

INCLUSIVE GROWTH IN INDIA - NATIONAL CONFERENCE - Department of Management Studies Women's Christian College

October 2010

DAY 1

The objectives of this conference were to create awareness about Financial Inclusion concepts, policies & strategies, to analyze the extent of poverty and exclusion in rural and urban India, and to bring out suggestions on various issues and challenges pertaining to Financial and Social Inclusion.

For that, a wide panel of personalities was invited: microfinance leaders, politicians...

NOWADAYS, 60% OF INDIAN POPULATION LIVE OUTSIDE OF THE FINANCIAL SYSTEM IN INDIA.



Ms Janhti Nagar

Democracy is meaningless without Inclusion. "Inclusion is at the basis of my dream in India". Inclusion is not only financial, but also about education, knowledge, gender, and politics.

Quoting Mrs Sonia Gandhi, every Indian should be able to

get a stamp to receive information about his own rights and be aware of the government actions. **Information is necessary for democracy.** India is an unusually dynamic country, with its millionaires (currently 1 lakhs¹), and its poor (and only 10% of the people pay income tax). Today, **Technology allows us to reach this gap.** And the **SHGs**², formed by the NGOs, constitute a fantastic tool for financial inclusion and women empowerment.

Mr Mathew Titus, SA-DHAN³

According to the last **OECD report**: news is not very good for India. **The country remains in the bottom of the statistics.**

To improve Rural and Urban Financial Penetration: the Banking Sector has been liberalized. But yet **the lion's share of financial services is – still! – sourced from informal providers.**

That is why our aim is to strengthen channels for financial inclusion (such as SHGs), educate people about finance and focus on micro-enterprise development. And above all, if you want to work in microfinance, first think about the people ("love the people of this country"), and then design financial products. "Be brave" "be imaginative": it is the only way to find solutions.

Mr. Santanu Sengupta, African Center for Mobile Financial Inclusion

In 2000, the **Millennium Development Goals** were signed. Microfinance is seen as THE tool which will help to alleviate poverty.

"If only we could bring the proper majority to have more money at their disposal".

Prof S. Subramanian, African center for mobile Financial Inclusion

Cooperation is necessary: between the government, the private sector, and other stakeholders. There should be a commitment to alleviate poverty. Innovations should come from: the Institutions, technology and Infrastructure. **The empowerment will come from financial literacy and capability.**

¹ 1 lakh = 100 000.

² Self Help Groups (15-20 women)

³ The Association of Community Development Finance Institutions

DAY 1 | THE SPEAKERS :

SESSION 1 | Financial Inclusion, Issues & Challenges

- Prof S. Subramanian, ex DGM. RBI & Chairman of African Center for Mobile Financial Inclusion (AMCFI), Chennai.
- Mr. A. Ramanathan, ex CGM. NABARD, Director, School of Management, SKCET, Coimbatore.
- Mr. Santanu Sen Gupta, Director of African Center for Mobile Financial Inclusion (AMCFI), Calcutta .

SESSION 2 | Micro Finance For Inclusive Growth

- Mr. Peter Palaniswami, CEO NayaSurabhi Development Finance (p) Ltd, Trichi.
- Mr. George Thomas, Director, ESAF, Trichur.
- Mr Suresh Krishna, MD, Grameen Koota, Bangalore.
- Mr. Ramakrishnan, CEO, RandDe, Chennai.
- Mr. Vikash Kumar, Executive Director, Microfinance Focus, Bangalore.

SESSION 3 | Community Development and Social Welfare

- Mr Silas Balraj
- Mr. Henry Waller, Project Head, HABITAT.
- Mr. Bhakther Solomon, Executive Director, Development Promotion Group, Chennai.
- Mr. Elango Ranganami,

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Nowadays, how much is it to open a bank account? 25-40 Rs? Who cares? Did you think about the price people have to pay to reach the bank (bus...)? The time spent? It is because of that the banking system is only reaching a little part of the population.

Pr Satchidananda Sogala, Srichid Technologies Private Limited

Why do we have this **target group obsession**? Why do we focus only on SHGs? JLGs⁴? Women? Dalits? Financial inclusion should be for everyone!!!

(India: multiple mechanism available. What is the behavior of the poor households?

Now **information data of the borrowers does not exist**: we need to build it. That is why recent creation of CIBIL⁵, CRISIL⁶...

We need a Digital Information Infrastructure, Digital Rural Information Infrastructure for delivery business... Who is going to do that? The government? Why MFIs and Banks need information to give credits?

THERE ARE 150 MILLION POOR HOUSEHOLDS IN INDIA.

IS MOBILE BANKING A SOLUTION?

THERE SHOULD BE FINANCIAL AND NON FINANCIAL SERVICES ACCESSIBLE (SUCH AS INSURANCE...).

Mr. George Thomas, Director, ESAF⁷

ESAF focus on **entrepreneurial development**. Entrepreneurs bear risk of buying at a certain price and selling at an uncertain price. The role of microfinance in entrepreneurial development is to provide finance services, to assess potential borrowers/entrepreneurs, to create joint responsibility, to expand choices of entrepreneurs, to reduce risks...

Mr Vikash Kumar, Microfinance Focus

Media is the first pillar of democracy. MFIs **are reaching well in remote areas**. Now the poor are getting abundance of money. How to manage this money (poor should be educate)?

Mr Ramakrishnan, Rang De⁸

What is **Inclusive Growth**? It is an **"Easy access to finance and markets, health care and quality education across all low income households"**. How does the follow up work? Different philosophies:

- M. Yunus: his aim is to help poor to become richer.
- MFIs: their aim is to make the borrower AND the investor richer.

How to measure the impact of microfinance? Repayment rate: 100% (we have to be careful with this information, there is a **disconnection with the fact it helps alleviating poverty**). MFIs: they do not publish their accounts (lack of transparency in the sector), and most of MFIs are lending to the same borrowers.

Do you think microfinance in India is forgetting its social goal? (cf. SKS? Microfinance)

Microfinance became a business as another. There is no regulation nowadays. Micro finance has become a lucrative business and that is what Mr M. Yunus is concerned about.

THERE ARE 77 TRIBAL CITIES IN INDIA WITHOUT ELECTRICITY (THE TIMES OF INDIA).

27 MILLION CHILDREN BORN IN INDIA EVERY YEAR (2 MILLION DO NOT SEE THEIR 1ST BIRTHDAY, 1 ON 11 DIE BEFORE HAVING 5 YEARS OLD), 18 MILLION STREET CHILDREN IN INDIA, 20 MILLION CHILD LABORERS

⁴ Joint Liability Group (5 – 10 women)

⁵ Credit Information (India) Limited

⁶ India's leading Ratings, Research, Risk and Policy Advisory company

⁷ Microfinance Institution

⁸ Micro online lending Company



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32% OF THE PEOPLE OF THE COUNTRY LIVE UNDER 1\$ PER DAY.
70% OF INDIANS LIVE IN VILLAGES (STUDY OF THE MINISTRY OF INDIA).

"The world is a dangerous place, not because of those who do evil, but because of those who look on and do nothing". Einstein.

DAY II

Mr Prakash, CEO Gradatim IT Ventures

There is **no structure in the villages** (20 persons live at the same address, only the postman knows who lives where), this is very challenging for us. On one hand, we are touching lives but also very exciting technology elements (ex: mobile banking). We should not underestimate the role of technology in Inclusive Growth.

M. Kannan Vortex Engg Pvt Ltd.

Solar ATMs for Rural Banking.

Vortex : focus on making ATM to help banks to reach out places they cannot reach on a sustainable manner. The coverage of rural people to bank access is very poor: rural people with bank a/c (20%), rural households with bank a/c (40%), rural h/h with formal credit (20%). The rural 'informal' borrowing is about USD 80 billion. **"There is a large market for banks to reach out"**.

Today: around 40-55 000 ATMs (less than 5% of the requirement: in the US, Japan, Europe: around 1 ATM for 1000 people). India requires 1 million ATMs. **The acceptance of technology is not a challenge if it makes sense** (if people have to take bus to go to the bank, a lot of money and time are wasted). **Now ATMs are not suitable for rural installations** (it consumes a lot of power, fraud...). Need of biometric identification (fingerprint). How to centralize all the finger prints? A bank has never done that before in the world so they have to build it.

Cf. the Rural Development Poverty Act.

J. Badrinarayanan, CEO S&S technologies

About **security management** (extremely large target population, and varied customer profiles, very low literacy levels and awareness).

Need to re-engineering existing Business Processes, with independent delivery agencies. **Risk = Asset value x vulnerability x threat.**

Threats: identity and access breach (confidentiality, compromised data integrated, frauds/ compliance deviations, money laundering, bad debts, financial terrorism, hacking...).

Security risk management solutions. KYC (know your customer).

The challenges in security risk management:

money laundering -> illicit money -> mobile wallet -> Bank -> clean money.

"Technology is necessary but not sufficient".

High fees for mobile banking, who is to blame? Mobile companies? Banks?

In India, it will be the lowest price all around the world, not like in South Africa.

Ms Vijayalaksmi Das, CEO, FWWB,

Credit/savings, insurance... currently most of MFIs only provide credit, and a little insurance but not savings (as there are only NBFC legally). It is not sufficient to give credit, we should also give savings. The NABARD SHG Program was extremely successful. Financial Literacy will be one platform needful for everyone, even engineers...

RBI has been in Inclusive work since the beginning.

200 papers have been presented in this conference

SESSION 4 | Technology for Inclusive Growth

- Mr. Prakash, CEO, Gradatim IT Venture, Bangalore.
- Mr Ajay Singh, CEO, Forbes Technosys, Thane.
- Mr L. Kannan, Founder & CEO, Vortex Engg. Pvt. Ltd
- J. Badrinarayanan, Director and CEO S&S Technologies, Chennai.

SESSION 5 | Closing Session : An Interface with Policy Makers & Implementers on Financial and Social Inclusion.

- Mr. R. Narayan, Chief General manager, NABARD, Chennai.
- Mr Balasubramaniyam, M.D & CEO, REPCO Bank, Chennai.
- Mrs. Vijayalaksmi Das, CEO, (FWWB) Ananya Finance for Inclusive Growth, Ahmedabad.