The Role of Private Sector in Deepening Financial Inclusion in India

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During a recent country visit, the Special Advocate met with key private-sector leaders in India on 30 May to discuss innovations that can enhance financial inclusion there.

Over the last few years, India has rapidly improved access to formal financial services. Thanks to conducive policies, the India Stack, and other innovations, 80 percent of adults now have a financial account—a big jump from 53 percent just three years ago. With its robust digital infrastructure, India offers fertile ground for technology-enabled financial services. Yet while the number of adults with an account has increased significantly, account usage has room for much improvement. Only 48 percent of those with an account use it regularly—indicating that many people do not yet find value in their accounts.

Meeting in Mumbai, the Special Advocate and Indian leaders from a broad range of financial services providers discussed how to increase the attractiveness of financial services for underserved customers. In particular they focused on the needs of women, micro-entrepreneurs, and farmers. The increasing affordability of technology—from smartphones to data services—was seen as a key game changer.

Technology enables providers to better understand, acquire, underwrite, and lend to these customers. India's digital infrastructure makes it an exciting market for providers to innovate on low-value large-volume business models. Combining customer-centricity and technology allows financial services providers to offer solutions that are commercially attractive.

Innovations in reaching customers

When designing a product or a marketing campaign, providers need to carefully consider how best to reach and then serve their target customers. For women, films and social connectors such as WhatsApp have been effective in delivering financial education, especially in rural areas. For farmers, financing options that factor in the seasonal nature of their livelihoods—for example by applying tranche loan disbursement instead of bullet disbursement—have been most effective.

Providers can also leverage supply-chain actors ranging from e-commerce companies to farmers' collectives to better underwrite their borrowers and suppliers. Digital sales data can also help in that regard.

In order to build trust and help people see the benefits of using financial services, providers need to offer a convenient customer experience for digital financial services—for example, making a payments app available in local languages or ensuring digital payments go through instantly. On the other hand, relatively low digital literacy in India means that the presence of physical services and distribution channels will still be required. This highlights the need to expand the country's business correspondence network and ensuring there is a good business case behind it.

The next level—at scale

The UNSGSA emphasized that private-sector leaders have a central role in taking India to the next level of financial inclusion. Applauding the many financial product and service innovations that are thriving in India, she encouraged partnerships that could bring such innovations to scale.

Advocating for partnerships among cross-sector companies is a focus of her current work. At the global level, in Davos in January 2018 she launched the CEO Partnership for Financial Inclusion—bringing together ten leaders of global companies who are committed to driving private-private partnerships for financial inclusion. During the Special Advocate's trip to India in May, she also convened a meeting with the companies' business heads for
India to discuss in detail how they can build innovative collaborations, based on their key strengths and assets, for financial inclusion in the country. She looks forward to continuing support for both the government and private businesses as India presses ahead even further to advance financial inclusion.