demands in real-time.

The PMAY scheme is a flagship program of the government of India, aimed at providing affordable housing to all by 2024. The scheme has three different verticals, each designed to cater to different segments of the population. The CLSS provides subsidies to eligible households, making it easier for them to access housing finance. The BLC vertical allows beneficiaries to construct their own homes, while the HP vertical provides financial assistance to people living in economically weaker sections.

HFCs play a crucial role in the implementation of PMAY, by extending housing loans to eligible families. The scheme also emphasizes the need for monitoring the construction process to ensure that the homes are built according to the approved plans, which will be beneficial in the long run.

The success of PMAY can be seen in the number of homes that have been constructed and the positive impact it has had on the lives of people living in economically weaker sections. In conclusion, PMAY is a critical initiative that has the potential to make a huge difference in the lives of millions of people. With the right support from financial institutions and a robust monitoring mechanism, the scheme can be a game-changer for the affordable housing sector in India.

Key Takeaways

- The microfinance and affordable housing finance sectors in India have seen significant growth, driven by increased participation of women, support from the government, and the low-risk factor associated with such loans.
- The shift towards digital delivery models is expected to make the loan process more convenient and efficient for customers, while co-lending and partnerships between banks and other financial institutions can help balance the risk.
- The availability of traditional and alternate data can be leveraged to formulate interfaces that provide blended financial services to customers in small towns and small markets.
- Affordable housing finance organizations can partner with MFIs to extend housing loans by taking help in sourcing microfinance customers, as their customer base is already credit-tested by going through 2 or 3 credit cycles.
- The housing finance segment performs the best in terms of NPA recovery, overdue, and other parameters and post-pandemic credit performance data reveals that.
- The PMAY scheme is a flagship program of the government of India, aimed at providing affordable housing to all by 2024, and HFCs play a crucial role in its implementation by extending housing loans to eligible families.
- With the right support from financial institutions and a robust monitoring mechanism, the scheme can be a game-changer for the affordable housing sector in India.

SOCIAL PROTECTION: THE ROLE OF FEMALE AGENTS IN LAST MILE SERVICES & BRIDGING THE GAP

Moderator: Sharon Buteau, Executive Director, LEAD at Krea university

Speakers:

- Gayathri Shanmugam, Co-founder & CEO, Haqdarshak
- Amit Arora, Senior Rural Finance Advisor, World Bank
- Tania Pal, Associate Director, CRISIL foundation
- Ajit Agarwal, Lead, Development and Advocacy, India, WWB

The government estimates 463 million Pradhan Mantri Jan-Dhan Yojana (PMJDY) account holders with 257 million being women. However, the representation of women agents serving these female customers is low, with only about 8-10% being women. To bridge the gender gap and access to financial services & social protection schemes, various agent models are being employed in the country which includes leveraging existing frontline workers, members of female self-help groups, village entrepreneurs, and Common Service Center (CSC). Some of the models are Haqdarshak model, BC agent and CRISIL mitras.

Haqdarshak model, an agent-based model focusing on using Self-Help Groups (SHG) to empower women and provide them with access to financial services and social security schemes. In this model, women from SHGs are selected and trained to help people understand the govt schemes they are entitled to and how to receive them. In another agent model, the selection of women agents is through a collective process where the agent is a nominated person from within the community who can work in the deeper geographies where penetration is the least. Mein Pragati

Program, a CRISIL foundation CSR program works with frontline workers, focuses on building knowledge on finance and provide social security schemes available to the community. Trust and empathy are key factors in all these agent models. To ensure the program's sustainability and the agents' professional success, the emphasis on community and trust-building is crucial.

A study aimed to evaluate the impact of the Haqdarshak model shows, in terms of agents' income, the proportion of people with lowest income level (< 1000 rupees) dropped by 5% and the proportion of people earning between 1000 to 3000 rupees increased by 28%. Also, the average monthly income of agents who worked for at least a month increased by 26%. In terms of socio-economic empowerment, people feel more empowered and this showed an 8% increase among the participants after the implementation of the model. The study also evaluated the effectiveness of different training modalities and found that those agents who received offline training performed better than those who received online training. It was observed that the high-performing agents are women who had better mental health, had received education till 10th or 12th, and demonstrated leadership qualities. The study suggests that building trust, high-touch outreach, and technology integration are important factors for improving the sustainability of the model.

The challenges faced in the agent models are high attrition and low activity of agents resulting in low revenue mostly due to inadequate training, work support, other paid works, or family constraints. These agents can reach a larger audience and offer more individualized services with the aid of digital infrastructure and technology. Providing constant training, handholding, differential commission structure, and reward structure can reduce the challenge of high attrition among the agents.

The Business Correspondent Committee was a remarkable achievement by the Department of Financial Services in terms of policy regulations. The committee brought together top public sector banks and Women's World Bank was allowed to be part of it to represent the issues, challenges, opportunities, and recommendations related to women. The public sector banks recognized the business sense in engaging with women agents as 56% of the 230 million accounts are owned by women and 92% are owned by public sector banks. Despite this, only 10 to 12% of the women agents are active. The banks recognize that there is a gap in the adoption and usage of financial services by individual women and women agents can bridge the gap. The women agents can also address the mobility issues faced by women in rural areas and have been shown to have a positive impact on the uptake of financial services.

Key Takeaways

- Significant gender gap is there in the representation of women agents serving female customers despite the high number of women PMJDY account holders.
- Various agent models are being employed in India to bridge the gender gap and improve access to financial services and social protection schemes which includes leveraging existing frontline workers, members of female self-help groups, village entrepreneurs, and Common Service Centre (CSC).
- Trust and empathy are crucial factors in the agent models, and building community relationships, providing constant training and support can improve their sustainability.
- Challenges faced in the agent models include high attrition rates and low activity of agents, but these challenges can be addressed through differential commission structures, reward structures, and the aid of digital infrastructure and technology.
- Public sector banks have recognized the business sense in engaging with women agents, as they can address the mobility issues faced by women in rural areas and have a positive impact on the uptake of financial services.

Risk Barometer in Digital Lending -Towards Better Customer Protection

Moderator: Jayshree Venkatesan, Research Director, Center for Financial Inclusion (CFI), Accion

Presentation: Sugandh Saxena, CEO, Fintech Association for Consumer Empowerment

Speakers:

- Souparno Bagchi, Chief Operating Officer, Balancehero India
- Beni Chugh, Research Manager, Dvara
- Rahul Sasi, Cybersecurity Expert & Founder, CloudSEK
- Arvind Kodikal, Regional Manager Asia Pacific, Triple Jump

The session discussion was around technology-led innovation, the rapid growth of digital lending, and the risks associated with the same. The Center for Financial Inclusion (CFI) at ACCION and The Fintech Association for Consumer Empowerment (Face) jointly conducted a survey to identify the risks associated with digital lending and prioritize the immediate steps required for the same. The Survey has been released by Avtar Monga, Independent Director, FACE (Fintech Association for Consumer Empowerment), and Sugandh Saxena, CEO of Fintech Association for Consumer Empowerment highlighted the key points in the survey.

In the last couple of years, technology-led innovations have multiplied in the country. With the rapid growth of technology innovations, there are new categories of financial institutions providing the credit service with their own models and products, and also bring a set of risks in the ecosystem that are not limited to risks typically identified with credit business. RBI has raised its concerns about illegal digital lending apps, harsh recovery practices without obeying the regulations, data security, and data used by the apps. The digital process allows customers to accomplish their journey completely based on the digital interaction and with no or very less physical touch which is very exclusive with digital lending. There are risks with customer vulnerability based on their profiles, mostly with the profiles who are new to credit and have easy access to digital lending apps. The study was based on perceptions and responses from lenders, policy bodies, think tanks, research institutes etc. The highest risk was identified as the unlawful fintech lenders not regulated by RBI and just have a presence at the app store and practice unlawful recovery with their customers, not maintaining RBI fair practices guidelines. The second highest risk was identified as cyber fraud and the third was with data security. There have been discussions on the risks of compliance and setting better avenues of communication between regulators and lenders, keeping a close eye on unfair practices so that the industry is not labelled negatively. There have been discussions on opportunities, as fintech serves short terms loans that have huge demands, the potential of expanding the geography based on digital infrastructure with less cost etc.

The panel members came with their perspectives and concerns about the risks overlapping between customer interests and business interests. The first risk of the presence of unlawful digital lenders which affects the entire space appears as the biggest risk which may create roadblocks for the industry itself. It is important that digital lenders also establish their digital identity and reputation in the space to earn the trust to run the business. There is a risk of an entire ecosystem working and investing in fraudulent practices and it is the responsibility of the industry to make the consumers aware of the same to save the customers and the business as well. The reputational risk is very high and it can affect the investors heavily at the early stage of the industry. It is better for lenders and fintech companies to come themselves with a set of refined policies and due diligence models so that the lending practice does not face adverse situations externally. The lenders have to understand are exact factors affecting the customer’s interests and the reputation of the lenders and then only they may come up with policies or tools to mitigate the risks. From the investor’s perspective, there is a strong screening mechanism to invest in fintech companies, but with the high presence of fraudulent practices and unlawful lending apps, it is also clear that the screening by investors is not enough to keep the industry risk-free. From the perspective of governance, the journey has started and it is accepting the dynamism and evaluation of the industry. As of now, the unlawful lenders are not in the proximity of RBI and that has to be addressed at the earliest to ensure customer protection. The recent move of RBI on the data protection bill and regulations for digital lending is a welcome move in this aspect, but still, there is a long way to go and create an umbrella network with policymakers, and digital lenders to continue the industry serving its original goal.

Key Takeaways

- The survey on digital lending and the risks associated with it is appeared to be a much-needed move and what was precepted in the survey comes out to be very true and practiced within the industry.
- The highest risk appeared by the survey and in the discussion is weak regulations and technical gaps to identify and control unlawful lending apps and associated risk of customer exploitation and disrupting the industry goal.
- The stakeholders and approach are still very disjointed under the surface level and customers do not have much reason to have trust on the lenders on the practices and the data security.
- There is strong need of regulators and lenders create a very strong communication channel to make policies and regulations considering the dynamic nature of the industry.

TECHNICAL SESSION FIFTEEN

FINANCING THE SME SEGMENT: OVERCOMING THE SUPPLY SIDE CHALLENGES

Moderator: Nadia Sood, Founder and CEO, CreditEnable

Speakers:

- Bikram Bir Singh, Business Head, Experian Credit Bureau
- Vinay Mathews, Chief Operating Officer, Faircent
- Aditya Harkauli, Chief Business Officer, Indifi
- Divyashika Gupta, Group CEO and Managing Director, Stalwart World
- Vibhor Jain, Chief Business Officer, CreditEnable

India is home to nearly 63 million MSMEs and 84% of them don't have access to capital. A study conducted in 2014 by The World Bank Group and IFC, estimated the credit gap for lending to MSMEs to be around US$390 Billion. The MSME sector contributes nearly 30% to the country's GDP, however, significant challenges prevail. An acute supply-side challenge is that only 25 million SMEs have a trade licence, so a major chunk of these enterprises has no formal credit footprint.

Primarily, the small and micro-entrepreneurs in India lack formal knowledge and education on financial management. These business owners focus their time, effort, and money on building their product but lack the bandwidth to formally translate their business into raising capital from the market. To meet their financing needs, these entrepreneurs often take informal loans from friends and family or personal loans with high-interest rates. A major chunk of the capital raised by SMEs from informal sources goes towards establishing their businesses leaving them with limited working capital for scaling up the business.

GST registration data for SMEs show that only 20 million SMEs are registered while the rest of the 40 million SMEs are still dependent on traditional business licenses (handwritten licenses, Gram panchayat licenses, etc.) which may or may not be accepted as legitimate proof of business by lending institutions. Around 49% of the SMEs are in rural settlements and most of them don't understand legal compliances and documentation requirements for raising capital through formal channels. Technology has helped lenders to digitize their underwriting process and it has also helped SMEs that exist in a digital environment. Digitization has helped ease the post-application process, but it has certainly not helped SMEs with the pre-application process. Although digitalization alone could not be the solution as there exists another challenge of awareness of the nano enterprise owners regarding legal compliances and documentation required for availing a loan. It is only when such entrepreneurs reach out to financial service providers; they come to know about the requisite documentation for availing of a loan. Their credit needs are not met in real-time and hence they are forced to avail informal sources of credit.

A solutioning standpoint for the challenge regarding knowledge and awareness of documentation can be the development of a mixed approach pertaining to, access to credit and awareness regarding financial management and documentation. Organizations such as CreditEnable have taken the initiative to help these customers understand the documentation process with ease and get access to credit right when they need it. Also, customers who don't need financing presently are facilitated to keep their documentation complete, which will enable them to get finance whenever the need arises.

Regulations such as credit guarantee schemes, and banks saving formal targets under Public Sector Lending (PSL) have promoted SMEs in the country. However, there is non-acceptance of 'New To Credit' (NTC) customers in the formal ecosystem due to lack of availability of their credit history. There is, however, availability of alternate data which can be useful for lending institutions for providing loans to SMEs in the absence of formal data/credit history of that particular SME. Alternate data pertains to the set of non-traditional data such as utility bill payments, electricity bills, GST filing, internet usage, etc. which provides broad and consistent coverage of the enterprise, market trends and consumer behaviour. Alternate data can be integrated into the assessment process by the lending institution at the time of taking lending-related decisions for the borrower. Some tech companies are already gathering data based on the geotagging of the customer to make the lending process smoother. Alternate data can be a route through which such NTC customers can come into the formal ecosystem of lending.

Factually, alternate data points are fragmented in nature and come with a lot of unwarranted data and the analysis to draw inferences about a business from such data is a costly affair. The cost of borrowing for MSMEs is also typically high as banks and NBFCs are mandated by the RBI to maintain a capital adequacy ratio, so the loans extended to them have phenomenal interest rates. Banks, NBFCs and Fintechs need to obviate a hybrid lending model which not only takes care of the financial needs of the players in the segment but also alleviates the high costs of borrowing.

One of the approaches for securing data on a business is to partner with platforms on which the SMEs aggregate for conducting their business, such as sellers on Amazon and restaurants on Swiggy. Once these players start their operations, there is a flow of data such as business vintage data, orders generated per month, size of the enterprise, monthly earnings, etc. Without formal banking data, such footprints have helped Fintechs, NBFCs and other financial institutions develop models for the underwriting of such customers. Moreover, the supply-side players also need to change their approach to skew processes in favour of the borrowers. Lenders need to communicate the reasons for rejecting an application to the borrower in a transparent manner so that the borrower understands the flaw and can work towards improving the same. So, next time when he/she applies for a loan, the same mistakes don't repeat.

Data analytics companies like Experian have voiced the need to explore interventions with regulators and trade bodies like CII and FICCI, demanding the facilitation of analysis of data points accessible and making them coherent to assist lending to the needy in real-time. Aggregator platforms need to be encouraged, as they collate various banking and credit-related data points of an entity in one place, which can thus be easily accessed by financial institutions to perform their due diligence before lending.

Digital trails of payments made by an SME will help reduce the turnaround time for the business to meet its financing needs. Innovations such as 'Buy Now Pay Later (BNPL)' can play a vital role in creating a digital profile for these 'new to credit' customers and eventually build a credit footprint for the enterprise which can be accessed by financial institutions.

Key Takeaways

- Only 25 million SMEs have a trade licence, so it is easier for them to get their financial needs met in real-time, as opposed to the rest of the 40 million who don't have GST registration and other required documentation to apply for a loan.
- Nearly 49% SMEs are from a rural setup and most of them lack basic financial knowledge and understanding regarding legal compliances and documentation for raising credit through formal channels.
- SMEs are mostly cash dominated so there is not much digital footprint for FSPs to assess which hinders financial institutions to lend, but the same can be addressed by using alternate data.
- Alternate data points can help to bring SMEs in the formal ecosystem since they lack credit data which makes it difficult for them to take loans. Non-traditional data sets such as utility bills, electricity bills, GST filings can be leveraged to find out market trends, consumer behaviour, etc.
- Digital platforms such as Amazon can help in providing alternate data which can then be used by account aggregators in making this data set more coherent for financial institutions.
- Avenues for unsecured consumer credit such as 'BNPL' should be encouraged, as they can aid the NTC borrowers in creating a digital trail of monetary transactions which can be tracked and analysed for assessing their creditworthiness.

TECHNICAL SESSION SIXTEEN

WITH UNSHACKLED REGULATION- TIME TO REIMAGINE THE MICROFINANCE MODEL

Moderator: N Srinivasan, Sector Expert

Speakers:

- Prakash Kumar, Chief General Manager, SIDBI
- Sadaf Sayeed, CEO, Muthoot Microfin
- Jiji Mammen, Executive Director, Sa-Dhan
- Praseeda Kunam, Promoter and CEO, Samhita Community Development Services

The panel discussed *'how the RBI regulation enable MFIs to create space for reimagining themselves to become better and different'*. The panellists discussed the challenges faced by MFIs due to these regulations and the need for clear and consistent regulations to help balance the protection of consumers and promotion of the growth of MFIs. The thoughts on the impact of regulations on MFIs and proposed solutions to improve the regulatory environment were also shared by the panellists.

The RBI regulation has not mentioned that microfinance, by definition, is restricted to JLG/group loans. The regulations in fact suggest that there is a wider pool of potential microfinance customers beyond just JLG/group loans. Earlier, microfinance loans meant only as only income generating loans, but now RBI has done away with that regulation. With the RBI regulation including the total asset criteria and removing the caps on loan sizes, scope of lending biggest ticket sizes has now opened up for the MFIs. The primary focus should be on the impact of MFI loans on customers, rather than solely addressing the short-term finance requirements of the customers. To overcome the existing criticism that 'MFIs are actually making money out of the poor instead of helping them overcome their financial liabilities', need based individual loans should be disbursed. MFIs should start experimenting with such need-based products- catering to the individual needs since the lending model is now changing from JLG to individual. Mr. Prakash Kumar, SIDBI, quoted that SIDBI encourage the MFIs to identify those clients who will have higher ticket size requirements and do partnership with SIDBI to provide clients with higher loans through SIDBI's partnership model of *Prayaas Initiative*. Such stakeholder collaboration will address the impact gap through effective lending without having any restrictions on the loan caps. With a higher ticket-size portfolio, the MFIs will have to move from an operational risk model to a credit risk model.

There is space created by the RBI regulation and MFIs will be able to reimagine and come up better in the future with holistic operational approaches and innovations in their product portfolios. There is much freedom and flexibility for the MFIs to innovate, bring new products, and re-engineer their processes along with the delivery channels, as quoted by Jiji Mammen. The regulation opens up a plethora of opportunities for MFIs to diversify, both portfolio-wise and geography-wise. Now that the financial products of most MFI remain homogenous, it is inevitable to bring in innovations to perform better and be different. This reimagination demands sophistication in terms of technology- IT infrastructure, software as well as cyber security measures. This technological advancement will ensure seamless integration among the branches and operational locations of the MFIs. This kind of technological innovation comes at huge investments, which will not be a cakewalk for comparatively smaller MFIs.

The establishment of a common platform for all the MFIs will benefit all the players, especially the smaller ones to get the services that they do not have to pay. Given that larger MFIs typically have advanced technological capabilities, an integrated platform will help emerging MFIs to reimagine themselves to become better. Fundraising is a prevailing issue in the sector, owing to the disruptions caused by COVID-19. But the new regulation will give confidence to the lenders and investors because the MFIs can now adapt market-driven pricing. Prakash Kumar mentioned that a lot of effort has gone into the creation of an integrated information-sharing portal-Udyam Assist, through partnerships of banks, MFIs, NBFCs, and other informal segment enterprises. For each business, there will be a unique identification number and the portal will open up plenty of data with immense knowledge-sharing potential. The panel concluded that with the right approach, the new regulations can help the microfinance industry flourish and contribute to financial inclusion in India.

Key Takeaways

- The RBI regulations have created space for MFIs to reimagine themselves and become better and different, but clear and consistent regulations are needed to balance consumer protection and MFI growth.
- The removal of caps on loan sizes and changes to the definition of microfinance loans have opened opportunities for MFIs to diversify their portfolios and cater to individual needs.
- Stakeholder collaboration can help MFIs provide higher loans to clients with higher ticket size requirements.
- Technological advancements are necessary for MFIs to perform better and be different, but smaller MFIs may struggle with the investments required.
- An integrated information-sharing portal like Udyam Assist, which is being created through partnerships among banks, MFIs, NBFCs, and other informal segment enterprises, can open up valuable data and knowledge sharing potential.
- The new regulation will give confidence to lenders and investors due to the adoption of market-driven pricing by MFIs.

FINANCIAL INCLUSION 2.0 – BALANCING BETWEEN SUSTAINABILITY OF CUSTOMERS AND FINANCIAL INSTITUTIONS

Moderator: Prabhat Labh, CEO, Grameen Foundation India

Speakers:

- Amit Kapoor, Founder and CEO, OneStack
- Amrita Kapoor, COO, Swadhaar FinAccess
- Neeraj Maheshwari, CEO and Co-founder, M-INSURE
- Umanath Mishra, Director, CRISIL Foundation

Access to banking and digital financial services has increased significantly in the past eight years, but debt levels for poor individuals and micro-enterprises have increased post-pandemic without sufficient savings or insurance. Digital technology is seen as a game-changer for the delivery of financial services, and Financial Inclusion 2.0 is expected to be driven by digital innovations that require significant investments in demand-side infrastructure.

Financial Inclusion 1.0, which has seen significant policy enablers, supply-side infrastructure, and experiments with small finance banks, payment banks, and neo banks, has achieved more on the supply side by increasing access to financial services through high-touch methods. However, Financial Inclusion 2.0 is envisioned as a more demand-side driven approach where leveraging technology to increase reach, absorption, and utilization of financial services. Private players working in the sector including bankers and FinTechs are expected to work in partnerships for deeper penetration and utilisation, using technology as an enabler.

The Financial Inclusion Index (FII), which in March 21 was 53.9 went up to 56.4 in March 22, shows significant improvement. Major reason for the jump was improvement in supply side, represented by "access", of financial products and services (including introduction to UPI and JAM trinity network), but the demand side, which is reflected by the subsegments of "usage" and "capacity" of FII, fared low points. This signifies that the demand side needs to catch up, with usage and capacity being the softer human aspects of financial inclusion that need more attention. This requires Financial Inclusion 2.0 to focus on both the supply and demand side of financial inclusion and leverage technology to increase reach and emphasize on customer protection, grievance redressal, financial literacy, building customer trust among other softer issues for capacity building of customers at scale and utilization of financial services. Swadhaar FinAccess is working towards building customers' trust in financial institutions and digital financial services. It believes that, as consumer behaviour changes regionally, modules being used for Financial Literacy must adapt too. It is conducting behaviour studies that help in carefully curating material and content suitable to the local needs of the customers.

The Prime Minister has mentioned that earlier Jan Dhan was about taking banks to villages and now it will be about taking banking to villages. Adapting to technology is very important for financial institutions as well as customers in terms of financial inclusion. Currently around 38 Cr people bank with 1 Lakh Cooperative Banks which lack infrastructure and technology and OneStack works with such banks in providing technology for efficient operations. For customers to adapt and trust digital financial services, it is not necessary to cater to them individually but village groups, panchayats, etc. can also be catered to bring familiarity. M-Insure uses E-clinics (digital consultation), SMS, IVR, and other methods of communication and emphasizes using the right medium to bring customers in the technology fold. This way technology acts as a bridge to cater to customers rather than a hurdle (as many customers may not be aware of or possess a smartphone).

The importance of financial literacy and the role of touchpoints, such as the Centre for Financial Literacy (CFL) and other training programs, is providing education, awareness, and customer protection. The need for capacity building and consistent efforts towards it are being realized to ensure that last-mile populations can access and effectively use financial products and services. Organizations like Crisil Foundation and Swadhaar in their CSR efforts are also working with RBI on programs like CFL. They have emphasized the need for local content and language in delivering the financial education, especially in remote and underserved areas. "Human to human" approach in such programs have proven to be fruitful in raising awareness and building trust.

The complex and multifaceted nature of financial inclusion requires a combination of technological, educational, and social interventions. For ensuring its success, a customer-centric and community-led approach is required. It is also important to have more collaboration among regulators, service providers, community organizations and other stakeholders to address the challenges and ensure the viability of different initiatives taken for financial inclusion. Among the pillars of financial inclusion, it is to be noted that, health, insurance, and remittances apart from banking should also be given equal importance.

Key Takeaways

- Financial Inclusion 2.0 is expected to be driven by digital innovations that require significant investments in demand-side infrastructure including.
- Financial Inclusion 1.0, through collaborative efforts of policy enablers and supply-side infrastructure, has achieved more on the supply side by increasing access to financial services through high-touch methods.
- Financial Inclusion stands on 3 pillars, the supply side of financial products & services which is represented by the "access" component and the demand side, which is reflected by the subsegments of "usage" and "capacity". Financial Inclusion Index by RBI reflects that emphasis on developing the demand side subsegments is the need of the hour.
- Financial Inclusion 2.0 is expected to focus on both the supply and demand side of financial inclusion and leverage technology to increase reach and emphasize on customer protection, grievance redressal, financial literacy, building customer trust among other softer issues for capacity building of customers at scale and better utilization of financial services.
- Education, health, and insurance curated to the needs of the customers, should be the focus areas of future interventions using technology as an enabler.
- Centre for Financial Literacy (CFL) and other training programs, that providing education, awareness, and customer protection, must use local content and language in delivering the financial education, especially in remote and underserved areas. "Human to human" approach in such programs have proven to be fruitful in raising awareness and building trust
- Financial inclusion is multi-faceted and complex which requires collaboration and convergence among stakeholders, regulators, service providers and community organisations to address the challenges and ensure viability of different initiatives taken for financial inclusion.

BREAKING GROUND IN WASH FINANCING – CONTRIBUTING TO SDG GOALS

Moderator: Purvi J Bhavsar, Co-founder and Managing Director, Pahal Financial Services

Speakers:

- Apoorv Shukla, Lead - Innovative Development Finance, USAID/ India
- Prof. Srinivas Chary Vedala, CEO at Wash Innovation Hub & Professor, Administrative Staff College of India
- Ganesh Narayanan, Deputy CEO and Chief Business Officer, CreditAccess Grameen
- Amit Agarwal, Regional Director, Central and South Asia, Water Equity
- Manoj Gulati, Regional Director - South Asia, Water.org

Sustainable Development Goal 6 (SDG 6) aims to ensure availability and sustainable management of water and sanitation for everyone. This goal is crucial for the health and hygiene of people worldwide, as well as driving the economic growth. Despite the efforts made to achieve this goal, globally, approximately 30% of people still do not have access to clean drinking water, and 60% do not have access to sanitation facilities. This lack of access has severe implications for the health and livelihood of these individuals. Every day, around 1000 children die due to preventable water and sanitation-related issues. Around 80% of households that are without water on premises, women and girls are often responsible for collecting water, which prohibits them from becoming educated and economically active. Inadequate sanitation facilities also disproportionately affect women, making them the worst sufferers.

Investment opportunity in WASH (water, sanitation, and hygiene) sector in emerging economies, which is around $125 billion by 2030 globally and $19 billion in India alone. The current portfolio for

WASH financing is not even 0.5%. The sustained product line and a concentrated effort by financial institutions are necessary to create an impact and ensure a commitment towards investors. For WASH financing, technical knowledge and need to have a separate team is not necessary for the financial institutions like MFIs. There are advisory firms like Water.org that can train employees and help in creating marketing material showing importance of small loans for the same. CA Grameen, for example, has signed up with Water.org, to spread awareness amongst communities, panchayats, and customers. The MFI has sanctioned around 14 lakh sanitation loans and 3.5 lakh water connection loans.

Grameen schemes pushed by government has pushed the industry's momentum forward towards WASH and specialized loan products for related issues. These kinds of loans are kept cheaper than income generation loans to incentivise customers to positively look at the product. Repayments is usually the concern for MFIs, hence such loan products are given to seasoned customers and have behaved at par with the rest of the products. These loan products usually have a high emotional connection with women and once they understand that coping costs of the medical bill, due to WASH-related illnesses, are higher than investing in such loan products, they happily subscribe to such products. And as demands are evolving for better amenities or facilities, the industry can positively look at it as a multi-product portfolio. The cost of engaging a customer also goes down over time as the same customer would then demand a loan for another WASH-related issue. With the evolving demands for better amenities or facilities, the industry can view it as a chance to expand its product portfolio and potentially reduce the cost of engaging customers over time, as satisfied customers may return to seek assistance with other WASH-related issues. Institutions can use data analysis to find trends and needs of different regions for faster penetration and better appeal.

Government over the last 7-8 years the Swachh Bharat initiative has made toilets available to 11 crore families, which was just a one-time construction for basic sanitation and the demand for better sanitation going to come once families get used to it could be met by MFIs and other financial institutions. The new generation living in rural areas aspires to the same amenities that are present in urban areas, especially in terms of sanitation facilities.

In India today, water and sanitation are a billion-dollar product and post-Covid awareness for clean facilities has increased. And as India is growing economically the demand for such basic needs of households will grow as well. Some institutions that have been working in this sector are already riding the wave and others need to catch up by investing in building their own products and seek necessary technical advice if required. They need to spread awareness of the product and build it in the category as an option available to customers, especially women.

WASH comes under public service and though municipalities are responsible for giving public service delivery, the national government has stepped in for two reasons: failure of local authorities to ramp up the pace of providing these services matching India's growth and to mitigate against impact caused by lack thereof on human development, environment and sustainability. It's crucial to note that having access to services alone doesn't guarantee hygiene. They should collaborate on a national level to improve the performance of MSMEs and companies running treatment facilities. Efforts should prioritize the returns observed through the impact of these initiatives. While the government is heavily investing in creating new assets, maintenance remains a significant issue that requires attention.

Although municipalities in India are responsible for providing public service delivery, the national government has intervened for two main reasons. The first reason is due to the failure of local authorities to keep up with the pace of providing services that match India's growth. The second reason is to mitigate the impact of the lack of services on human development, environment, and sustainability. It's crucial to note that having access to services alone doesn't guarantee hygiene. Therefore, both the public and private sectors working in WASH need to focus on safe and sustained service delivery. They should collaborate on a national level to improve the performance of MSMEs and companies running treatment facilities. Efforts should prioritize the returns observed through the impact of these initiatives. While the government is heavily investing in creating new assets, maintenance remains a significant issue that requires attention. Funds should be allocated solutions that use city-wide inclusive approaches towards WASH. These funds could be a blend of public and impact related funds. USAID is also working in collaboration governments, ULBs, civil societies and private sector organisations to improve development outcomes. It is supporting different enterprises through innovation grants, capacity building, and de-risking entry of private capital through credit guarantee facilities. It is also working with governments for creating an enabling environment and addressing key regulatory challenges that affect private enterprise and private capital. It is important that private enterprise engage and participation in the WASH sector and the need to blend public and private capital to achieve more impactful development outcomes.

There is potential for growth in the MSME (micro, small, and medium enterprises) sector in India over the next five years. And in order for this growth to happen, two things need to be addressed: making it easier for businesses to work with the government and improving access to lending. Educating investors, banks, and other financial institutions about the MSME sector and creating an ecosystem that supports these businesses is equally important. Organizations can work on providing a directory or compendium of investable MSMEs that could help attract more investors to the sector.

Is it also important to address climate change to ensure the sustainability of businesses and communities? There is potential in financing decarbonization initiatives and climate change mitigation through investments in water and sanitation services. Improving these services can have a direct impact on reducing methane emissions, reducing non-revenue water, and improving overall climate resilience. Collaboration among government, MSMEs, financial institutions, and other stakeholders is critical to achieving the goal of promoting the growth of MSMEs, sustainability of WASH services, and mitigation of climate change.

Key Takeaways

- Globally, approximately 30% of people still do not have access to clean drinking water, and 60% do not have access to sanitation facilities.
- In around 80% households that are without water on premises, women and girls are often responsible for collecting water, which prohibits them from becoming educated and economically active. And inadequate sanitation facilities also disproportionately affect women, making them the worst sufferers.
- Specialized WASH loans are kept cheaper than income generation loans so as to incentivise customers to positively look at the product
- With evolving demands for better amenities or facilities, the industry can view it as a chance to expand its product portfolio and potentially reduce the cost of engaging customers over time
- Climate change is expected to worsen the existing water scarcity and sanitation challenges, making it even more critical to invest in sustainable WASH solutions that can withstand climate-related shocks
- The private sector has an important role to play in achieving SDG 6. By investing in sustainable WASH solutions, companies can not only contribute to social and environmental impact but also tap into new business opportunities in the sector
- SDG 6 requires a collective effort from all stakeholders, including governments, civil society organizations, the private sector, and communities. By working together, we can ensure access to safe and sustainable water and sanitation for all

TECHNICAL SESSION NINETEEN

WOMEN'S PARTICIPATION IN PLATFORM ECONOMY – FUTURE DRIVER FOR PROMOTING INCLUSION

Moderator: Jaspreet Singh, Global Lead - Financial Health and Innovation, UNCDF

Speakers:

- Dr. Gayathri Vasudevan, Executive Chairperson, LabourNet
- Anjalli Ravi Kumar, Chief Sustainability Officer, Zomato
- Vikram Jain, Managing Director, FSG
- Bhavya Sharma, Director, Communications & ESG, Urban Company

World is shifting, innovations are driving towards creation of new jobs but still, the lack of female workforce participation in the platform economy is a challenge. India is almost at the bottom for gender-equality ranking according to The World Economic Forum (WEF). Multiple organisations are working towards promoting economic inclusion for women. Urban Company is working to empower millions of micro-entrepreneurs, with a focus on enabling their partners to have a decent standard of living, security net, and opportunities for upskilling & training. LabourNet a social enterprise, is working with informal sector workers of the manufacturing sector, with a focus on temp staffing, gig staffing, job outsourcing, and more. FSG is working towards improving access to livelihoods for women from low-income families in India. Their approach is to work with companies like Urban Company, Zomato and other private sector players to develop inclusive business models that are economically profitable. All these private players aim to boost women's workforce participation and improve their economic opportunities.

Research conducted by FSG shows that women face a lot of barriers at home and need permission to work, despite family attitudes that are generally progressive in theory. Many family members want women to become entrepreneurs, but a lot of women prefer jobs with a steady income as entrepreneurship is volatile and unexpected nature. Additionally, the research showed, 85% of working-age low-income women in India have not gone to college, so initiatives to increase women's participation in the workforce need to focus on sectors like retail, logistics, and flexi-staffing. Collective action from the private sector, government, philanthropic organizations, and multilateral organizations is required to create an enabling ecosystem for women in the industry.

Companies see human resources as cost to company and not as resources. When labour is seen as a cost, companies may seek to reduce that cost, which can result in lower wages and less investment in training and development for workers. Female workforce gets the brunt of such thinking as there are no incentives for the companies to consider investing for their upskilling.

Another challenge is gender stereotyping in the workforce as women may be stereotyped into certain roles, such as beauty & wellness, and may not feel comfortable branching out into traditionally male-dominated roles. Many families were hesitant in allowing women to take on delivery jobs even after the payment of onboarding fee. Zomato notes that the company incurred some cost in convincing women to join the fleet by offering shorter distance rides, a choice of slots, and reduced onboarding fees to increase female participation. Social conditioning at home plays a role in limiting women's opportunities in the workforce. To overcome such biases in the workforce, companies can work on changing their culture and providing more opportunities for women. Governments can provide incentives for companies to improve female workforce participation as labour is a resource for the government and not a cost. The behaviour of gender stereotyping and biases in the workforce can be changed only gradually through education and awareness, especially with the younger generation. The generational impact of empowering and enabling women should be seen as the bigger win.

Key Takeaways

- Globally, approximately 30% of people still do not have access to clean drinking water, and 60% do not have access to sanitation facilities.
- In around 80% households that are without water on premises, women and girls are often responsible for collecting water, which prohibits them from becoming educated and economically active. And inadequate sanitation facilities also disproportionately affect women, making them the worst sufferers.
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- The private sector has an important role to play in achieving SDG 6. By investing in sustainable WASH solutions, companies can not only contribute to social and environmental impact but also tap into new business opportunities in the sector
- SDG 6 requires a collective effort from all stakeholders, including governments, civil society organizations, the private sector, and communities. By working together, we can ensure access to safe and sustainable water and sanitation for all

14TH INCLUSIVE FINANCE INDIA AWARDS

The Inclusive Finance India Awards is an initiative instituted by ACCESS Development Services in partnership with HSBC. The Awards provide a way of recognizing the efforts and performance of various institutions and some individuals that have contributed to advancing the goal of financial inclusion. The 14th Inclusive Finance India Award ceremony was concluded on January 17, 2023 in New Delhi. The awardees were felicitated by Anantha Nageshwaran, Chief Economic Advisor, Government of India, and Mr. Hitendra Dave, Chief Executive Officer, HSBC India. HSBC is committed to supporting the Awards going forward.

This year the final list of Awardees includes highly credible names:

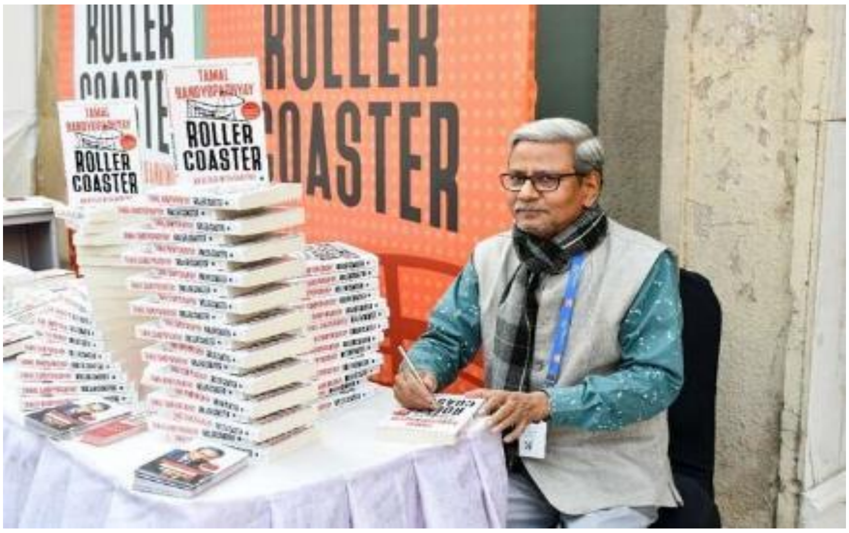
1. Microfinance Organization of the Year (Large) - Fusion Microfinance Ltd.
2. Microfinance Organization of the Year (Medium) - Sindhuja Microcredit Pvt Ltd.
3. Vijayalakshmi Das Award for Small and Emerging Microfinance Organizations -Grameen Shakti Microfinance Services Pvt Ltd.
4. Fintech Innovation for Financial Inclusion - Avanti Finance Pvt Ltd.
5. Breaking Ground in WASH Financing - CreditAccess Grameen Ltd.
6. Financial Inclusion by Small Finance Bank - ESAF Small Finance Bank
7. Inclusive Enterprise Lending by Non-Banking Finance Company - Veritas Finance Pvt Ltd.
8. Affordable Housing Finance by Housing Finance Company - Vastu Housing Finance Corporation Ltd.
9. Priority Sector Lending by Banks (Public)- Canara Bank
10. Priority Sector Lending by Banks (Private) - Axis Bank
11. Contribution to Advancing Financial Inclusion by an enabling Institution - Bihar Rural Livelihoods Promotion Society (JEEViKA)
12. Contribution to Advancing Financial Inclusion by an Individual- Pamidi Kotaiah
13. Jury Special Award for Lifetime Contribution to Advancing Financial Inclusion- Housing Development Finance Corporation (HDFC) Ltd

BOOK RELEASE

Inclusive Finance India has been a platform to release books, reports by authors, and organizations so that it can be reached a larger and more focused group of audiences. This year also the Summit witnessed three book releases:

1. ACCESS Development Services in association with Equifax, released a book titled "State of Microenterprise Financing Report 2022'. The Report was authored by Praveen Khedale and released by Ms. Ashwini Lal, Additional Development Commissioner, Ministry of MSME, Govt. of India, K M Nanaiah, Managing Director, Equifax Credit Information Services & Country Leader – India & MEA, Equifax and Radhika Agashe, Executive Director, ACCESS Development Services.

2. Another book was released at the Summit titled "Roller Coaster: An Affair with Banking" authored by Tamal Bandyopadhyay, Consulting Editor, Business Standard.



3. Sa-Dhan, the Self-Regulatory Organization (SRO) for Microfinance Institutions, also released a book on corporate governance, titled, "A guide for Good Governance Practices" for NBFC MFIs.

ASSOCIATED EVENT: ENABLING INCLUSIVE WORKPLACE IN MICROFINANCE – OPPORTUNITIES & CHALLENGES

Access Development Services and Annapurna Finance Pvt. Ltd. Organized a panel discussion as an auxiliary event focusing on disproportionate gender participation instances in the global economy and labour force. The panel discussion was an attempt to discuss microfinance sector-specific constraints that are considerably affecting the gender balance in the human resources of microfinance. For the panel, a diverse group of stakeholders was invited and the list of panel contributors included the following:

1. Ms. Kalpana Ajayen, Regional Head for South Asia operations, Women's World Banking
2. Mr. Jiji Mammen, the Executive Director & CEO of Sa-Dhan
3. Ms. Purvi Bhavsar, Co-founder of Pahal Financial Services Private Limited
4. Dr. Abhishek Agrawal, Chief Regional Officer for South Asia Operations of ACCION
5. Ms. Mamta Kohli, currently Senior Social Development Advisor to FCDO and a prominent development professional advocating for gender equality and inclusion

The panel was moderated by Mr. Dibyajyoti Pattanaik, Director of Annapurna Finance Pvt. Ltd, one of the top NBFC-MFIs of the country and a forerunner institution sponsoring inclusion and diversity agenda in the microfinance space.

KNOWLEDGE FAIR:

The knowledge Fair is organized as an important associated event in the Inclusive Finance India Summit. This year it saw participation from Awaaz.De, AXIS Bank, Equifax, SunKing, M-Swasth, Ujjivan Small Finance Bank, and many more. Organizations presented their innovative ideas and products at the fair and got an opportunity to showcase them to stakeholders from the industry.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